

REGISTRATION DOCUMENT
2009/10



We are shaping the future

ALSTOM

Registration Document

2009/10



The original French version of this Registration Document was filed with the *Autorité des marchés financiers* on 26 May 2010 in accordance with Article 212-13 of its General Regulation. It may be used in connection with an offering of securities if it is supplemented by a prospectus ("note d'information") for which the *Autorité des marchés financiers* has issued a visa.

ALSTOM

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Overview

GROUP GENERAL ORGANISATION

Alstom serves the power generation market through its Power Sector, and the rail transport market through its Transport Sector. Alstom designs, supplies and services a complete range of technologically advanced products and systems for its customers, and possesses a unique expertise in systems integration and through-life maintenance and service. In fiscal year 2009/10, orders amounted to €14.9 billion and sales to €19.7 billion. On 31 March 2010, the backlog amounted to €42.6 billion.

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

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

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

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

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

On 31 March 2010, Alstom had a total of approximately 76,500 employees worldwide.

MAIN EVENTS OF FISCAL YEAR 2009/10

Robust results in a difficult commercial environment

Alstom's commercial activity over fiscal year 2009/10 was heavily impacted by the global economic downturn, with orders declining sharply under the effect of the worldwide recession. On the operational side, the Group remained focused on project execution and tight cost control and achieved an outstanding performance, improving both its revenues and its operating margin.

Order intake at €14.9 billion declined substantially as lack of visibility led customers to postpone a number of infrastructure projects. By contrast, the fiscal year 2008/09 had benefited from an exceptional surge in demand, with orders received at a record level of €24.6 billion. Alstom's backlog remains strong at €42.6 billion, representing 26 months of sales.

The main commercial successes recorded this year included:

- for Power, contracts for the construction of the largest combined-cycle power plant in the United Kingdom, including five GT26™ and the associated operation and maintenance contract, a turnkey coal-fired power plant in Slovenia, equipment for a thermal power plant in Germany and hydro pumped-storage power plants in Switzerland;
- for Transport, large orders for regional trains, suburban trains and tramways in France, tramways and metros in Brazil, metros in the Netherlands, regional trains in Germany and several signalling projects around the world.

Delivering its high quality backlog, the Group achieved record operational results. Sales increased by 5%, on an actual and organic basis, reaching €19.7 billion. Income from operations improved at €1,779 million, a 16% increase, and operating margin rose from 8.2% to 9.1%. The quality of orders in backlog and the attention paid to project execution played a major part in this performance. In addition, specific actions were taken to cut costs and increase the flexibility of the industrial base.

During the fiscal year 2009/10, net profit (Group share) increased by 10% to €1,217 million.

The Group's free cash flow dropped to €185 million but remained positive, the good operational performance having more than compensated the deterioration of working capital resulting from lower order intake.

Pursuing strategic priorities for development

ADAPT THE GROUP'S COST STRUCTURE TO THE COMMERCIAL ENVIRONMENT

Since the start of the financial crisis, a programme to reinforce the control of selling and administrative expenses has been implemented across the Group. A series of short-term specific actions delivered positive results; in addition, several initiatives were taken to boost the efficiency of support functions and optimise sourcing and supply chain management.

In response to the economic uncertainty, Alstom adapted the management of its workforce, strictly limiting new recruitments to backlog execution, reducing fixed term contracts and using specific measures in some countries. The Group also adjusted the capacities of some of its industrial sites to their workload, downsizing sites for the production of boilers in the Czech Republic and for rolling stock in the United States of America and Brazil.

As a result of these measures and despite a growing activity, selling and administrative expenses decreased from €1,392 million in 2008/09 to €1,331 million in 2009/10, representing a decrease in percentage of sales from 7.4% to 6.8%. Total headcount decreased from 81,500 at the end of March 2009 to 76,500 at the end of March 2010.

EXPAND AND MODERNISE THE INDUSTRIAL FOOTPRINT

In 2009/10, Alstom invested €470 million in capital expenditure programmes (excluding capitalised development costs) to expand its industrial base on key geographical markets and to adapt its footprint to the evolution of demand.

For Power, main capital expenditure programmes included:

- the completion of the Group's largest utility boiler manufacturing site in Wuhan (China). The facility is operational since 12 November 2009;
- the construction of a new site and the capacity expansion of the hydro turbine facility in Tianjin (China);
- the construction in Chattanooga (Tennessee, United States of America) of a new facility to manufacture steam turbines for nuclear and thermal applications as well as gas turbines, generators and related equipment;
- the completion of a new plant in Brazil jointly with Brazilian group Bardella, to manufacture equipment for local hydro projects;
- the expansion of a gas turbine component repair and reconditioning workshop in Jupiter (Florida, United States of America);
- the completion of Elblag foundry in Poland, which will increase the production capacity of key components of turbines.

For Transport, capital expenditure remained focused on modernisation of key products lines as well as productivity improvement. Major investment programmes conducted over the year included:

- manufacturing capacity increase for very high speed trains, tramways and metros at various sites in France and Poland;

- productivity improvement in various manufacturing facilities for key components in France, Belgium, Germany and Italy.

In December 2009, Alstom and Bharat Forge Ltd (BFL), a global leader in manufacturing and metal-forming, firm up their agreement in principle signed in November 2008 to set up a joint venture company based in India to manage the whole process from engineering and manufacturing to selling and commissioning of 600 MW to 800 MW turbine island for coal-fuelled power plants. The implementation of this agreement will complement Alstom's local presence in boiler manufacturing, turn the Group into a major player in the fast growing Indian energy market and strengthen its position in Asia.

On 1 March 2010, Alstom and Transmashholding (TMH), Russia's largest railway equipment manufacturer, firm up the strategic partnership agreement that they had agreed on in March 2009. Both partners signed:

- a Share Purchase Agreement under the terms and conditions of which Alstom acquires a 25% stake +1 share in Transmashholding's parent company, Breakers Investment BV. This acquisition is subject to the fulfilment of certain conditions;
- an amendment to the current Shareholders' Agreement on the company's management governance;
- a Master Cooperation Agreement which specifies the terms according to which their joint activities in developing and manufacturing new rolling stock and components for railway equipment are to be carried out.

As part of the strategic partnership agreement, a representative of Alstom Transport was appointed Transmashholding's new deputy managing director. He was joined in Russia by a team of experts in manufacturing, engineering, human resources and financial control.

A 50/50 joint engineering company – "Tekhnologii Relsovogo Transporta – TRT" – has already been set up and registered in Russia. This company will create in Russia centres of excellence for designing and manufacturing railway system equipment and key components, integrating the latest technologies developed by Alstom Transport and TMH. This engineering centre is already working on the design of an electric passenger locomotive, the EP-20, capable of speeds of up to 200 kph, which will serve as a platform for a future range of new Russian locomotives for various uses.

SUSTAIN AND REINFORCE TECHNOLOGICAL LEADERSHIP

During fiscal year 2009/10, Alstom kept a strong Research & Development (R&D) effort at €614 million (excluding capitalisation and amortisation effects), in line with last year record level of €621 million, to strengthen its technological leadership and improve its product offering.

The Group continued the intensification of its programmes in the field of Carbon Capture and Storage (CCS) and is currently validating the selected technologies through a number of pilot and demonstration

projects around the world, working closely with key partners toward full scale commercialisation. Several successes were recorded this year:

- Alstom and American Electric Power (AEP) dedicated on 30 October 2009 a fully integrated 58 MWth CCS extension at Mountaineer power station (West Virginia, United States of America) which will capture and store 100,000 metric tons of CO₂ per year. In December, AEP was granted an award from the U.S. Department of Energy to expand the CCS facility in order to sequester up to 1.5 million metric tons of CO₂ per year using Alstom technology.
- In October, Alstom and We Energies announced that the pilot tested at Pleasant Prairie Power Plant had demonstrated the predicted performance of the chilled ammonia carbon capture system, which captured 90% of carbon dioxide from the flue stream coming from the coal-fired power plant, testing the technology in real-world conditions.
- The advanced amine CO₂ demonstrator developed with the Dow Chemical Company in its facility in South Charleston (West Virginia, United States of America) successfully started in September and will generate the necessary data for the optimization of this technology.
- Alstom Power also signed an agreement on 15 October 2009 with the Canadian utility TransAlta Corporation to create a large scale capture and storage facility at Keephills 3 power plant in Alberta (Canada) which will sequester around 1 million metric tons of CO₂ per year.

In parallel, Alstom worked towards innovation targeting production efficiency and energy management, with the following outcomes:

- further developments of the GT24™, GT26™ and GT13™E2 gas turbines, including performance upgrade packages, combustion system improvements to reduce emissions and increase fuel flexibility, and features to allow further enhancement of the operational flexibility of these machines;
- upgrade of steam turbines;
- rejuvenation of Alstom's automation offering and launch of several new products in Energy Management Business, such as the ALSPA® Series 6, a new generation of distributed control systems and a new line of Asset Monitoring and Diagnostic (ALSPA® Care).

For Transport, R&D investments targeted the development of new environment friendly transport solutions and the upgrade of the existing product range:

- over the summer 2009, the AGV™ completed a series of tests enabling to validate the new very high-speed platform. These tests have been followed by a trial trip at a maximum speed of 300 kph on the high speed track Rome-Naples (Italy). The successful outcome of the test allowed the validation of the dynamic behaviour of the train ordered by Nuovo Trasporto Viaggiatori (NTV). Tests are now continuing in order to obtain the validation of the signalling solution for the Italian network;
- in February 2010, Alstom presented in Nantes (France) its new Dualis™ model of tram-train. Designed to meet the needs for greater fluidity between urban and suburban transport, Dualis™ operates the link between a city centre and its suburbs without the need for off-loading. It is indeed capable of operating on a tramway network as on a regional rail network thanks to adaptations incorporated in terms of safety, power, and comfort;

- the new PRIMA™ II locomotive was unveiled in June 2009, in Belfort (France) before being tested in Germany. The first units were delivered in Morocco in October, where they performed trial tests in operating conditions;
- in June 2009, Alstom opened a bogie test and validation centre in Switzerland which can accommodate complete bogies, including underframe, suspensions, transmission and engines.

INTEGRATE ENVIRONMENTAL CHALLENGES IN THE OFFERING

Providing clean, smart and efficient solutions in Transport and Power generation is at the heart of Alstom's strategy.

In the Power Sector, besides steady R&D efforts in CCS to strengthen technology leadership and develop demonstrators, this objective also means deploying CO₂-free and renewable technologies as well as improving production efficiency and energy management.

In the Wind activity, Alstom has developed a new 3 MW wind turbine called ECO 110, with the first prototype installed at the end of 2009. It will match the growing needs for larger on-shore turbines. As part of its R&D plan, Power has also initiated the development of wind offshore technology with the aim of entering notably the United Kingdom market. Alstom focuses on developing a large 6 MW offshore wind turbine specially designed to meet these requirements. Prototypes and preseries are planned to be available in 2012-2013, for series production to start in 2014.

In May 2009, the Group made a first step into the ocean energy market through a licensing cooperation agreement with Clean Current Power Systems Incorporated, a private Canadian company specialised in the design and testing of tidal stream energy technology. Both parties engaged to closely cooperate in order to further develop technology, deploy demonstrator units and subsequently position Alstom as both equipment and turnkey provider for tidal stream farms. Commercialisation of tidal products is expected by 2012.

In Nuclear, Alstom remains the number one supplier of steam turbine and generator sets. The Group has major nuclear projects in backlog, including conventional islands for EPR projects in China and France and a retrofit project for the Koeberg nuclear power station in South Africa and pays a particular attention to their proper execution. As demand on the nuclear market is expected to grow fast in the coming years, Alstom can rely on its demonstrated skills with 30% of nuclear power plants worldwide using Alstom turbine-generators sets, and on its state-of-the-art ARABELLE™, the world largest steam turbine in operation.

The Group also works at improving production efficiency and energy management with the aim of achieving the goal of 50% plant efficiency for steam plants and 60% for combined-cycle gas fired plant. It also offers a broad portfolio of solutions to limit emissions (Air Quality Control Systems, Energy Management Systems, integrated retrofit solutions) from new and existing power plants.

In Transport, Alstom dedicated a significant part of its R&D effort to promote sustainable rail transport systems. The lifecycle process has been improved through the use of easy-recyclable materials such as steel, aluminium and copper. New generation train range like the AGV™, the PRIMA™ II and last CORADIA™ models are 95% recyclable. They are also the subject of an ISO 14025 environmental product declaration, which allows their environmental impact to be evaluated throughout their lifecycle.

Efforts also focused on reducing train energy consumption. By introducing composite materials in the CORADIA™ trains to lighten them and by improving effectiveness of their traction systems, energy consumption of CORADIA™ train has been reduced by 10 to 15%. Through power recovering braking systems, the AGV™ and the last generation of Alstom trains are capable of producing and using their own electricity: when the energy generated by the motors during the braking phase is not consumed by the train, it can be fed back into the electric grid. Noise was also a field of active research: the noise inside the AGV™ at 360 kph is the same as that of its main competitors at 300 or 320 kph.

BE RESPONSIBLE FOR THE EMPLOYEES AND THE ENVIRONMENT

Training and Communities

Alstom pursued its efforts on training through the five Alstom University campuses around the world, with 80 training courses offered in seven languages. Fiscal year 2009/10 showed a marked increase in the total number of sessions (close to +15%) and in the number of employees trained face-to-face (over +13%). Alstom also actively supported the creation and development of Communities and collaboration activities by employees with the further development of the Alstom Collaborative Way.

Environment, Health and Safety

Alstom continued its efforts in Environment, Health and Safety (EHS) in 2009/10 with data for the fiscal year 2009/10 being audited for the first time.

In the Health and Safety area, Alstom continued to focus on its programme “Zero Severe Accident”, launched in 2008, and greatly reduced the number of work-related accidents, achieving an injury frequency rate of 2.3 ⁽¹⁾.

Alstom launched also several environmental friendly programmes and initiatives to reduce its own footprint. Two years ago, the Group announced its objective to reduce the intensity of energy and green-

house gases from its operations by 20% by 2015. The intensity of CO₂ emissions decreased from 30 tons CO₂ per € million sales, in 2008, to 28 tons at the end of December 2009. Major objectives are also set up by the Group to reduce water consumption, Volatile Organic Compounds (VOC) emissions, and improve waste recycling by 2015.

Ethics & Compliance

The development of the integrity culture is a top priority for the Group. New initiatives are continuously taken to let ethics and compliance rules, based on Alstom values – Team, Trust and Action –, fully permeate the organisation worldwide. The Code of Ethics, updated in March 2010, has been distributed to all employees. To ensure a good understanding and a strict application of the rules, detailed guidelines have been published on Gifts and Hospitality, Political Contributions, Charitable Contributions and Sponsorship. Training has been reinforced through the e-learning module “e-Ethics”, for which completion is mandatory for all the 35,000 Managers & Professionals. Moreover a community of approximately 200 Ethics & Compliance “Ambassadors” is being appointed to support internal programmes.

Alstom Foundation for the Environment

Through the Alstom Foundation for the Environment, created in November 2007, the Group has continued to actively support projects in the field of environmental protection. In June 2009, the Foundation selected 13 new projects for 2009/10 among 72 projects submitted from 32 countries, including China, Brazil, India and Venezuela.

ENTERING THE TRANSMISSION MARKET

On 20 January 2010, Alstom and Schneider Electric signed with Areva the agreement for the acquisition of its Transmission & Distribution (T&D) business. This agreement was the result of the exclusive negotiations which started on 30 November 2009 and after the completion of the consultation of the relevant employee representatives. The proposed transaction was approved by the European Commission on 26 March 2010. It remains subject to the approvals of competition authorities in some countries and of the French *Commission des participations et des transferts*.

Alstom and Schneider Electric intend to work closely with the management of Areva T&D in order to implement a rapid and smooth integration. Areva’s Transmission activities will be included into a new Sector, alongside Power and Transport.

(1) Number of accidents with time lost to injury per million hours worked.

GENERAL COMMENTS ON ACTIVITY AND RESULTS

Consolidated key financial figures

GENERAL COMMENTS ON THE GROUP'S ACTIVITY

The following table sets out the Group's key performance indicators for 2009/10.

Total Group, actual figures

Year ended 31 March (in € million)	2010	2009	% Variation 2010/09	
			Actual	Organic
Order backlog	42,561	45,670	(7%)	(10%)
Orders received	14,919	24,580	(39%)	(40%)
Sales	19,650	18,739	5%	5%
Income from operations	1,779	1,536	16%	15%
Operating margin	9.1%	8.2%		
Net profit – Group share	1,217	1,109	10%	
Free cash flow	185	1,479	(87%)	

In 2009/10, Alstom maintained strong operational results whereas the order intake was heavily impacted by the economic downturn.

As a result of the economic crisis, the market for new power plants and equipment slowed down significantly in all regions. Recovery pace varies from one country to another, with emerging countries recovering more rapidly. Hydro's orders substantially decreased as two of its main markets, Brazil and China, dropped from very high levels last year. Coal and combined cycle markets have been impacted similarly by the economic downturn. Renewable market conditions improved particularly in China and the United States of America, with strong incentives for investments in new power generation projects in these regions, in particular for wind; by contrast, a number of projects in Europe were delayed due to the unavailability of financing.

Nuclear investments have been concentrated mainly in China and delayed in other regions but nuclear power generation is expected to grow as more countries decide to invest in this CO₂-free and base-load technology. The service market remained more resilient but was also adversely affected by the global downturn as lower electricity consumption resulted in lower utilisation rate of the power plants; additionally, fewer orders for new power plants led to a decrease of related operation and maintenance contracts.

The transport market continued to be supported by strong fundamentals such as urban congestion, mobility needs and environmental concerns. Stimulus packages targeted to rail transportation have accelerated some specific projects, notably in Europe and the United States of America but delivering their full effects will take time. Markets for very-high speed and mass transit showed continuous growth while freight activities slowed down.

As a consequence of the decline in commercial activity, the working capital deteriorated significantly leading to a low level of free cash flow.

ORDERS RECEIVED AND BACKLOG

Order intake was strongly affected by the global drop of the economic activity in 2009/10 and totalled €14.9 billion, down 39% compared to the record level of €24.6 billion booked in 2008/09. At the end of March 2010, the backlog remains at a high level of €42.6 billion, representing 26 months of sales.

During the year, Power booked €9.4 billion of new orders, down 43% compared to last year. Major orders included the construction of the largest combined-cycle power plant in the United Kingdom (including five GT26™) and the related operation and maintenance contract, a turnkey coal-fired power plant in Slovenia, equipment for a 900 MW thermal power plant in Germany, the retrofit of a coal-fired power plant in Poland, two large contracts for hydro pumped-storage power plants in Switzerland, energy management systems in South Africa, boilers in India, the supply of key equipment for hydro power plants in Canada, nuclear steam turbine retrofits in the United States of America and wind farms in Spain and the United Kingdom.

Transport recorded €5.5 billion of orders during the year, including suburban double-decker train sets, regional trains and tramways in France, tramways and metros in Brazil, metros in the Netherlands, regional trains in Germany and Spain and several signalling projects around the world.

SALES

Thanks to the execution of its strong backlog, Alstom's sales reached a new high in 2009/10, at €19.7 billion, a 5% increase compared to the €18.7 billion recorded last year.

Power achieved sales of €13.9 billion, a 6% year-to-year increase, thanks notably to the trading of contracts for an oil-fired power plant in Saudi Arabia, combined-cycle power plants in the United Kingdom, the Netherlands, Algeria and the United Arab Emirates as well as large coal-fired power plants in South Africa, Poland and Germany.

For Transport, sales totalled €5.7 billion, up 1% compared to 2008/09. Largest contracts traded included metro cars in the United States of America, Brazil, Spain and Turkey, double-decker TGV ⁽¹⁾ in France, regional trains in France and Germany, locomotives in Morocco and China and turnkey tramways in Algeria.

INCOME FROM OPERATIONS

Reflecting the Group's backlog quality and its tight control on costs, income from operations reached €1,779 million, an increase of 16% compared to last year, and the operating margin rose from 8.2% to 9.1% of sales:

- Power income from operations rose to €1,468 million (+18% compared to last year). The operating margin improved from 9.6% to 10.6%;
- Transport posted an income from operations at €414 million, *versus* €408 millions last year (+1% compared to last year). The operating margin remained stable at 7.2%.

NET PROFIT – GROUP SHARE

Net profit (Group share) reached €1,217 million, a 10% year-to-year increase, the progress of the income from operations being partially offset by the deterioration of the financial income, while tax rate decreased from 25% last year to 24% in 2009/10.

FREE CASH FLOW

The Group's free cash flow amounted to €185 million this year compared to €1,479 million in 2008/09. Lower order intake adversely impacted the working capital, which partially offset the good operating performance. In 2008/09, the working capital improved significantly as a result of the record level of order intake.

NET CASH

The Group maintained a net cash position at €2,222 million at 31 March 2010 *versus* €2,051 million at 31 March 2009. This includes a positive free cash flow generation of €185 million, a dividend payment of €323 million (excluding minority interests) in July 2009 and the impact of increases of capital for €204 million, notably for the payment in shares of the 50% stake in Alstom Hydro held by Bouygues.

LIQUIDITY

At 31 March 2010, Alstom had a robust liquidity position with gross cash amounting to €4.4 billion, and an undrawn credit line of €1.0 billion. Over the fiscal year, Alstom issued three bonds totalling €1,750 million and repaid a bond maturing in March 2010 for an amount of €275 million.

Key geographical figures

GEOGRAPHICAL ANALYSIS OF ORDERS BY DESTINATION

Total Group, actual figures

Year ended 31 March (in € million)	2010	% of contrib.	2009	% of contrib.	% Variation 2010/09	
					Actual	Organic
Europe	9,207	62%	11,718	48%	(21%)	(20%)
North America	1,987	13%	2,509	10%	(21%)	(21%)
South and Central America	717	5%	1,574	7%	(54%)	(56%)
Asia/Pacific	1,933	13%	2,537	10%	(24%)	(25%)
Middle East/Africa	1,075	7%	6,242	25%	(83%)	(84%)
Orders received by destination	14,919	100%	24,580	100%	(39%)	(40%)

(1) TGV is a trademark of SNCF.

In Europe, orders received amounted to €9,207 million in 2009/10, a 21% year-to-year decrease. For Power, main orders booked over the year were a large combined-cycle gas turbine in the United Kingdom, including 5 GT26™ and the related operation and maintenance contract, a high efficiency coal-fired turnkey power plant in Slovenia, equipment for a thermal power plant in Germany, the integrated retrofit of a coal-fired power plant in Poland, two large orders for hydro pumped-storage power plants in Switzerland, wind farms in Spain and the United Kingdom and operation and maintenance contracts on gas plants in the United Kingdom. For Transport, major contracts included regional and suburban trains in France, regional trains in Germany and Spain, CITADIS™ for several French cities, metro cars for the Amsterdam metro and several signalling projects. Europe accounted for 62% of the Group's orders this year.

In North America, €1,987 million of orders were recorded, a 21% decrease compared to last year. Contracts booked by Power in the region included steam turbine retrofit orders in the United States of America, equipment for hydro power plants in Canada, a 25 MW geothermal power plant as well as air quality control systems in Mexico. North America contributed to 13% of the Group's orders in 2009/10.

In South and Central America, orders reached €717 million compared to €1,574 million in 2008/09, during which exceptionally large orders for hydro projects had been recorded in Brazil. Main contracts booked over the year were for metros and light rail vehicles in Brazil. South and Central America accounted for 5% of the Group's orders in 2009/10.

In Asia/Pacific, orders of €1,933 million were recorded, a 24% decrease compared to last year. In India, in collaboration with its licensee Bharat Heavy Electricals Limited (BHEL), Power received orders for 800 MW and 660 MW coal boilers, as well as orders for air quality control equipments for industrial applications and for a coal plant. It was also awarded a 4 x 125 MW hydro project. Transport booked a signalling contract for the new Bangalore metro network in India. In China, Transport booked several contracts for advanced train control systems and Power won orders to supply emergency diesel generators for nuclear power plants for which the conventional island was previously awarded to Alstom and for two 600 MW steam turbines. In the rest of Asia/Pacific, Power recorded new orders for service contracts in Singapore, Indonesia, South Korea and Thailand on Alstom GT24™, GT26™ and GT13™ equipment and for a hydro plant in Bhutan. Asia/Pacific represented 13% of the Group's orders in 2009/10.

In Middle East/Africa, the Group recorded contracts for €1,075 million, a 83% decrease compared to the exceptional level of last year during which large steam power plants were booked in Saudi Arabia and South Africa. In South Africa, Power received contracts for distributed control systems for two coal power plants for which twelve steam turbine and generator sets were booked in previous financial years. In Saudi Arabia, Alstom won two contracts for Sea Water Flue Gas Desulphurization systems. Transport was awarded a contract to supply CITADIS™ for Casablanca's future tramway network in Morocco as well as infrastructure and signalling contracts for the Cairo metro system in Egypt. Middle East/Africa accounted for 7% of the Group's orders in 2009/10.

GEOGRAPHICAL ANALYSIS OF SALES BY DESTINATION

Total Group, actual figures

Year ended 31 March (in € million)	2010	% of contrib.	2009	% of contrib.	% Variation 2010/09	
					Actual	Organic
Europe	9,811	50%	9,705	52%	1%	2%
North America	2,736	14%	2,943	16%	(7%)	(7%)
South and Central America	952	5%	1,088	6%	(13%)	(14%)
Asia/Pacific	2,251	11%	2,557	13%	(12%)	(14%)
Middle East/Africa	3,900	20%	2,446	13%	59%	58%
Sales by destination	19,650	100%	18,739	100%	5%	5%

Sales in Europe amounted to €9,811 million, a 1% increase compared to last year, representing 50% of the Group's total sales. Main contracts traded over the year included contracts for combined-cycle power plants in the United Kingdom and the Netherlands, and for large coal-fired plants in Poland and Germany, as well as contracts for double-decker TGV⁽¹⁾ in France, metros in France, Spain and Turkey, regional trains in France and Germany.

In North America, sales amounted to €2,736 million, a 7% decrease compared to last year, accounting for 14% of the Group's total sales and included sales of boilers, air quality control equipment and metros in the United States of America as well as the supply of a metro system for Mexico City.

(1) TGV is a trademark of SNCF.

Sales in South and Central America decreased by 13% at €952 million and represented 5% of the Group's sales over the year. Main contracts traded concerned hydro power plants and metro cars in Brazil.

Sales in Asia/Pacific reached €2,251 million, a 12% decrease compared to last year. Most of the sales stem from the supply of equipment for a hydro power plant in Vietnam, turbine islands for nuclear power plants in China and a turnkey gas-fired plant in Australia. For Transport, locomotives were delivered in China.

Sales in Middle East/Africa increased by 59% to reach €3,900 million. Power executed major contracts in Saudi Arabia, South Africa, the United Arab Emirates, Algeria and Tunisia while for Transport, key contracts traded included deliveries of tramways in Algeria and locomotives in Morocco.

1

Group Activity

GEOGRAPHICAL ANALYSIS OF SALES BY ORIGIN

Total Group, actual figures

Year ended 31 March (in € million)	2010	% of contrib.	2009	% of contrib.	% Variation 2010/09	
					Actual	Organic
Europe	13,783	70%	13,133	70%	5%	6%
North America	2,631	14%	2,858	15%	(8%)	(9%)
South and Central America	767	4%	660	4%	16%	15%
Asia/Pacific	1,433	7%	1,650	9%	(13%)	(16%)
Middle East/Africa	1,036	5%	438	2%	137%	126%
Sales by origin	19,650	100%	18,739	100%	5%	5%

Europe still represents the main centre of production and project execution with 70% of total sales by origin at €13.8 billion.

OUTLOOK

Power remains focused on developing in high growth areas, keeping the lead in clean power and leveraging opportunities in the installed base. Transport aims to strengthen its positioning in mature markets, whilst targeting emerging ones with suitable solutions. Along with the integration of Transmission's activities into the Group, Alstom will seek to boost its growth through selective acquisitions if opportunities arise.

Alstom's operational priorities are geared towards leveraging its competitive advantages to get profitable orders as well as adapting to the load whilst maintaining flexibility. Focus remains centred on quality, project execution and strict cost control.

In the current context, Alstom has set a new operating margin forecast between 7 and 8% over the next two years, based upon proper contract execution and gradual recovery of demand.

The foregoing are applicable to the Group's current structure. They are "forward-looking statements" and as a result they are subject to uncertainties. The success of the Group's strategy and action plan, its sales, operating margin and financial position could differ materially from the goals and targets expressed above if any of the risks described in the Risk section of the Registration Document for fiscal year 2009/10, or other unknown risks, materialise.

Sector review

Power Sector

The Power Sector offers a comprehensive range of power generation solutions from integrated power plants for all types of fuels: water, wind, fossil, nuclear, geothermal, biomass, and all types of turbines, generators, boilers, emission control systems, as well as a full range of services, including plant modernisation, maintenance and operational support.

Offering

All components produced by Alstom can be integrated in order to build the most efficient and the cleanest power solutions for the customers.

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

The Sector also provides a complete range of services, support and equipment to the thermal power generation industry on a global scale. The Sector offers a wide range of services, including:

- power plant management: tailored service packages including Operation and Maintenance (O&M) agreements for plants' full life cycles;
- consulting and support: technical services, training, monitoring and diagnostics, performance analysis;
- performance improvement: modernisation, upgrades and lifetime extension;
- Alstom has an extensive experience in retrofitting existing power plant equipment. This knowledge is of great value as the worldwide installed base is ageing and needs to operate under ever more stringent environmental regulations;
- field service: outage management, field repairs, erection, commissioning, construction and supervision; and
- new spare parts, improved and reconditioned components.

The Power Sector operates in all geographic markets with more than 200 units in 70 countries and has a worldwide manufacturing footprint. In Europe:

- steam and gas turbines as well as generators in Birr (Switzerland), Belfort (France), Elblag and Wroclaw (Poland), Mannheim and Bexbach (Germany), Budapest (Hungary);
- heat recovery steam generators in Setubal (Portugal);
- hydro turbines and generators in Grenoble (France), Birr (Switzerland) and Bilbao (Spain);
- Alstom Wind is headquartered in Barcelona (Spain) and have operations offices in Toulouse (France). Wind turbines are manufactured in several sites in Spain.

In Asia:

- turbines and generators in Beijing (China);
- boilers in Durgapur (India) and Wuhan (China);
- heat recovery steam generators in Surabaya (Indonesia);
- hydro turbines and generators in Baroda (India) and Tianjin (China).

Aiming to expand also towards Asia, Alstom Wind has also established a local team dedicated to wind business in Beijing, China.

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

In North and South America:

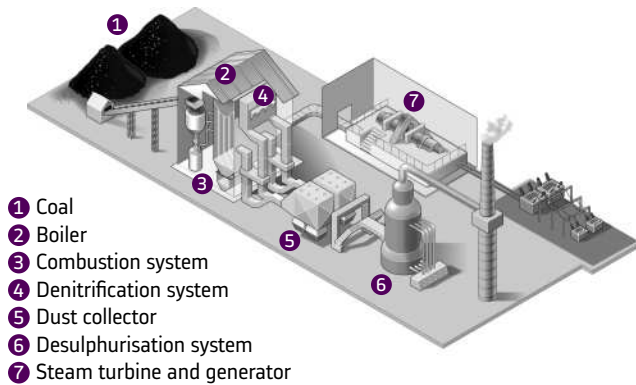
- hydro turbines and generators in Taubate (Brazil) and Tracy (Canada).

In 2008, Alstom Hydro and Bardella created a 50/50 joint venture called Indústria Metalúrgica e Mecânica de Amazônia (IMMA) which has built a plant to manufacture hydromechanical equipment in Porto Velho, State of Rondonia; this plant is now operational.

Steam and gas turbines and generators are manufactured in Morelia (Mexico). A new facility in Chattanooga (USA) will be inaugurated in June 2010 to fully manufacture steam turbines for nuclear and fossil power plants for new and retrofit projects as well as gas turbines.

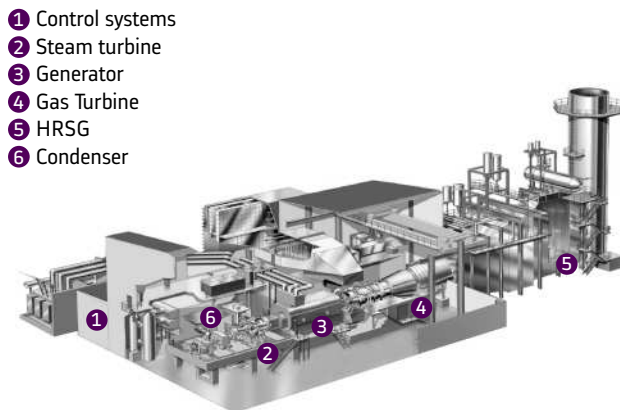
Alstom Wind operations offices are also located in São Paulo (Brazil) and in Richmond (USA). The industrial footprint will be further developed worldwide with the opening of two new units, one in Brazil (State of Bahia) and one in the USA (Texas) which will be fully operational by 2011.

Coal power plant



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

Combined cycle power plant



- ① Control systems
- ② Steam turbine
- ③ Generator
- ④ Gas Turbine
- ⑤ HRSG
- ⑥ Condenser

Gas

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

INTEGRATED SOLUTIONS

Integrated simple cycle power plants

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

Integrated combined cycle power plants

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

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

PRODUCTS

Gas Turbines

Alstom's high performing, low emissions, operationally and fuel flexible gas turbines (ranging from 56 to 292 MW) are successfully operating in simple, combined and/or cogeneration applications.

Alstom's gas turbine products are:

- GT26™ (292 MW) for 50 Hz;
- GT24™ (193 MW) for 60 Hz;
- GT13™E2 (182 MW) for 50 Hz;
- GT11™N2 (115 MW) for 50 and 60 Hz;
- GT8™C2 (56 MW) for 50 and 60 Hz.

Turbogenerators

As a leader in air-cooled technology, Alstom has set the trend with TOPAIR by designing a simple, robust and highly reliable air-cooled turbogenerator. The largest air-cooled turbogenerator in operation is a TOPAIR at 340 MW.

The upper range of gas turbine combined cycle applications are covered by Alstom's hydrogen-cooled TOPGAS with outstanding reliability and efficiency resulting in low life cycle costs for Alstom's customers. TOPAIR together with TOPGAS turbogenerators are the result of a continuous, evolutionary development that has pushed the limits of power output while maximising efficiency. At the same time, it is characterised by simplicity and ease of operation and maintenance.

HRSG (Heat Recovery Steam Generator)

Alstom offers a complete range of HRSG, optimised for cycling and constructability, that provide high performance in all modes of operation. More than 600 HRSG behind gas turbines of 50 MW and above were supplied from Alstom's own manufacturing facilities, including drum-type and advanced once-through HRSG, thus providing Alstom with unparalleled experience in this field.

Steam

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

More than 30% of boilers sold to date worldwide use Alstom technology, totalling over 750 GW of equivalent capacity and making Alstom a leader in the boiler industry (source: Alstom). Alstom's experience includes both subcritical and supercritical steam pressures and a broad range of fuels including coals from around the world. Alstom has developed fuel-firing systems that provide for high efficiency with low emissions.

Alstom has installed more than 1,400 steam turbine generator sets of over 100 MW capacity, totalling over 480 GW around the world and is a European leader for the supply of large capacity ultra-supercritical units. Over 100 turnkey steam power plants built by Alstom supply more than 500 GW worldwide and Alstom's fleet represents over 20% of the world's installed steam turbine capacity (source: Alstom). Covering nuclear, fossil, and cogeneration applications, Alstom offers reaction and impulse turbine technologies. Alstom steam turbines for power generation solutions are available as back-pressure or condensing turbines with and without controlled steam extractions for a wide range of applications, including independent power producers and utility power stations, turbine retrofits, and other industrial processes and mechanical drive installations.

INTEGRATED SOLUTIONS

Alstom provides a comprehensive range of flexible integrated solutions for various outputs. The steam power plants can efficiently burn a wide range of coal as well as oil and biomass, in a single or multi-unit arrangement using different types of boilers.

Alstom's Plant Integrator™ approach calls on proven solutions tailored to meet each customer's specific needs.

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

Alstom's technology provides optimum performance for all steam cycles from 100 MW. Its cutting-edge expertise with ultra-supercritical technologies ensures higher efficiency. Alstom's position as a leading supplier of environmental control systems significantly reduces the environmental impact of the power plants. Moreover, Alstom's new steam power plants are now designed to be CO₂ capture ready.

PRODUCTS

Steam Turbines

Alstom offers a comprehensive portfolio of highly reliable, efficient and operationally flexible steam turbines for all fossil-fired power plant applications, with outputs up to 1,200 MW.

Steam turbines for steam power plants:

- STF100: 700–1,200 MW;
- STF60: 500–800 MW;
- STF40: 250–500 MW;
- STF25: 100–350 MW.

Steam turbines for combined cycle power plants:

- STF30c: 150–400 MW;
- STF15c: 100–200 MW.

Steam turbines for cogeneration (*i.e.* steam extraction for industry or district heating) and desalination:

- COMAX: 100–400 MW.

Small steam turbines:

Alstom also offers a range of highly flexible, efficient and reliable steam turbines for renewable energy (waste-to-energy, solar thermal, biomass), power generation, cogeneration and industrial applications below 100 MW.

- MT: 50–100 MW;
- TM2: 50 MW class steam turbine for solar thermal applications.

Turbogenerators

Alstom has more than 100 years' experience in designing and manufacturing turbogenerators. As an experienced, global supplier, the Group provides a full range of turbogenerator leading technologies for coal-fired power plants:

- GIGATOP 2-pole covers a power output range from 400 MW to 1,400 MW at 50Hz and from 340 MW to 1,100 MW at 60 Hz;
- TOPGAS covers a power output range from 300 MW to 530 MW at 50 Hz and from 250 MW to 450 MW at 60 Hz;
- TOPAIR covers a power output range from 150 MW to 400 MW at 50 Hz and from 90 MW to 300 MW at 60 Hz;
- TOPACK covers a power output range from 40 MW to 150 MW at 50 Hz and from 40 MW to 90 MW at 60 Hz.

Alstom's GIGATOP 2-pole is the most powerful turbogenerator running at full speed and has been supplied to some of the largest coal-fired power plants in the world. The GIGATOP 2-pole turbogenerator delivers the needed power at an optimum efficiency and it has demonstrated extremely high reliability in operation resulting in low life cycle costs for Alstom's customers.

Boilers

Alstom offers a broad range of performance utility boilers and related equipment for an extensive range of fuels, providing highly efficient, reliable and operationally flexible operation with low emissions. This equipment range includes:

- suspension-fired boilers, up to 1,200 MW, using advanced pulverised coal firing technologies;
- circulating fluidised bed (CFB) boilers, up to 600 MW; and
- equipment for boilers, including air preheaters, coal mills and ash handling systems.

Environmental Control Systems

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

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

- control of sulphur dioxide (SO₂): greater than 98% reduction;
- control of nitrogen oxide (NO_x): greater than 90%;
- control of particulates: Alstom is PM 2.5 compliant;
- control of mercury emissions: up to 90%.

The next challenge will be the capture of carbon dioxide (CO₂). Alstom is testing and demonstrating various oxycombustion and post-combustion solutions on an industrial scale (see Research & development section). Alstom is now proceeding with the industrialisation of those technologies.

CO₂ Capture and Storage

Alstom has several pilot projects currently running using several technologies of CO₂ capture solutions that give one of the best energy efficiency for an acceptable cost of installation and maintenance for the operator. The Sector focuses mainly on post-combustion and oxy-combustion technologies as these applications cover both new built power plants as well as existing fleet. The availability and efficiency performances for these technologies are promising. They should allow the capture of CO₂ emissions from commercial scale power plants from around 2015 depending on the technology.

Post-combustion technology is the most advanced technology today. It consists of separating CO₂ from exhaust gases using a solvent. Two technologies are pursued by Alstom: advanced amines, in cooperation with Dow Chemical, and chilled ammonia. These technologies can be applied to both coal-fired power plants and to combined cycle gas-fired power plants. The various pilot projects and industrial demonstrations already under way will measure the energy use of these technologies and should confirm their economic advantages.

The oxy-combustion method consists of burning a solid fuel in a mixture of pure oxygen and recycled CO₂ instead of air. This combustion produces a concentrated stream of CO₂ which can be easily stored. Conditions for retrofitting existing fleets with oxy-combustion technology are currently being studied. Also, important technological breakthroughs are being prepared, such as chemical looping, a new and promising form of oxy-combustion currently undergoing bench tests at Alstom.

The third path, called pre-combustion, consists of transforming by gasification a fuel rich in carbon (coal or petrol derivatives) into a synthetic gas made up of carbon monoxide and hydrogen. Carbon monoxide is then converted into CO₂ and hydrogen using water. Hydrogen is burned in a combined cycle gas turbine power plant. Alstom has decided not to invest at a large scale in the gasification process itself as this technology cannot be applied to the existing fleet. This technology may potentially be successful in a "poly-generation" mode producing synthetic gas (or hydrogen if equipped with carbon capture), synthetic fuels as well as other by-products, including electricity and consequently Alstom has launched development programmes to enable its gas turbines to burn hydrogen-rich gases.

Alstom has already signed several agreements with utilities and oil companies for pilot CO₂ capture plants using both oxy-combustion and post-combustion methods.

POST-COMBUSTION:

- a 5 MWt post-combustion pilot plant (using chilled ammonia) in association with the Electric Power Research Institute (EPRI) for We Energies in the United States (coal). This pilot has completed its tests as scheduled and achieved great results, as recognised by the EPRI;
- a 5 MWt post-combustion demonstration plant (using chilled ammonia) for E.ON in Sweden (oil and gas);
- a collaboration between Alstom and The Dow Chemical Company (Dow) to design and construct a pilot plant using a new advanced amine technology to capture CO₂ from the flue gas of coal-fired boiler at a Dow-owned facility in West Virginia, USA. This plant is now operating. A joint development and commercialisation agreement with Dow has been signed for advanced amine scrubbing technology for the removal of CO₂ from low pressure flue gases particular to fossil fuel fired power plants and other major industries;
- a 58 MWt post-combustion product validation unit (using chilled ammonia) for American Electric Power (AEP) in the United States (coal) to be followed by the design, construction and commissioning of a commercial scale CO₂ capture system of over 200 MWe. The latter was officially selected in December 2009 for public funding by the US Department of Energy (DoE);
- a 40 MWt post-combustion test and product validation facility (using chilled ammonia) for Statoil in Norway (gas);
- an agreement with TransAlta in Canada to develop and construct a commercial CO₂ capture and storage facility (>200 MWe) to retrofit a coal-fired power plant. The power plant is currently under construction, while the detailed engineering of the CO₂ capture system is on-going;
- an agreement with PGE Elektrownia Belchatów SA in Poland for a 260 MWe carbon capture plant to capture CO₂ produced by the new 858 MW lignite-fired units currently being built by Alstom for Elektrownia Belchatów;
- a study on Advance Amine CO₂ capture in Archer Daniel Midlands industrial site in Decatur, Illinois, USA.

OXY-COMBUSTION:

- a 30 MWt oxy-firing demonstration plant for Vattenfall in Germany (lignite); this unit has been in operation since 2008;
- a 32 MWt oxy-firing demonstration (boiler retrofit) unit for Total in France (gas); this unit has now been in operation since January 2010;
- a feasibility study for a 260 MWe oxy-firing demonstration unit at Jänschwalde power plant in Germany (lignite) for Vattenfall.

Alstom and Schlumberger sealed a joint agreement to conduct carbon capture and storage readiness studies for power plants. These innovative studies will include a technical analysis of a power plant to identify how it should be adapted to accommodate an Alstom CCS system. The studies will also include an evaluation of potential CO₂ storage sites for the power plant, as well as an evaluation of required investments for future CO₂ transport and storage. The offer is designed to facilitate the future conversion of power plants to CCS and the securing of environmental permits as well as optimising time-to-market periods and associated costs.

Alstom has acquired the Wiesbaden engineering office of the former Lummus Global, a leading provider of technology for the hydrocarbon processing industry, in Germany. The unit, renamed Alstom Carbon Capture GmbH, is now integrated into Alstom's CO₂ Capture Systems activity. Alstom Carbon Capture GmbH has extensive experience in numerous fields of chemical processing applications, especially for the oil and gas, petrochemical and chemical processing industries. This acquisition greatly strengthens Alstom's capacity to execute carbon capture projects.

Other partnerships are also currently under discussion. Alstom thus intends to take a worldwide leadership position in CO₂ capture, as is already the case in other "clean energy" areas.

Nuclear

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

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

NUCLEAR SOLUTIONS

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

PRODUCTS

Steam Turbines

Alstom has installed more than 180 steam turbines for nuclear plants, making it a clear market leader (source Alstom). These turbines are in operation worldwide and have demonstrated a high level of reliability and performance.

The ARABELLE™ steam turbine is central to Alstom nuclear technology. Widely acknowledged as the most advanced in the market, the "half-speed" turbine offers outstanding power output (900 to 1,800 MW) and uses exclusive welded-rotor technology, widely used throughout Alstom's gas and steam turbine portfolios. This technology ensures unparalleled efficiency, resistance to corrosion, longevity (up to 60 years) as well as optimal operation and maintenance regimes, resulting in reduced costs and highest availability.

The world's largest operating steam turbines are four Alstom ARABELLE™ turbines running in EDF plants in France: Chooz B1 and Chooz B2 (commissioned in 1997; each with an output of 1,550 MW); Civaux 1 and Civaux 2 (commissioned in 1999 and 2000; each rated at 1,550 MW). These turbines have already notched up 200,000 operating hours and boast an outstanding reliability rate (99.97%). Alstom will reach another world record with Flamanville 3, (rated at 1,750 MW) the first Evolutionary Pressurised Reactor (EPR) in France.

Turbogenerators

Alstom is the world's most experienced turbogenerator supplier for nuclear applications, with worldwide operational experience since the 1960s and 175 units delivered. About one third of the world's nuclear fleet are today equipped with Alstom's turbogenerators. 24 units have been ordered over the past 4 years, including Flamanville 3 in France, Hong Yan He in China as well as UniStar in the USA. The world largest turbogenerators in operation today are Alstom's GIGATOP 4-pole covering an output range from 900 MW to 1,800 MW, in both 50 and 60 Hz markets. GIGATOP 4-pole, the turbogenerator behind Alstom's proprietary ARABELLE™ steam turbine, sets the benchmark for reliability and efficiency.

Thermal Services

Benefiting from over 100 years experience and from the largest installed base of power generation equipment across the globe, Alstom offers extensive service and retrofit solutions for all types of equipment and all power plants, from field service and daily maintenance, consulting, spare parts and component upgrade, component and integrated retrofits up to full plant operation. Based on its comprehensive knowledge of all types of equipment, their integration at the plant level and its global fleet experience, Thermal Services delivers effective solutions for Alstom and other manufacturer's equipment in order to help customers maximise the value of their assets over their lifetime.

GLOBAL TECHNOLOGY AND LIFE CYCLE MANAGEMENT

Alstom technology is present in 25% of power plants globally through all major equipment (gas turbines, steam turbines, generators, boilers and environment/air quality control systems). This unique technological knowledge is further developed through significant R&D investment specifically dedicated to the installed base, with a particular focus on efficiency and environmental aspects in order to offer innovative solutions to customer's challenges.

LOCAL PRESENCE

With more than 17,000 employees present globally through a network of over 60 local service centres in 70 countries, and 25 centres of technical expertise, Alstom's footprint and broad industry expertise enable it to support customers in an efficient and responsive manner around the world.

SOLUTIONS FOR ALL TYPES OF PLANTS

Gas power plants

Effective solutions for gas turbine simple and combined cycle plants are based on a complete knowledge of product and component integration. Alstom ensures optimised performance, flexibility and compliance with the strictest emission regulations through component improvements, lifetime extension packages and around-the-clock Operations and Maintenance (O&M) support.

Steam power plants

Covering the full range of steam power plants, Alstom provides optimum performance for all steam cycles. From components to full system upgrades and retrofit, the flexible pre-engineered solutions meet today's growing environmental and economic demands for the world's ageing installed base.

Nuclear power plants

With 30% of the total installed base and several of the world's largest power producers on the books, Alstom is a major global player in nuclear power plants. Customers can depend on Alstom's expert know-how of the conventional island power train and associated electrical and mechanical services.

Industrial power plants

As a long-time partner, Alstom provides a wide range of service solutions for industrial plants. Its expertise covers the full range of industrial applications. Industrial customers can therefore focus on their core processes with the confidence that comes from working with a leading service.

COMPLETE PRODUCT PORTFOLIO

With a complete portfolio covering the entire plant lifecycle, Thermal Services helps its customers maximise plant performance, availa-

bility and reliability, meeting their business goals in asset life-cycle management, performance improvements, risk management, cost management and environmental compliance.

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

Consulting & support

Alstom Power helps customers maximise plant performance, availability and reliability through innovative services such as performance and lifetime assessments, training, monitoring and diagnostics.

Parts

From new or reconditioned parts to customised components, Alstom Power supplies a wide range of spare parts. Its extensive Original Equipment Manufacturer (OEM) knowledge, service R&D programmes and field experience enables Alstom to deliver the highest quality and design. High-end parts management is handled through a sophisticated database, with full parts traceability and data accessibility. Centralised warehousing means fast delivery and competitive pricing.

Retrofit solutions

With an entire generation of power plants built in the last 10 to 40 years facing a series of existing and future emission regulations and a worldwide increase in power demand, utilities are seeking solutions to optimise performances of their assets to changing market conditions. In order to fulfil these obligations, increase power output by boosting power plants' efficiency and availability, as well as extend their lifetime and improve the reliability and availability of the main equipment, Alstom provides its customers with flexible state-of-the-art technologies, ranging from comprehensive retrofits for boilers, turbines, generators and air quality control systems to plant upgrades.

Hydro Power

As part of a global cooperation between Alstom and Bouygues, a joint venture (50%-50%), Alstom Hydro, was created in 2006. Effective March 2010, Alstom Hydro is fully owned by Alstom as Bouygues exercised its exit option in December 2009.

Today, Alstom Hydro, which has more than 7,000 employees, is the worldwide market leader for hydropower solutions and services, with around 25% of the global hydropower installed capacity (400 GW of turbines and generators) (source: Alstom).

HYDRO POWER SOLUTIONS

Hydropower is the world's most important source of renewable energy, representing over 16% of the global electricity production, while using only 33% of the potential economic global hydropower capacity.

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

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

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

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

PRODUCTS

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

Turbines up to 900 MW

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

Generators up to 1,000 MVA

Alstom Hydro's generators can produce up to 1,000 MVA depending on the type of Hydro Power application. The range includes large, medium and small hydro generators, bulb generators, motor-generators, ring motors and excitation systems.

Hydro-Mechanical Equipment

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

Balance of Plant and Control Systems

Alstom Hydro's core competencies in control systems span all types of hydro power plants to optimise power production. In this field of strategic products for power generation applications, Alstom Hydro has developed and qualified specific control system solutions as well as dedicated machine control equipment, in order to guarantee safe, optimised power plant operations.

Wind Power

Alstom believes in wind as a viable source of clean power to help meet today's energy challenges, and aims to become a major player in this field. The acquisition in 2007 of Spanish wind turbine company Ecotècnia provided Alstom the perfect foothold to enter this activity.

Since 1981, Ecotècnia had been a pioneer in the development of wind power as a reliable source of clean power, and grew from a small local wind equipment supplier into Alstom Wind, an international manufacturer that currently designs, assembles, installs, and commissions a wide range of onshore wind turbines spanning from 1.67 MW to 3 MW.

To date, Alstom Wind has installed or is installing more than 1,850 wind turbines in 100 wind farms (in Spain, France, Italy, Portugal, UK, Japan and India), corresponding to a total capacity of over 2,200 MW, *i.e.* about 2% of the worldwide installed base (source: Alstom).

WIND SOLUTIONS

Alstom offers integral wind farm solutions, covering site development activities, system or key component design and manufacturing, assembly, installation, and O&M services.

PRODUCTS

The Alstom portfolio offers the appropriate choice of wind turbine to match different wind farm locations and wind speeds. Products, which range from 1.67 MW to 3 MW turbines, are divided into the ECO 80 and the ECO 100 platforms.

In the field of the ECO 80 platform, Alstom Wind offers a wide range of 1.67 MW wind turbines for wind speeds ranging from low to medium/high, with rotor diameters of 74 m (ECO 74) to 80 m (ECO 80) and 86 m (ECO 86).

The ECO 100 platform is composed of the ECO 100 wind turbine, the first 3 MW onshore wind turbine suitable for class II-A sites available on the market, and the ECO 110. The ECO 100 (100 m diameter) for class II has already been installed in several wind farms, and the prototype of the ECO 110 for class III sites is already in operation; it will be available by end 2010.

All Alstom Wind products feature the company's patented ALSTOM PURE TORQUE™ concept, a unique mechanical design concept in which the hub is supported directly by a cast frame on two bearings, whereas the gearbox is fully separated from the supporting structure. As a consequence, the deflection loads are transmitted directly to the tower whereas only torque is transmitted through the shaft to the gearbox. This configuration reduces gearbox breakdowns, thus increasing reliability levels, and reducing maintenance costs.

Energy Management Solutions

The Energy Management Business is dedicated to the delivery of IT solutions for the automation and control of power generation assets: steam, gas, nuclear and renewables. It is a major component of the Plant Integrator™ and Clean Power offering of Alstom Power.

These solutions aim at optimising the efficiency, quality and availability of power generation plants and fleet, thus providing the means to get the best output from power plants, the right amount of power at the right time, and the desired voltage or frequency in a safer environment.

Alstom Power's Energy Management Solutions rely on two areas of expertise:

- Automation and Control Products: a suite of electronic products (controllers) and software applications to control, monitor and supervise all power plant area;
- Automation Engineering Services: a network of specialised automation and process engineers to define, implement, commission and maintain those systems.

OFFERING

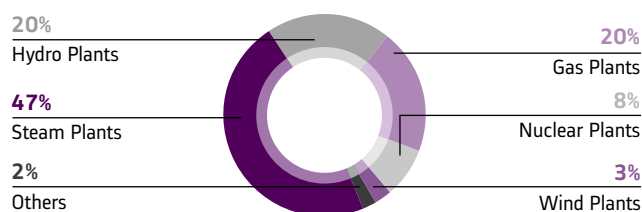
Alstom's ALSPA® (Alstom Power Automation) product line extends across the entire plant, from the control room with plant management operation and optimisation tools, through plant and machine automation to asset management and remote diagnostic systems. It includes:

- Distributed Control System: ALSPA® Series 6;
- Turbines and Generators control systems: ALSPA®;
- Monitoring and diagnostic control systems: ALSPA® Care;
- Virtual Power Plant: ALSPA® VPP;
- Isolated Phase Buses: ALSPA® Enerbus.

Industry characteristics

The world's installed power generation capacity as of 1 January 2009 was estimated at around 4,774 GW. The chart below sets out the breakdown of this installed base by technology.

Installed base by plant type as of 1 January 2009



Source: Alstom, UDI.

Investments needed in new power plant construction generation over the next decades are expected to be extremely important: according to IEA (International Energy Agency) (WEO 2009), they should represent an average of more than €225 billion per year over the period until 2030.

MARKET EVOLUTION

After a period of intense growth in power infrastructure investment in the United States of America in the late 1990s, the world economy has been driven since 2003 by unprecedented growth in Asia – especially China and India – where the demand for new power plants is strong. This market shift – a decline in North America, growth in Asia – also resulted in a technology switch from gas to coal and hydroelectric power, which account for a large proportion of the available resources in this region.

2007 and 2008 were both exceptional years for power markets in almost every region and across all technologies. The demand in Asia was particularly high and centred on hydro and coal plants, the latter achieving notable success in South Africa and Europe as well. The high level of gas plant orders in Europe and Middle East, which accounted for roughly one quarter of the total market, resulted in a fairly balanced technology split. Furthermore, 2008 was also a record year for CO₂-free technologies, with more than 50 GW of hydro and 25 GW of wind, as well as a flow of orders for new nuclear power plants. Over these two years, the power market was dominated by the Asia/Pacific region with more than a 60% market share, followed by the Middle East and Europe.

In 2009, the financial and economic crisis significantly affected electricity consumption worldwide, especially in countries where economies rely strongly on industrial output. The global financial crisis also impacted the financing of projects. Additionally, the combination of lower power demand and pre-crisis ordered capacity coming online pushed reserve margins higher in several regions.

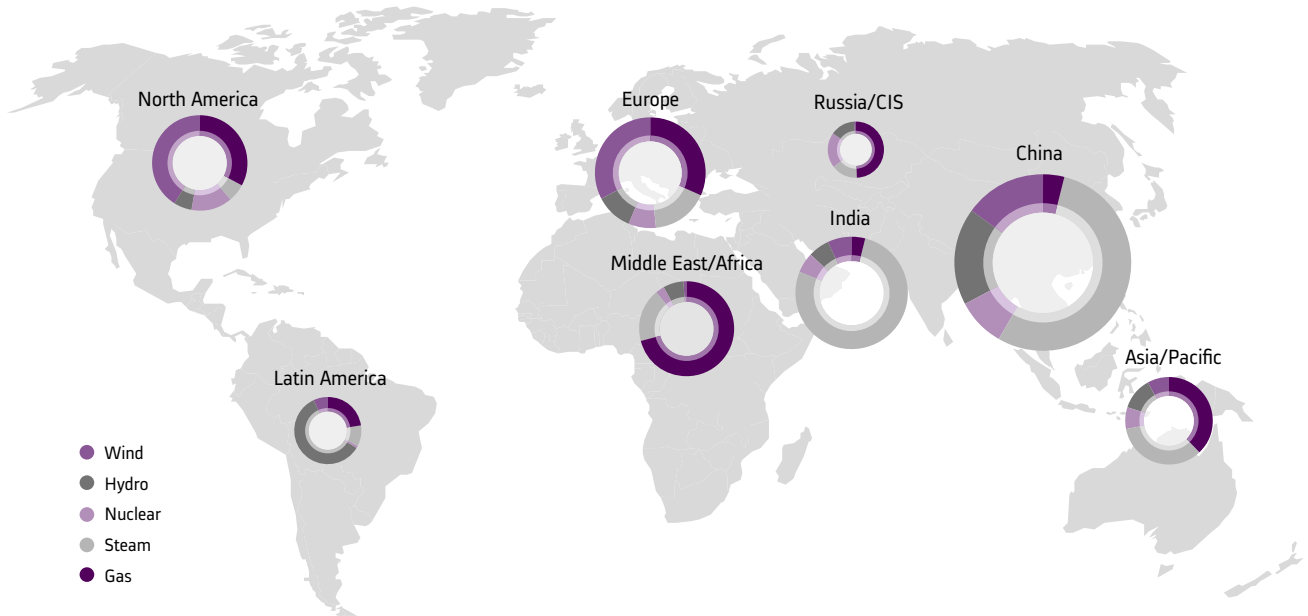
Nevertheless, initial signs such as the recent return to growth in electricity consumption are positive indications that the global economy may be beginning to recover, with key emerging economies in Asia at the forefront of the process.

Long term drivers for power investments remain strong: in most industrialised countries, the ageing fleet is pushing the need for replacement. Environmental concerns remain a key driver, as illustrated by the increased focus placed on these issues in most government "stimulus packages". In addition, many emerging economies still require further power capacity to match demand. At present, Asia is likely to remain the biggest market globally whilst the rest of the world market will be distributed among the Middle East and Europe, which remains gas dominated but with a coal market in Germany and Eastern European countries. Markets will also grow in the Americas, with increasing needs in Latin America and a new investment cycle to start in North America targeted towards gas, nuclear and wind.

The graph below shows the expected power generation market over the next five years, covering Alstom's scope of activity:

Power generation market in the next five years

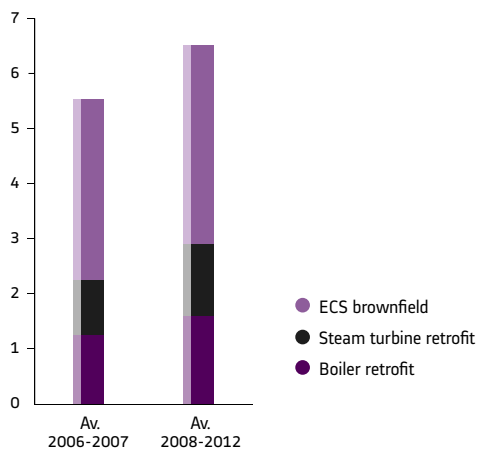
Average of 220/240 GW p.a.



Source: Alstom.

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

Brownfield environmental and retrofit market (in billion euros)

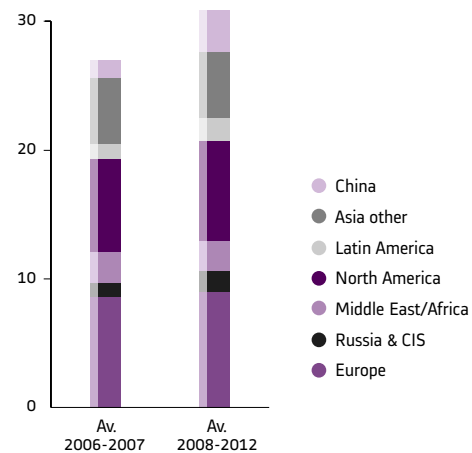


Source: Alstom.

The service market slightly declined in 2009, primarily due to lower plant utilisation rates as a consequence of weaker electricity consumption. Long-term drivers remain solid: in Europe and North America, an ageing installed base has increased the requirement for regular equipment maintenance, lifetime extension and performance upgrade.

In developing markets such as China, India or the Middle East, the growing number of new power plants will progressively boost service needs. Everywhere, environmental concerns highlight the need for lower emissions in existing power plants. Furthermore, fossil fuel prices, which are expected to remain structurally high in the coming decades, are also contributing to the demand for services.

Total world outsourced market (in billion euros)



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

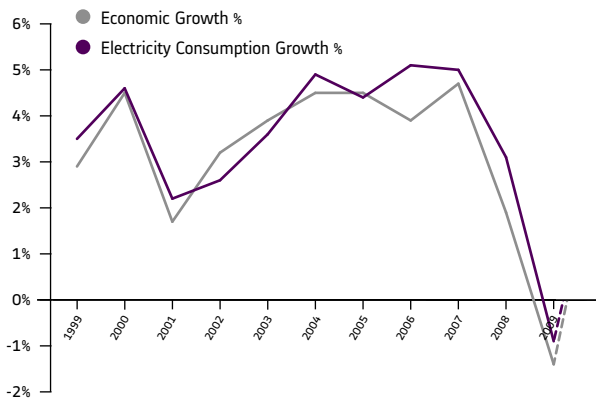
Source: Alstom.

MARKET DRIVERS

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

Economic growth

Power consumption and Gross Domestic Product (GDP) are closely linked. Economic development is driving the consumption of electricity, particularly in countries with rapid industrialisation.



Source: Alstom.

The difficult economic environment has adversely impacted electricity consumption; over the first three quarters of 2009, industrial production saw a dip in several of the major Asian developing countries, such as India, Vietnam and most notably in China, where power consumption declined for the first time in six years.

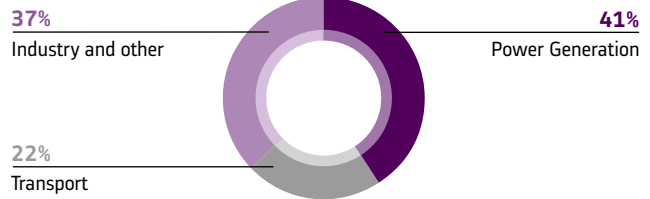
From these low levels, final domestic demand has recently seen very strong progression in key emerging countries. Nonetheless, the economic recovery is still in its early stages and the future holds uncertainties. Current positive developments are largely the result of policy decisions and actions, and it remains difficult to predict when private demand will be strong enough to be able to phase out the stimulus packages.

Environmental concern

Environmental concerns have been the most widely debated topic over recent years. The environment is becoming the main driver for new plants and the installed base market in several regions of the world. A real change in behaviour is noticeable, with more stringent regulations being implemented all over the world. Climate change is a fact now accepted by the majority of scientists, politicians and the general public, with greenhouse gases such as CO₂ seen as the major root cause. The power sector, being one of the biggest

emitters of CO₂, is looking at ways to considerably reduce its carbon footprint. Legislators are beginning to put in place the policies that will be needed to drastically reduce CO₂ emissions in the medium- to long-term.

CO₂ emissions from fossil fuel combustion

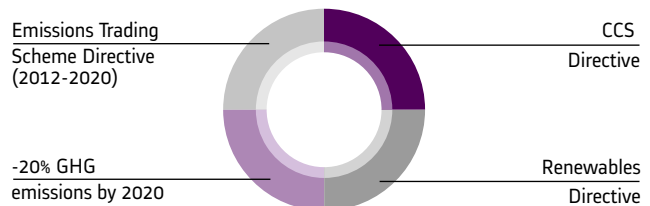


Source: IEA. World Energy Outlook 2009.

The Energy and Climate Change Package adopted in December 2008 by EU legislators represents a significant example of such legislation. The package includes a Directive on geological storage of CO₂ (to be transposed by the Member States by June 2011) and a renewables Directive (to be transposed by the Member States by December 2010). The new Directives will help direct investment towards renewables and low carbon technologies. In addition, the European Energy Programme for Recovery has provided money for Carbon Capture and Storage (CCS) and renewables projects.

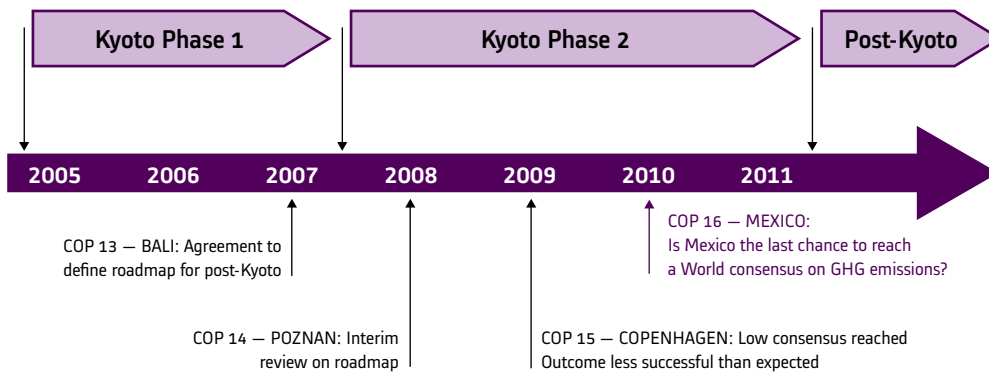
This will considerably influence Alstom's markets, with the prospect of significant new development in renewable power (hydro, wind, etc) and support to CCS throughout all EU 27 countries.

EU climate and energy package



In the United States of America, current focus is on implementing various projects funded by the American Recovery & Reinvestment Act (ARRA). ARRA provided money for a broad spectrum of technologies, ranging from Carbon Capture and Storage (CCS), smart grid demonstrations and renewables development.

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



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

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

Ageing installed base of power plants

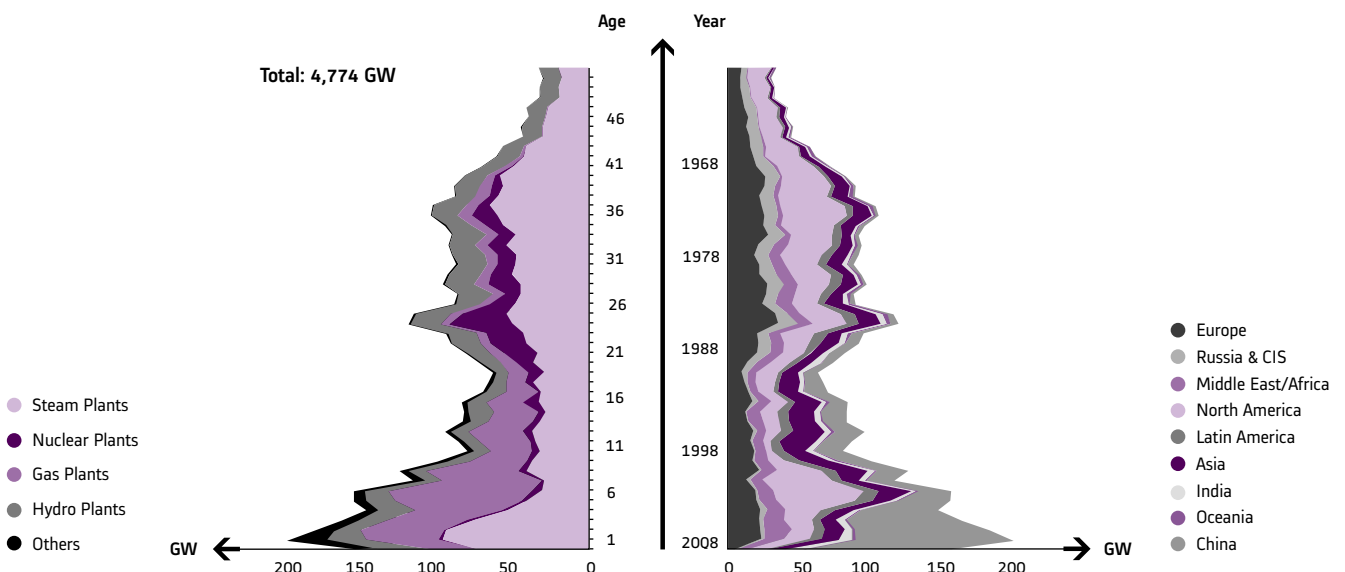
The ageing installed base along with stricter environmental regulations and increased fuel prices should lead to a higher demand for retrofit. In recent years, demand for maintenance and refurbishment has been strengthened by a general trend among power producers to seek increased performance, lower operating costs and extend the life cycles of their existing plants. This increase in demand to upgrade and retrofit facilities could benefit power plant manufacturers such as Alstom. The Group believes that its large worldwide installed base

will be a significant source of future growth for its Power activities, especially in Europe and in the USA, but increasingly in other regions such as Asia or the Middle East. The growing number of old plants reaching retirement age will continue to drive the market for servicing and retrofits as utilities strive to replace components to maintain current levels of installed capacity, or take the opportunity to increase the capacity of power plants to simultaneously address rising power demand.

By carrying out an integrated analysis of power plant equipment, operation and maintenance, individual plants can be improved to run more efficiently, thus cutting fuel costs, enhancing performance and allowing drastic reduction of CO₂ emissions.

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

Age pyramid of world installed capacity



Source: Alstom, UDI.

Fuel price and availability

The availability and price of fuel, oil, coal, natural gas, uranium and biomass, is not a driver of electricity demand, but is a key factor influencing the portfolio of generating technologies by power companies. While fuel markets in recent years have been characterised by higher prices and concerns over supply security, the financial crisis and economic slowdown have had a temporary dampening effect. Reduced economic activity, especially among heavy industrials, has put downward pressure on fuel demand and prices. Official reports show that global demand for oil fell in both 2008 and 2009 from the previous year. While a rebound is expected in 2010, oil consumption is likely to still be below 2008 levels. Shifts in oil demand have resulted in huge price swings, falling from a historic high of \$143/barrel in 2008 to less than \$40 in early 2009. Since then prices have stabilised at around \$80. Volatility in demand and price is no longer limited to oil, as natural gas, coal and uranium have also experienced wider swings in use, availability and price, thus directly impacting investment decisions for new power plants.

Uneven distribution of reserves is also an important factor shaping fuel markets. The Middle East contains the largest oil reserves and remains the primary global producer, while the United States of America, Western Europe and Asia/Pacific are the largest importers. Demand growth for oil has been especially strong in China. The situation is somewhat different for natural gas, as once again the Middle East holds the largest reserves, but Russia, which holds around 25% of identified gas reserves, remains the largest exporter given its extensive supply infrastructure. Future developments of natural gas will focus on continued growth of production from unconventional sources, especially from shale wells, to be joined by additional capacity for liquefied natural gas (LNG). Although these reserves require considerable investment to bring them to worldwide markets at sufficient scale and competitive cost, they represent a vast supply of new natural gas. Coal remains an abundant energy source in many regions, with China, the USA, India, Australia, South Africa, Russia and Europe all having large proven reserves and the necessary supply infrastructure to bring it to market. Price volatility and supply security concerns for all fossil fuels, along with a growing call to reduce greenhouse gas emissions, have led many countries to include nuclear power in future generation plans. This is for both maintaining the existing nuclear fleet and to build new reactors.

While fuel is expected to be in abundant supply, uncertainty over future prices and long-term security remains. Therefore, global power companies are deciding that the best way to ensure the most reliable, secure and cost efficient delivery of electric energy is to develop and maintain a balanced portfolio of multiple generation technologies.

Energy management

Energy management is a key element of the power market. The massive expansion of intermittent technologies, such as wind and

solar power, requires solutions to ensure a continuous electricity supply and adequate grid connections. Automation and plant management systems will need to be integrated into the higher level systems used by traders and plant portfolio operators. This will allow them to improve their operational decisions on how to optimally allocate their plant production, arbitrating between coal, gas, wind, hydro, as well as in the future demand side participation. However, energy management is not just about using renewables effectively and ensuring grid connection; a vital part of energy management is also what is commonly referred to as the smart grid. This broad concept refers to modernisation of the whole electricity delivery system – in brief an improved electricity supply chain that runs from a major power plant all the way to private residences. The concept of smart grid is to add monitoring, analysis, control and communication capabilities to the national electricity delivery system to maximise the throughput of the system while increasing the energy efficiency.

Competitive position

The Power Sector holds leading positions in all of its Businesses worldwide.

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

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

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

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

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

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

Alstom Wind's main competitors at present are Vestas, General Electric, Gamesa, Suzlon/REpower, Enercon and Siemens.

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

Besides Alstom, the following companies are present in the “after sale” market:

- the Original Equipment Manufacturers (OEMs) of power generation equipment, concentrating mainly on servicing their own machines;
- independent service providers offering varied service products to OEM customers, including some reverse-engineered replacement parts;
- many local field service companies with activities mostly limited to maintenance planning and execution.

The Power Sector’s competitive strengths include:

- its leadership positions in various areas (steam turbine and generators, conventional islands of nuclear power plants, retrofit solutions, hydro solutions and equipment) with a global presence and references;
- its unique capability to supply optimised turnkey plants by integrating all major components from in-house technology: turbine, generator, boiler, condenser, environmental systems, electrical and control systems;
- its extensive experience in heavy duty and mid-range gas turbines, with a portfolio of proven machines;
- its strong market position and extensive experience in all types of boiler technologies, including clean coal combustion;
- the largest installed base of OEM equipment in operation within power plants worldwide (source: UDI-Alstom).

Research & development

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

Alstom has been carrying out an intensive R&D programme over the past years to meet the technological and economic challenges of capturing the CO₂ created by fossil fuel-based electricity production. In the medium term, the Company will be able to offer solutions for all fossil fuel-based power plants to capture CO₂ emissions.

While the development of CO₂ capture solutions is a priority, Alstom remains committed to the foundation of its business and the continued improvement of energy efficiency is key among its research and development efforts.

In parallel, the Sector has continued to work on the development of the GT24™, GT26™ and GT13™E2 gas turbines, including performance upgrade packages, combustion system improvements to reduce emissions and increase fuel flexibility, and features to allow further enhancement of the operational flexibility of these machines.

The Sector is also involved in development projects, partly funded by the European Union and the US DoE, to develop materials for very high efficiency steam turbine power plants, which are intended to operate

at live steam temperatures of 700°C and above. Alstom’s projects focus on the manufacturing methods and testing of new materials for boilers and steam turbines, with a number of test rigs operating in existing power plants and at dedicated test facilities. A substantial portion of these development projects is now complete, enabling Alstom to offer products for 700°C+ applications in the near future.

In the Wind activity, the Sector has developed a new 3 MW wind turbine called ECO 110, with the first prototype installed at the end of 2009. It will match the growing needs for larger turbines. As part of its R&D plan, it has also initiated the development of wind offshore technology with the aim of entering notably the UK market, where the newly created offshore wind farm’s R3 zone has been located. Alstom Wind focuses on developing a large offshore wind turbine specially designed to meet this country’s requirements. The prototypes and preseries are planned to be available in 2012-2013, for series production to start in 2014.

Alstom Hydro’s dedicated R&D organisation is continuously improving product development in order to better meet customer needs. Global technology centres create in-house Alstom Hydro product designs. They contribute to breakthroughs in the fields of oil-free turbine components, generator oblique elements, variable speed technologies and double-stage adjustable pump turbines. Three global technology centres are today in operations, two dedicated to turbine technologies in Baroda (India) and in Grenoble (France) and one in Birr (Switzerland) focusing on generators.

Always at the forefront of the technological innovation, Alstom entered in 2009 the tidal energy market by signing a licencing cooperation agreement with Clean Current Power Systems Incorporated, a private Canadian company specialised in the design and testing of tidal energy technology. Besides an exclusive worldwide license for ocean and tidal stream application for Clean Current’s patented technology, the agreement includes provisions for continued close cooperation to further develop technology. Alstom plans to commercialise its first tidal stream products by 2012.

In the Energy Management Business, Alstom Power focuses on the rejuvenation of its automation offering and the launch of several new products in 2009, such as the ALSPA® Series 6, a new generation of Distributed Control Systems and a new line of Asset Monitoring and Diagnostic: the ALSPA® Care. Two new strategic partnerships were signed during the year: with Microsoft for the development of new visualisation software for the Plant Control Room as well as with B&R (Bernanke and Rainer) for the development and manufacturing of a controller range specifically designed for the renewable market segment.

Alstom Power will pursue its expansion strategy for energy management solutions in Northern and Eastern Europe and Asia. Major development will focus on automation solutions for the efficient integration of renewable energy sources and higher power plant flexibility. These solutions will help utilities to optimise their fleet operations. Alstom Power will finally introduce its new system for the control of the Virtual Power Plants based on the development of renewable and storage capacity in urban environment.

In Service, R&D programmes focus mainly on a wide range of upgrade designs for plant components (gas and steam turbines, boilers, environmental systems); a unique set of inspection technologies, based on advanced in-house competencies in inspection robotics; the development of a comprehensive range of monitoring and diagnostics systems; methods and technologies to reduce outage duration and related cost for the benefits of its customers; specific technologies to increase plant efficiency.

Alstom's R&D efforts are essentially driven by current and future market needs in its product areas. To ensure that this is so, R&D resources are an integral part of its businesses.

The new "R&D execution" organisation includes more than 1,700 people and is dedicated to 80 critical technologies.

The "R&D execution" centres are located in 32 locations:

- in Europe: Switzerland, France, UK, Hungary, Germany, Russia, Norway, Sweden, Finland and Poland;
- in Asia: India and China;
- in North America: USA.

In addition to its internal resources, Alstom actively seeks links with leading academic institutions to access facilities, expertise and research talents. Across the world, the Group has established relations with some forty universities where active R&D collaboration is underway.

Strategy

CLEAN POWER

Combating climate change is truly a global issue and one that all sectors of government, industry and the community at large must address. However with 40% of CO₂ emissions emanating from the power generation sector, and with global electricity demand expected to massively increase by 2030, the power industry must take a leadership position and play a key role in significantly reducing its emissions. The global scientific community shares a common view that, in order to limit further increases in the earth surface temperature, the concentration of CO₂ in the atmosphere must be stabilised in the mid to long-term – at a level which should not exceed 450 ppm.

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

The first approach for the reduction in CO₂ emissions focuses on the technology mix. No single form of power generation will address the dual challenge of securing the supply of reliable and affordable power supply and affecting a rapid transformation to a low carbon system of energy supply. It will take all types of generation technologies including fossil fuels, nuclear and renewables. With the most comprehensive and balanced portfolio of generation equipment in the market including the removal of traditional pollutants, Alstom is well positioned to assist plant operators apply the most appropriate technology mix to meet their market conditions.

The second approach is that of production efficiency and energy flow management. In this field Alstom looks to solutions for both the installed base and for new plants. With 60% of the total of CO₂ emissions in 2030 ⁽¹⁾ coming from existing plants, solutions must continue to be developed and implemented to increase the efficiency of plants operating today. The more efficient a plant is, the less fuel it consumes to produce the same electrical output – an area of increasing priority in a time where security of fuel supply is a growing concern – and the less emissions it generates. Alstom's comprehensive range of integrated retrofit solutions offer its customers a varied and innovative range of products that can be applied to their existing asset base, increasing their efficiency, output and extending the plant life. Alstom is also continually improving on existing technologies. With customer focus on plant economics and environmental impact, all new plants offered by Alstom today provide significant improvements on yesterday's technology. Alstom is working towards innovations that aim to achieve the goal of 50% plant efficiency for steam plants and 60% for combined cycle gas fired plants – a significant improvement in comparison to technologies currently available.

The third approach to address the climate change challenge is the application of Carbon Capture and Storage (CCS) technologies. With fossil fuels accounting for more than 60% of electricity production in 2030 ⁽¹⁾, CCS is essential.

Alstom continues its significant R&D efforts in the field of CCS and is currently validating the technologies at a number of pilot and demonstration projects throughout the world, working closely with its partners toward full-scale commercialisation which should be available to market around 2015. During this validation process of the CCS solutions, to avoid the risk of stranded assets, Alstom offers its customers a "CO₂ capture Ready" plant concept. This concept takes into account the needs of customers who purchase plants today that will ensure they are not financially penalised when the technology becomes available. Capture ready will limit the time for plant outages and unnecessary expenses and ease the integration at the time of installation of the CO₂ capture system.

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

(1) IEA scenario 2009.

INSTALLED BASE

The Sector's ambition is to be recognised as the global leader in plant maintenance and plant long-term service.

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

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

The installed base of power plants is facing a rapidly changing environment. Market deregulation, need for increased environmental performance, or impact of the growing production from renewable sources are making adaptations and upgrades necessary to keep existing plants competitive. To support its customers in this effort, Alstom is constantly investing to bring innovative technology solutions on the market for the installed base, at all stage of the plant life and for all type of components (Integrated Lifecycle Management concept).

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

The Power strategy in the service field for all fuels includes acquisition opportunities where these can generate synergies with existing

businesses. Potential acquisitions will be considered in order to support specific initiatives, consolidate local footprints or execution capabilities, or add new products and technologies to the Sector's service portfolio.

PLANT INTEGRATOR™

The Plant Integrator™ concept is Alstom Power's unique way of creating more value for customers. As both equipment designer and integrated solution provider, Alstom combines outstanding expertise at a component and plant level with excellent worldwide references.

Through close collaboration with customers, Alstom is able to deliver value propositions allowing customers to meet their business objectives.

There are four Plant Integrator™ factors to help increase the project net present value for customers:

- optimised investment;
- shorter lead times and secure project delivery schedule;
- higher plant efficiency, reliability and availability for increased energy output; and
- lower operating and maintenance costs.

The Plant Integrator™ approach is particularly efficient for the retrofit of the installed base. In depth plant knowledge and expertise in product and component integration enables Alstom Power to offer comprehensive integrated retrofit solutions to increase plant performance throughout its life cycle. Component improvements or upgrades and life extension packages ensure optimised plant output, operational flexibility, and compliance with the most stringent emission regulations.

Key financial data

The following table presents key performance indicators for Power.

Power, actual figures

Year ended 31 March (in € million)	2010	2009	% Variation 2010/09	
			Actual	Organic
Order backlog	23,318	26,164	(11%)	(15%)
Orders received	9,435	16,466	(43%)	(43%)
Sales	13,901	13,054	6%	6%
Income from operations	1,468	1,248	18%	16%
Operating margin	10.6%	9.6%		
EBIT	1,377	1,172	17%	
Capital employed	2,204	1,469	50%	

Comments on activity during fiscal year

ORDERS RECEIVED

As a result of the economic crisis, the market for new power plants and equipment slowed down significantly in 2009/10 in all regions. Recovery pace varies from one country to another, with emerging countries recovering more rapidly. Hydro's orders substantially decreased as two of its main markets, Brazil and China, dropped from very high levels last year. Coal and gas markets have been impacted similarly by the economic downturn.

Orders received, actual figures

Year ended 31 March (in € million)	2010	2009	% Variation 2010/09	
			Actual	Organic
Thermal Systems & Products	4,290	8,830	(51%)	(52%)
Thermal Services	4,018	5,154	(22%)	(22%)
Renewables	1,127	2,482	(55%)	(56%)
Power	9,435	16,466	(43%)	(43%)

In fiscal year 2009/10, Power was awarded contracts for all types of fuel for a total of €9.4 billion, a 43% decrease compared to the record performance achieved the previous year. This reflected the general situation of the market where decisions for new investments were postponed.

Europe remained a dominant market for Power with orders totalling €5,124 million, a 13% decrease compared to last year. Key projects booked in Europe included a large gas combined cycle project in the United Kingdom (5 x GT26™ turbines and long term service agreement contract), a turnkey steam power plant in Slovenia (600 MW) and equipment (a boiler and a steam turbine) for a 900 MW coal plant in Germany. The need for efficiency, life-time improvement and for emissions reduction led to the award of contracts for the integrated retrofit of an existing coal plant in Poland, the repowering of a gas plant in France and operation and maintenance on gas plants in the United Kingdom. In Renewables, Alstom won two large contracts for hydro pumped-storage plants in Switzerland and a number of wind farm projects in Spain and the United Kingdom. Europe represented 54% of orders received in 2009/10.

Renewable market conditions improved particularly in China and the United States of America, with strong incentives for investments in new power generation projects in these regions, in particular for wind; by contrast, a number of projects in Europe were delayed due to the unavailability of financing.

Nuclear investments have been concentrated mainly in China and delayed in the United States of America and in Europe. However, the renaissance of this technology is more and more promising as more countries decide to invest in this CO₂-free and base-load power generation. The service market remained more resilient but was also adversely affected by the global downturn as lower electricity consumption resulted in lower utilisation rate of the power plants and fewer new power plants projects led to lower volumes of related operation and maintenance contracts.

Orders in North America decreased by 3% to €1,703 million. In the field of emission control, Power was awarded projects to remove sulphur dioxide and particles emitted from coal-fired power plants in the United States of America and to equip a Mexican unit with electrostatic precipitators to remove particles. Additionally Alstom received several orders for steam turbine retrofits for nuclear power plants in the United States of America. It also received contracts for equipment for hydro power plants in Canada. Alstom achieved a come-back in the fast growing geothermal market with the award of 25 MW plant (complete engineering, procurement and construction) in Mexico. North America accounted for 18% of orders received in 2009/10.

In South and Central America, Alstom booked €209 million orders, a 83% decrease compared to last year, during which very large hydro orders were recorded in Brazil. This year order intake included contracts for the retrofit of a boiler in Brazil. South and Central America represented 2% of orders received in 2009/10.

In Asia/Pacific, order intake was €1,549 million compared to €2,091 million in 2008/09. In India, in collaboration with BHEL, Power received orders for 660 MW and 800 MW coal boilers and orders for air quality control equipments for the industry, in particular aluminium, and for a conventional steam plant. In Renewables, the Sector was awarded a 4 x 125 MW hydro project. In China, the growing nuclear market led to orders for emergency diesel generators for EPR power plants, for which the conventional island was already awarded to Alstom last year. Power also won the supply of two 600 MW steam turbines. In the rest of the region, new orders were recorded for service contracts in Singapore, Indonesia, South Korea and Thailand on Alstom GT24™, GT26™ and GT13™ equipment and for a hydro plant in Bhutan. Asia/Pacific accounted for 17% of the Sector's orders in 2009/10.

In Middle East/Africa, Power recorded orders for €850 million, a 84% decrease compared to the exceptional level of last year during which steam power plants were booked in Saudi Arabia and South Africa. Power won several contracts for gas turbines: one GT8™ and two GT13™ in Middle East and another GT13™ in Nigeria, where a service contract was also awarded on another gas plant. In South Africa, Power received contracts for Distributed Control Systems for two steam power plants for which twelve turbines were booked in previous financial years. In Saudi Arabia, due to the increasing need for air quality control system, Alstom won two contracts for Sea Water Flue Gas Desulphurization systems.

Country	Description
Canada	Supply of turbines and generators for hydro power plants
China	Emergency diesel generators for nuclear power plant
Germany	Steam turbine and boiler for a 900 MW coal plant
India	Supercritical boilers (2 x 800 MW and 3 x 660 MW)
India	Turbine/generator units (4 x 125 MW) for a hydro power plant
Jordan	2 x GT13™ gas turbines and generators for a 285 MW power plant
Mexico	Turnkey contract for a geothermal plant
Poland	Retrofit of a coal-fired power plant
Singapore	GT26™ operation and maintenance contract
Slovenia	Turnkey 600 MW lignite coal-fired power plant
South Africa	ALSPA® Series 6 Distributed Control System for coal-fired power plants
Spain	Supply of 23 ECO 80 wind turbines for a 38 MW wind farm
Switzerland	Two contracts for variable speed pumped storage power plant
United Kingdom	Design and construction of a gas fired combined cycle power plant including 5 x GT26™
United Kingdom	GT26™ operation and maintenance long term service agreements
USA	Various steam turbine retrofit for nuclear power plants

SALES

In 2009/10, sales in the Power Sector reached €13,901 million, a 6% increase compared to the previous year. Thermal Systems & Products accounted for most of this performance with sales increasing by 10%

at €7,746 million. Sales in Thermal Services were also in progress at €4,353 million. Level of activity in Renewables remained stable at €1,802 million.

Sales, actual figures

Year ended 31 March (in € million)	2010	2009	% Variation 2010/09	
			Actual	Organic
Thermal Systems & Products	7,746	7,038	10%	10%
Thermal Services	4,353	4,219	3%	3%
Renewables	1,802	1,797	0%	0%
Power	13,901	13,054	6%	6%

Sales in Europe continue to account for the main part of Sector's total sales during the period at €6,033 million, 5% higher than the level recorded last year. Main contracts traded over the year included contracts for combined-cycle power plants in the United Kingdom and the Netherlands and for large coal fired plants in Poland and Germany.

Sales in North America decreased by 11% to €1,943 million. They were mostly fuelled by the execution of contracts for boilers and air quality control equipment in the United States of America.

Sales in South and Central America at €670 million showed a 16% decrease compared to the same period last year. Major contracts traded included equipment for hydro power plants in Brazil.

Sales in Asia/Pacific amounted to €1,726 million. Contracts for the turbine island of a nuclear power plant in China, supply of equipment for a hydro power plant in Vietnam and contract for a turnkey gas-fired plant in Australia generated most of the sales in Asia/Pacific.

Sales in Middle-East/Africa reached €3,529 million, up 62% from last year as major contracts were traded in Saudi Arabia, South Africa, Algeria, Tunisia and the United Arab Emirates.

Power, actual figures

Year ended 31 March (in € million)	2010	% of contrib.	2009	% of contrib.	% Variation 2010/09	
					Actual	Organic
Europe	6,033	43%	5,744	44%	5%	7%
North America	1,943	14%	2,188	17%	(11%)	(11%)
South and Central America	670	5%	799	6%	(16%)	(17%)
Asia/Pacific	1,726	13%	2,141	16%	(19%)	(21%)
Middle East/Africa	3,529	25%	2,182	17%	62%	60%
Sales by destination	13,901	100%	13,054	100%	6%	6%

INCOME FROM OPERATIONS AND OPERATING MARGIN

Power income from operations reached €1,468 million, compared to €1,248 million last year, a 18% increase. The operating margin rose from 9.6% to 10.6% thanks to the quality of the backlog, the focus on project execution and tight cost control.

Transport Sector

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

Offering

Trains (rolling stock)

Alstom addresses all segments of passenger rail transport worldwide from tramways to very high-speed trains with customised solutions configured from standard platforms. Alstom serves the freight-by-rail segment with locomotives, rail control systems and parts as well as maintenance support.

The rolling stock product line includes eleven manufacturing centres and five engineering centres as listed below:

- Very High Speed trains based in La Rochelle, France: design centre for trains that operate at speeds over 250 kph, including the TGV ⁽¹⁾. In early February 2008, the Group launched the new AGV™ very high-speed train;
- Intercity trains based in Savigliano, Italy: in charge of PENDOLINO™ tilting trains, CORADIA™ "Minuetto" ⁽²⁾ and X'TRAPOLIS™. These trains operate at speeds ranging from 140 kph to 250 kph;
- Regional trains based in Salzgitter, Germany: in charge of the CORADIA™ family of electrical and diesel multiple units as well as the double-deck trains. These operate at speeds ranging from 100 kph to 180 kph;
- Urban trains based in Valenciennes, France: design centre for the new generation of CITADIS™ tramways including the CITADIS™ Dualis™ Tram-Train as well as the METROPOLIS™ metros;
- Locomotives based in Belfort, France: in charge of all locomotives, including the new generation of PRIMA™.

Manufacturing centres of excellence are present across all continents.

(1) TGV is a trademark of SNCF.

(2) Minuetto is a trademark of the company Trenitalia SpA.

Railway infrastructure (track & electrification)

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

- the design and construction of new railway lines;
- the design and construction of extensions to existing lines;
- the modernisation of existing railway lines.

Alstom brings expertise and project management to these segments in:

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

Rail control systems (railway signalling and information solutions)

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

In the main line railway segment, the Group offers customers a complete range of products. It is organised around the following engineering centres:

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

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

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

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

- passenger information systems (AGATE™ Media), on board trains and on platforms;
- security systems (closed circuit TV, emergency telephony...);
- integrated control centres.

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

Lifetime service support for trains & rail infrastructure

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

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

The trend of railway market liberalisation around the world, combined with the underlying dynamic of increased private financing in railway ventures, is triggering long term growth rates in rail transport markets. Alstom continues to lead the industry by supporting operators in boosting their performance through faster supply chains, modernised rolling stock and optimised fleet availability.

Full-integrated system solutions

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

Industry characteristics

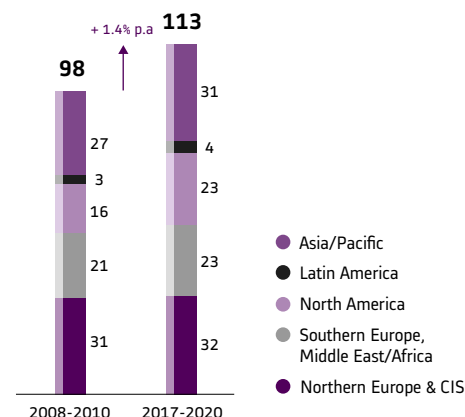
MARKET EVOLUTION

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

In the short term, the current crisis is expected to have a mixed effect on Transport’s market. Passenger traffic is holding up well, with a limited global decrease, and is even growing in certain sub-segments. At the same time, the industry is benefiting from economic stimulus packages in a significant number of markets, such as Europe, the USA and China. These plans favour investments in infrastructure as well as in “cleaner” means of transportation. Their full impact is not yet visible, as the process from financing to bidding may take time. Consequently, the passenger segment of the market is proving resilient. By contrast, freight traffic has been heavily impacted by the economic downturn, with a very substantial decrease, pushing operators to drastically reduce the level of their investment. Although traffic levels have already started to recover, freight operators forecast that pre-crisis levels will not be reached before the next calendar year. Alstom Transport Sector has a limited overall exposure to this freight market.

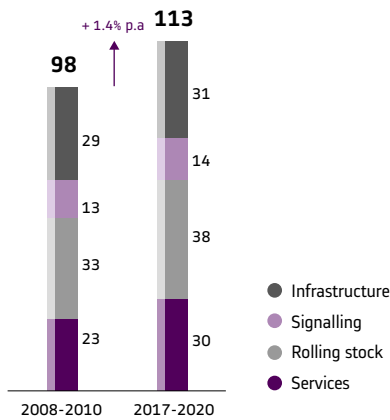
Figures from the European Railway Industries Union (UNIFE) in 2008 have been updated to reflect the crisis impact. The accessible market, re-evaluated accordingly, shows a forecasted total of €98 billion p.a. on average in 2008-2010. This market is expected to grow at around 1.5% p.a., reaching an average of €113 billion p.a. in 2017-2020. Whilst Europe will continue to represent the bulk of the market with approximately half of the world market, North America and Latin America are expected to grow significantly faster. Asia/Pacific should show a limited growth rate due to the already high level for 2008-2010 linked to the stimulus plan launched in China. At the same time, signalling and services segments are also expected to grow, at around 1% and 2.5% p.a. respectively. It should be noted that the Sector has access to roughly half this market given its current commercial, product and service footprints.

Rail transport market growth by region (in billion euros)



Source: UNIFE-Alstom.

Rail transport market growth by product line (in billion euros)



Source: UNIFE-Alstom.

MARKET DRIVERS

Environmental concerns and energy management

Public opinion is becoming increasingly conscious of environmental risks and climate change. The growing need for global mobility is causing significant disturbances: congestion in cities, noise and greenhouse gas emissions. Rail transportation allows to address these concerns.

The development of cleaner and more energy efficient trains is another response to these issues. The Sector is committed to contributing to the environmental performance of rail systems, focusing on lower energy consumption (motor efficiency, weight reduction, new materials or recovery of braking energy), reduced internal and external noise and limited global impact throughout its product life. For instance, the Sector already offers the option to send a significant amount of electricity back to the grid during the braking phase and has launched a trial of super-capacitors installed on a tramway in commercial service, in order to recover the braking energy and to run without catenaries between two stops.

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

Urban Integration

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

A direct consequence of this evolution is the development by Alstom of innovative technologies. An example of such technology is a catenary-less tram solution, called APS, which was designed several years ago and brought into service in 2003. To this day, Alstom remains the only supplier to offer a service and safety-proven solution that allows catenary-less electrical power supply and this solution has been sold several times since, most recently in Dubai (United Arab Emirates). The Sector also offers a battery-based solution, already in service in Nice, France, and is testing super capacitor-based technology.

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

Infrastructure saturation

Airport and road infrastructures are increasingly saturated in urbanised areas. Consequently, authorities are seeking to develop rail infrastructures, especially in emerging countries such as China or India, for both urban or intercity transportation, where the focus is placed upon expanding the network so that passengers and goods can travel more efficiently.

In developed economies, rail infrastructures are generally mature, with the exception of the very high-speed network which continues to show growth in track kilometres. Alstom offers a complete portfolio of solutions that helps maximise throughput on both new and existing networks. This includes high-performance signalling systems, high capacity and very high-speed rolling stock, as well as track and electrification installation to provide efficient service and an effective supply chain for parts. This also encompasses:

- European standard ERTMS (mainline) or CBTC (urban) to allow for reduced headways and interoperability;
- increased speed (AGV™, freight locomotives) as well as double-decker rolling stock (very high speed, regional or suburban) in order to offer additional throughput; and
- Alstom's unique TRAINTRACER™ maintenance system which maximises availability of rolling stock by minimising the turn-around time in case a repair is needed.

Freight development

Although freight volume has dropped significantly as a result of the current economic slowdown, the trend for long-term growth remains positive, driven by economic activity and trade. In addition, infrastructure is improving, bottlenecks are being alleviated and international corridors are being established (e.g. EU's Trans-European-Network-Transport programme in Europe or Europe-to-Asia route). These evolutions favour a move from road to rail.

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

Global comfort

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

The Sector is developing a number of R&D programmes to deliver innovative solutions towards overall comfort. It offers comfortable interiors thanks to its unique in-house "Design & Styling" studio, Internet connectivity to remain in touch, on-board entertainment systems for leisure and passenger information systems in both trains and stations to allow operators to keep their passengers informed at all times.

Competitive position

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

Alstom is a world market leader in rail transportation equipment and services, its main competitors in the field of global rail transportation being Bombardier and Siemens. Chinese competitors (notably CNR and CSR) are benefiting from the very large number of projects for metros and mainlines in China.

Alstom is the world leader in very high speed trains and holds the number 2 position in tramways. Alstom is among the leaders for suburban commuter, regional trains and locomotives (source Alstom). One of the Sector's key competitive strengths is its product and service offering, the broadest in the industry. This allows Alstom to offer optimal solutions for its customers' specific needs. Furthermore, this provides a significant competitive edge to optimise the integration of the various parts, whether products or services, in turnkey projects.

This competitive strength in products and services is best demonstrated by Alstom's technological leadership in products such as AGV™, PENDOLINO™ tilting trains, ERTMS signalling system, URBALIS™, APS catenary-less tramway, and services such as TRAINTRACER™.

This strength is also visible through the customer-centric, service-and-assistance-focused organisation supported by a strong global network of engineering, manufacturing and service locations.

As a result, customer benefits range from full life cycle cost competitiveness, overall system performance including product availability and reliability, to passenger comfort or product styling.

Research & development

In 2009/10, the Transport Sector further strengthened its product portfolio thanks to the following R&D key achievements:

- PRIMA™ II: the new generation of electric locomotives, designed to be operated for freight and/or passenger, completed tests in Wildenrath (Germany) in June-July 2009. The next target will be the presentation of the full disks brake version at the Innotrans exhibition in September 2010.
- Harmonics & Energy Saving Optimiser: HESOP™ is an inverter substation able to re-inject the braking generative power of the trains into the power grid while the line is not receiving a current. HESOP™ for 750V direct current power supply is already being tested on an RATP tramway line.
- Pack hybrid shunting for locomotives: a battery pack nickel cadmium (NiCd) for a diesel powered shunting locomotive that allows a smaller diesel engine to be used and reduces diesel fuel consumption by as much as 40%. A demonstrator unit in a BR 203 shunting unit is already built and tests were validated in October 2009.
- AGV™: the tests of the new generation for very high-speed trains were successfully carried out in October 2009. A series of tests is currently ongoing in Italy with the client, NTV.
- TRAINTRACER™: the web-based technology solution improves train fleet availability and decreases maintenance costs. This innovative solution is already in service on several technologies: West Coast Mainline (WCML) in the UK, Lyon CITADIS™ in France, Morocco PRIMA™ II locomotives and the new generation of tram-train. In addition, new functionalities were developed.

Strategy

Alstom's strategy remains unchanged in Europe, which continues to be the main market in rail transport. The Sector aims at promoting "platform" products to optimise quality, cost and delivery performance, whilst strengthening its offering in terms of technology. Additionally, further focus is being put on developing signalling, services and infrastructure activities, as the corresponding markets provide room for profitable growth.

In the United States of America, thanks to its expertise in mass transit (New York and Washington metros) and its existing engineering and manufacturing presence, Transport aims to grasp the new opportunities that could arise in high speed and very high speed lines.

The Sector will also pursue its geographical expansion in countries with high potential growth. In Latin America, Alstom will consolidate its positioning in mass transit in Brazil while trying to penetrate the main line market. In Russia and the CIS, the Sector will deploy its strategic partnership with Transmashholding, Russia's largest railway equipment manufacturer. As part of this partnership, a joint venture has been set up and will create Russian centres of excellence for designing and manufacturing railway system equipment and key components. This partnership will allow Alstom to develop its commercial activities and to benefit from opportunities in the largest rail market in Europe. Transport is contemplating establishing a base

in India for a long term and profitable presence, through partnerships or fully owned entities, to serve both the urban and mainline markets. In China, the objective is to consolidate and leverage the Sector's positioning through its existing joint ventures.

Lastly, the Sector must remain competitive in segments where low price competition is most aggressive, most notably in rolling stock. To this extent, Transport is adjusting its sourcing and industrial footprints over time, and adapting its product offering to better address the needs of a wider spectrum of customers.

Key financial data

The following table presents key performance indicators for Transport.

Transport, actual figures

Year ended 31 March (in € million)	2010	2009	% Variation 2010/09	
			Actual	Organic
Order backlog	19,243	19,506	(1%)	(4%)
Orders received	5,484	8,114	(32%)	(31%)
Sales	5,749	5,685	1%	1%
Income from operations	414	408	1%	2%
Operating margin	7.2%	7.2%		
EBIT	368	389	(5%)	
Capital Employed	(78)	(331)	(76%)	

Comments on activity during fiscal year

ORDERS RECEIVED

The rail transport market continued to be driven by positive global trends such as urban integration, infrastructure saturation and environmental concerns. Stimulus packages targeted to rail transportation have accelerated some specific projects, notably in Europe and the United States of America but have not yet delivered their full effects. Markets for very-high speed and mass transit showed continuous growth while freight activities slowed down.

Orders received by Transport during 2009/10 reached €5,484 million, 32% lower than last year which stood at a very high level with major orders received for the supply of PENDOLINO™ trains with a 10-year maintenance contract in the United Kingdom and the supply of new generation AGV™ trains in Italy including a 25-year maintenance contract.

Alstom achieved significant successes in the different geographical areas.

With €4,083 million of order intake, Europe remained the most important region in terms of orders, representing 75% of the Sector's orders. Commercial successes were recorded for suburban and regional trains in France (RER A in Paris, CORADIA™ Polyvalents), regional trains in Germany (CORADIA™ Lint™, Continental, Nordic) and Spain, for CITADIS™ in France with four cities won (Rouen, Brest, Dijon, Montpellier), metro cars in the Netherlands and signalling with ERTMS solutions in Austria, Spain and France.

Orders received in North America reached €284 million *versus* €746 million last year, including a contract to supply a train control system in Canada. Last year included the award of metros for New York City (United States of America) and electromechanical equipment for a line of metro in Mexico City. North America accounted for 5% of the Sector's orders.

Orders received in South and Central America reached €508 million *versus* €324 million last year, showing a 57% increase. In Brazil, orders were booked for metros and associated signalling systems as well as light rail vehicles for Brasilia and scope extension on the supply of the automated system for three lines of the São Paulo metro. South and Central America accounted for 9% of the Sector's orders.

In Asia/Pacific, Transport booked orders amounting to €384 million (7% of the total), compared to the €446 million received last year. In China and India, Transport achieved significant successes in signalling with URBALIS™ products.

In Middle East/Africa, €225 million orders (4% of the total) were booked compared to €776 million last year, including a turnkey tramway for Casablanca city in Morocco and infrastructure and signalling contracts for the Cairo metro system in Egypt. Main orders received last year included a turnkey tramway system for Dubai (United Arab Emirates), Oran and Constantine (Algeria) along with tramways for Rabat (Morocco).

The Transport Sector received the following major orders during 2009/10:

Country	Description
Austria	ERTMS-based train control solution ATLAS™ for 449 cars for OBB
Brazil	Supply of CITADIS™ tramways for Brasília
Brazil	Supply of 48 metro cars and of a signalling system for Brasília
Brazil	São Paulo L3 trainsets renovation
China	Advanced train control systems for Guangzhou, Shenzhen and Hong Kong metro lines
France	142 single-deck Regional "CORADIA™ Polyvalents" trains to SNCF
France	60 double-decker trainsets to the RATP for Paris' RER Line A
France	Reims tramway maintenance
France	CITADIS™ for Rouen, Brest and Dijon and Montpellier
France	ERTMS level 1 solution for French sections of two major transnational freight routes (C and D freight corridors)
Germany	Supply of 83 regional trains to the transport network of Stuttgart
Germany	CORADIA™ Lint™ regional trains
India	Train control and signalling system for the new Bangalore metro network
Morocco	Supply of 74 CITADIS™ tramways for Casablanca
Netherlands	23 metros for Amsterdam municipality
Spain	Regional trains for Catalonia region

SALES

In 2009/10, Transport sales reached €5,749 million, a 1% increase both on an actual and organic basis.

Europe represented 66% of Transport sales, at €3,778 million, 5% below last year as some tramway projects were nearing completion and others were completed in Spain and in the Netherlands. Main contracts traded during the year included the delivery of High Speed and Very High Speed Trains (TGV⁽¹⁾) in France and in Spain, metros in Turkey, France and Spain, regional trains in France and Germany and signalling contracts in Italy.

In North America, sales increased by 5% at €793 million, driven by the completion of the large New York City metro contract and the progress in the execution of a contract for the supply of a metro system for Mexico City.

Sales in South and Central America decreased by 2% at €282 million compared to €289 million last year. Progress was achieved on the delivery of metros and signalling for the São Paulo network and contracts were nearing completion in Chile. South and Central America accounted for 5% of the Sector's sales.

In Asia/Pacific, sales amounted to €525 million (9% of the total sales), a 26% increase compared to last year, as contracts for the supply of X'TRAPOLIS™ units for Melbourne in Australia were ramping up, turnkey automated metro in Singapore, locomotives and high speed trains in China were nearing completion.

Finally, sales in Middle East/Africa reached €371 million, a 41% increase compared to last year which is mostly accounted for by the progressive delivery of tramways in Algeria and locomotives for Morocco. Middle East/Africa accounted for 6% of the Sector's sales.

(1) TGV is a trademark of SNCF.

Transport, actual figures

Year ended 31 March (in € million)	2010	% of contrib.	2009	% of contrib.	% Variation 2010/09	
					Actual	Organic
Europe	3,778	66%	3,961	70%	(5%)	(4%)
North America	793	14%	755	13%	5%	5%
South and Central America	282	5%	289	5%	(2%)	(4%)
Asia/Pacific	525	9%	416	7%	26%	25%
Middle East/Africa	371	6%	264	5%	41%	42%
Sales by destination	5,749	100%	5,685	100%	1%	1%

INCOME FROM OPERATIONS AND OPERATING MARGIN

The Sector posted an income from operations at €414 million, *versus* €408 millions, an increase of 1% over last year. The operating margin remained stable at 7.2% as Transport stayed focused on sound project execution, through proper project management and tight cost monitoring.

Corporate and Others

Corporate & Others comprise all units accounting for corporate costs, as well as the International Network.

The following table sets out some key financial data for Corporate & Others:

Corporate & Others, actual figures

Year ended 31 March (in € million)	2010	2009
Income from operations	(103)	(120)
EBIT	(116)	(118)
Capital employed	(182)	(281)

Income from operations in 2009/10 was €(103) million compared to €(120) million last year, which included the cost of an employee share purchase scheme.

Operating and financial review

INCOME STATEMENT

Total Group, actual figures

Year ended 31 March (in € million)	2010	2009	% Variation 2010/09	
			Actual	Organic
Sales	19,650	18,739	5%	5%
Cost of sales	(15,982)	(15,225)	5%	5%
R&D expenditure	(558)	(586)	(5%)	(5%)
Selling expenses	(669)	(666)	0%	0%
Administrative expenses	(662)	(726)	(9%)	(9%)
Income from operations	1,779	1,536	16%	15%
Operating margin	9.1%	8.2%		

Sales

In fiscal year 2009/10, sales reached a record level of €19.7 billion, compared to €18.7 billion for the previous year, representing an increase of 5% on an actual and organic basis.

Both Sectors contributed to this performance with Power recording sales of €13.9 billion (up 6% compared to previous year) and Transport posting sales of €5.7 billion (up by 1% compared to previous year).

Research and development expenditures

Alstom maintained a high level of Research and Development expenditures (gross costs) at €614 million in 2009/10. Including the impact of capitalisation and amortisation of development costs, R&D expenditures amounted to €558 million compared to €586 million last year. The amount of capitalisation of development costs increased from €172 million last year to €209 million, due to the greater maturity of the projects. Main R&D programmes included, for Power, the development of advanced CCS technologies and the upgrade of steam and gas turbine technologies, and, for Transport, the improvement of technologies across its product lines with a focus upon very high speed trains (AGV™).

Selling and administrative expenses

Thanks to the Group's strict control of costs, selling and administrative expenses amounted to €1,331 million for fiscal year 2009/10, compared to €1,392 million for the previous year, representing a decrease in percentage of sales, from 7.4% to 6.8%. Despite an active tendering activity, selling expenses remained stable at €669 million. Administrative expenses decreased from €726 million last year to €662 million.

Income from operations

Reflecting the Group's backlog quality and its focus on efficient project execution, income from operations reached a record level at €1,779 million for fiscal year 2009/10, up by 16% compared to last year and the operating margin rose from 8.2% to 9.1%.

Total Group, actual figures

Year ended 31 March (in € million)	2010	2009	% Variation 2010/09
Income from operations	1,779	1,536	16%
Restructuring costs	(96)	(46)	109%
Other income (expense)	(54)	(47)	15%
Earnings Before Interest and Taxes	1,629	1,443	13%
Financial income (expense)	(42)	21	(300%)
Income tax charge	(385)	(373)	3%
Share in net income of equity investments	3	27	N/A
Minority interests	12	(9)	N/A
Net income – Group share	1,217	1,109	10%

Earnings before interest and taxes (EBIT)

EBIT amounted to €1,629 million for fiscal year 2009/10, up by 13% from the previous year, despite higher restructuring costs related to the optimisation of the Group's industrial base.

Net financial income

Net financial income was negative at €(42) million at the end of March 2010 compared to €21 million at the end of March 2009, as a result of the expense recorded on employee defined benefit plan, for €(24) million (vs. an income of €5 million last year), and of the impact of the decrease of interest rates on cash remuneration.

Income tax charge

The income tax charge amounted to €385 million for fiscal year 2009/10 and was composed of a €199 million current income tax charge (vs. €173 million last year) and of a €186 million deferred income tax charge (vs. €200 million in 2008/09).

The effective tax rate was at 24% for the year (compared to 25% last year).

Net income – Group share

Net income (Group share) amounted to €1,217 million, a 10% increase compared to last year.

BALANCE SHEET

Total Group, actual figures

Year ended 31 March (in € million)	2010	2009	Variation 2010/09
Goodwill	3,904	3,886	18
Intangible assets	1,453	1,397	56
Property, plant and equipment	1,958	1,735	223
Associates and available-for-sale financial assets	66	66	0
Other non-current assets	535	529	6
Deferred taxes	982	1,012	(30)
Non-current assets	8,898	8,625	273
Working capital assets	12,694	12,661	33
Marketable securities and other current financial assets	35	15	20
Cash and cash equivalents	4,351	2,943	1,408
Current assets	17,080	15,619	1,461
Assets	25,978	24,244	1,734

Year ended 31 March (in € million)	2010	2009	Variation 2010/09
Equity (Group share and minorities)	4,101	2,884	1,217
Provisions (non-current and current)	1,641	1,670	(29)
Accrued pension and other employee benefits	943	970	(27)
Financial debt (current and non-current)	2,614	1,356	1,258
Deferred taxes	113	70	43
Working capital liabilities (excl. provisions)	16,566	17,294	(728)
Liabilities	25,978	24,244	1,734

Goodwill and intangible assets

Goodwill was quasi stable at €3,904 million at the end of March 2010.

Intangible assets include acquired intangible assets and capitalised development costs. They amounted to €1,453 million on 31 March 2010 (€1,397 million on 31 March 2009).

Tangible assets

Tangible assets amounted to €1,958 million on 31 March 2010, compared to €1,735 million on 31 March 2009.

Aiming at strengthening the Group's industrial presence in fast growing markets and improving production capacity, capital expenditures (excluding capitalised development expenses) were maintained

at a high level at €470 million. These investments were focused, for Power, in Asia (boiler manufacturing facility in Wuhan, construction of a new site and capacity expansion of the hydro turbine facility in Tianjin, China), the United States of America (steam turbine facility in Chattanooga) and Eastern Europe (foundry in Elblag, Poland). For Transport, they were dedicated to the upgrade and the extension of the current manufacturing base and took place notably in France, Poland, Belgium and Germany.

Other non-current assets

Other non-current assets amounted to €535 million at the end of March 2010, compared to €529 million at the end of March 2009. Financial non-current assets directly associated to a long-term lease of trains and associated equipment for a London Underground Operator in the United Kingdom remained stable at €450 million at the end of March 2010.

Working capital

Working capital (defined as current assets excluding cash and cash equivalents, as well as marketable securities, less current liabilities excluding current financial liabilities and including non-current provisions) on 31 March 2010 was €(5,513) million compared to €(6,303) million on 31 March 2009. This degradation results from the lower level of order intake.

Deferred tax

Net deferred tax assets decreased to €869 million at the end of March 2010, from €942 million a year before, mainly due to the consumption of deferred tax assets in France, the Netherlands and the United Kingdom.

Current and non-current provisions

The current and non-current provisions were €1,641 million on 31 March 2010, compared to €1,670 million on 31 March 2009.

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

Equity on 31 March 2010 reached €4,101 million (including minority interests) compared to €2,884 million on 31 March 2009. This increase is mostly due to:

- net income from the fiscal year 2009/10 of €1,217 million (Group share);
- capital increases of €204 million, notably for the payment in shares of the 50% stake in Alstom Hydro's activity held by Bouygues;
- distribution of dividends (€323 million in 2009/10).

Financial debt

The gross financial debt increased by €1,258 million from €1,356 million at the end of March 2009 to €2,614 million at the end of March 2010. This movement is due to the combined effect of the reimbursement of €275 million of bonds and of the issue of three bonds totalling €1,750 million during the year.

See Note 25 to the consolidated financial statements for further details regarding the financial debt.

LIQUIDITY AND CAPITAL RESOURCES

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

Total Group, actual figures

Year ended 31 March (in € million)	2010	2009
Net cash provided by operating activities – before changes in net working capital	1,766	1,581
Changes in net working capital resulting from operating activities	(960)	555
Net cash provided by operating activities	806	2,136
Net cash used in or provided by investing activities	(636)	(657)
Net cash used in financing activities	1,114	(617)
Net (decrease)/increase in cash and cash equivalents	1,284	862
Cash and cash equivalents at the beginning of the period	2,943	2,115
Net effect of exchange rate variations	135	(27)
Other changes	(11)	(7)
Cash and cash equivalents at the end of the period	4,351	2,943

Net cash provided by operating activities

Net cash provided by operating activities reached €806 million for fiscal year 2009/10, compared to €2,136 million for the year before.

Net cash provided by operating activities before changes in net working capital was €1,766 million in 2009/10. It represents the cash generated by the Group's net income after elimination of non-cash

items (given that provisions are included in the definition of the working capital, provisions are not part of the elimination of non-cash items) and before working capital movements.

The Group's net working capital resulting from operating activities was negative at €(960) million.

Net cash used in investing activities

Net cash used in investing activities was €636 million for fiscal year 2009/10, *versus* €657 million for the previous year, due mainly to capital expenditures (excluding capitalised development expenses) of €470 million and capitalised research and development costs of €209 million.

Net cash position

On 31 March 2010, the Group achieved a record net cash level of €2,222 million, an increase of €171 million over the year.

Total Group, actual figures

At 31 March (in € million)	2010	2009
Net cash at the beginning of the period	2,051	904
Change in cash and cash equivalents	1,284	862
Change in marketable securities and other current financial assets	14	(162)
Change in bonds and notes	(1,475)	559
Change in current and non-current borrowings	12	(11)
Change in obligations under finance leases	33	27
Net debt of acquired entities at acquisition date	-	(12)
Net effect of exchange rate and other	303	(116)
Net cash at the end of the period	2,222	2,051

Notes 24, 25, 26, 29 and 30 to the consolidated financial statements provide further details, respectively on:

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

Net cash used in financing activities

Change in net cash used in financing activities was €1,114 million for fiscal year 2009/10, compared to €(617) million the previous year, mainly due to the issue of three bonds totalling €1,750 million during the period. This also includes the payment of dividends for €323 million and the repayment of a bond maturing in March 2010 for an amount of €275 million.

USE OF NON-GAAP FINANCIAL INDICATORS

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

Free cash flow

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

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

Total Group, actual figures

Year ended 31 March (in € million)	2010	2009
Net cash provided by operating activities	806	2,136
Capital expenditure (including capitalized development costs)	(679)	(671)
Proceeds from disposals of tangible and intangible assets	58	14
Free Cash Flow	185	1,479

Alstom uses the free cash flow measure both for internal analysis purposes as well as for external communication as the Group believes it provides accurate insight into the actual amount of cash generated or used by operations.

Capital employed

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

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

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

In 2009/10, capital employed reached €1,944 million, compared to €857 at the end of March 2009, mainly due to the variation of working capital and to capital expenditures.

Total Group, actual figures

At 31 March (in € million)	2010	2009
Non-current assets	8,898	8,625
- less deferred tax assets	(982)	(1,012)
- less non-current assets directly associated to financial debt	(450)	(449)
- less prepaid pension benefits	(9)	(4)
Capital employed – non-current assets (A)	7,457	7,160
Current assets	17,080	15,619
- less cash & cash equivalents	(4,351)	(2,943)
- less marketable securities and other current financial assets	(35)	(15)
Capital employed – current assets (B)	12,694	12,661
Current liabilities	17,989	19,268
- less current financial debt	(242)	(748)
- plus non-current provisions	460	444
Capital employed – liabilities (C)	18,207	18,964
Capital employed (A)+(B)-(C)	1,944	857

Net cash

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

Total Group, actual figures

At 31 March (in € million)	2010	2009
Cash and cash equivalents	4,351	2,943
Marketable securities and other current financial assets	35	15
Financial non-current assets directly associated to financial debt	450	449
<i>less:</i>		
Current financial debt	242	748
Non-current financial debt	2,372	608
Net cash	2,222	2,051

Organic basis

Figures presented in this section include performance indicators presented on an actual basis and on an organic basis. Figures have been given on an organic basis in order to eliminate the impact of changes in business composition and of variation of exchange rates between the Euro and the foreign currencies.

The Group uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means by which to analyse and explain variations from one period to another. However these figures, provided on an organic basis, are not measurements of performance under IFRS.

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

- the actual figures for 2008/09 (order backlog, orders received, sales and income from operations) are restated taking into account the exchange rates used for 2009/10, as used for preparing the consolidated financial statements;
- in order to reflect the same scope of activity, the same indicators are adjusted both for 2008/09 (restatement of disposals) and for 2009/10 (restatement of acquisitions).

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

Alstom – Organic figures 2009/10

Year ended 31 March (in € million)	2009				2010				
	Actual figures	Exchange rate	Scope impact	Comparable Figures	Actual figures	Scope Impact	Organic figures	% Var Act. 2010/09	% Var Org. 2010/09
Power	26,164	1,260	-	27,424	23,318	(16)	23,302	(11%)	(15%)
Transport	19,506	464	-	19,970	19,243	(5)	19,238	(1%)	(4%)
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
Orders backlog	45,670	1,724	-	47,394	42,561	(21)	42,540	(7%)	(10%)
Power	16,466	204	-	16,670	9,435	(14)	9,421	(43%)	(43%)
Transport	8,114	(123)	-	7,991	5,484	(8)	5,476	(32%)	(31%)
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
Orders Received	24,580	81	-	24,661	14,919	(22)	14,897	(39%)	(40%)
Power	13,054	(5)	(18)	13,031	13,901	(25)	13,876	6%	6%
Transport	5,685	(18)	-	5,667	5,749	(10)	5,739	1%	1%
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
Sales	18,739	(23)	(18)	18,698	19,650	(35)	19,615	5%	5%
Power	1,248	4	1	1,253	1,468	(12)	1,456	18%	16%
Transport	408	(3)	-	405	414	(1)	413	1%	2%
Corporate & Others	(120)	1	-	(119)	(103)	-	(103)	N/A	N/A
Income from Operations	1,536	2	1	1,539	1,779	(13)	1,766	16%	15%
Power	9.6%			9.6%	10.6%		10.5%		
Transport	7.2%			7.1%	7.2%		7.2%		
Corporate & Others	N/A			N/A	N/A		N/A		
Operating margin	8.2%			8.2%	9.1%		9.0%		
Sales	18,739	(23)	(18)	18,698	19,650	(35)	19,615	5%	5%
Cost of sales	(15,225)	21	18	(15,186)	(15,982)	20	(15,962)	5%	5%
R&D expenses	(586)	1	-	(585)	(558)	-	(558)	(5%)	(5%)
Selling expenses	(666)	1	-	(665)	(669)	1	(668)	0%	0%
Administrative expenses	(726)	2	1	(723)	(662)	1	(661)	(9%)	(9%)
Income from operations	1,536	2	1	1,539	1,779	(13)	1,766	16%	15%

STATUTORY AUDITORS' REPORT ON PROFIT FORECASTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 March 2010

To the Chairman of the Board of Directors,

In our capacity as Statutory Auditors of Alstom ("the Company") and in accordance with EU Regulation No. 809/2004, we hereby report to you on the Company's profit forecasts as at 31 March 2010, which are included in Chapter 1 of its Registration Document dated 26 May 2010.

In accordance with the requirements of EU Regulation No. 809/2004 and relevant CESR guidance, management is responsible for the preparation of these forecasts, as well as the material assumptions on which they are based.

It is our responsibility to express an opinion, on the basis of our work, in accordance with Appendix 1, paragraph 13.2 of EU Regulation No. 809/2004, stating that these forecasts have been properly compiled.

We performed the procedures we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in assessing the procedures implemented by management for the preparation of the profit forecasts and ensuring that the basis of accounting is consistent with the accounting policies used for the preparation of the Company's consolidated financial statements for the year ended 31 March 2010. Our work also consisted in collecting information and making the necessary enquiries in order to obtain reasonable assurance that the profit forecasts have been properly compiled on the basis stated.

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

In our opinion:

- the profit forecasts have been properly compiled on the basis stated;
- the basis of accounting used for these profit forecasts is consistent with the accounting policies used by the Company for the preparation of the consolidated financial statements for the year ended 31 March 2010.

This report is intended for the sole purpose of filing the 2010 Registration Document with the French Stock Market Regulator (*Autorité des marchés financiers – AMF*) and, where applicable, for public offerings in France and in other countries of the European Union for which a prospectus, including this Registration Document, approved by AMF, is required.

Neuilly-sur-Seine and Courbevoie, on 26 May 2010

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT

Olivier Lotz

MAZARS

Thierry Colin



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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements

Year ended 31 March (in € million)	Note	2010	2009	2008
Sales	(5)	19,650	18,739	16,908
<i>Of which products</i>		14,095	13,787	12,433
<i>Of which services</i>		5,555	4,952	4,475
Cost of sales		(15,982)	(15,225)	(13,761)
Research and development expenses	(6)	(558)	(586)	(554)
Selling expenses		(669)	(666)	(619)
Administrative expenses		(662)	(726)	(679)
Income from operations	(5)	1,779	1,536	1,295
Other income	(7)	8	44	26
Other expense	(7)	(158)	(137)	(100)
Earnings before interest and taxes	(5)	1,629	1,443	1,221
Financial income	(8)	59	122	115
Financial expense	(8)	(101)	(101)	(184)
Pre-tax income		1,587	1,464	1,152
Income tax charge	(9)	(385)	(373)	(291)
Share in net income of equity investments		3	27	1
Net profit		1,205	1,118	862
Attributable to:				
- Equity holders of the parent		1,217	1,109	852
- Minority interests		(12)	9	10
Earnings per share (in €)	(10)			
- Basic earnings per share		4.21	3.87	3.01
- Diluted earnings per share		4.18	3.81	2.95

Consolidated statements of comprehensive income

Year ended 31 March (in € million)	2010	2009	2008
Net profit recognised in income statements	1,205	1,118	862
Net gains (losses) on cash flow hedges	(21)	25	-
Currency translation adjustments	94	(14)	(34)
Net actuarial gains (losses)	7	(319)	30
Taxes	55	12	6
Income and expense directly recognised in equity	135	(296)	2
Total recognised income and expense for the period	1,340	822	864
Attributable to:			
- Equity holders of the parent	1,354	811	857
- Minority interests	(14)	11	7

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

Consolidated balance sheets

At 31 March (in € million)	Note	2010	2009	2008
Assets				
Goodwill	(11)	3,904	3,886	3,767
Intangible assets	(11)	1,453	1,397	1,322
Property, plant and equipment	(12)	1,958	1,735	1,501
Associates and other investments	(13)	66	66	62
Other non-current assets	(14)	535	529	635
Deferred taxes	(9)	982	1,012	1,070
Total non-current assets		8,898	8,625	8,357
Inventories	(15)	3,033	2,876	2,316
Construction contracts in progress, assets	(16)	3,637	3,139	2,807
Trade receivables	(17)	3,446	3,873	3,538
Other current operating assets	(18)	2,578	2,773	2,042
Marketable securities and other current financial assets	(19)	35	15	170
Cash and cash equivalents	(26)	4,351	2,943	2,115
Total current assets		17,080	15,619	12,988
Total assets		25,978	24,244	21,345

At 31 March (in € million)	Note	2010	2009	2008
Equity and liabilities				
Equity attributable to the equity holders of the parent	(21)	4,091	2,852	2,210
Minority interests		10	32	35
Total equity		4,101	2,884	2,245
Non-current provisions	(23)	460	444	503
Accrued pension and other employee benefits	(24)	943	970	818
Non-current borrowings	(25)	1,845	65	664
Non-current obligations under finance leases	(25)	527	543	644
Deferred taxes	(9)	113	70	3
Total non-current liabilities		3,888	2,092	2,632
Current provisions	(23)	1,181	1,226	1,258
Current borrowings	(25)	196	706	576
Current obligations under finance leases	(25)	46	42	43
Construction contracts in progress, liabilities	(16)	10,169	10,581	8,931
Trade payables		3,613	3,866	3,132
Other current operating liabilities	(27)	2,784	2,847	2,528
Total current liabilities		17,989	19,268	16,468
Total equity and liabilities		25,978	24,244	21,345

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

Consolidated statements of cash flows

Year ended 31 March (in € million)	Note	2010	2009	2008
Net profit		1,205	1,118	862
Depreciation, amortisation and expense arising from share-based payments		419	439	385
Cash flow adjustment in respect of post-employment and other long-term defined employee benefits		(41)	(156)	(114)
Net (gains)/losses on disposals of assets		(6)	4	(34)
Share in net income of associates (net of dividends received)		3	(24)	(1)
Deferred taxes charged to income statement	(9)	186	200	97
Net cash provided by operating activities – before changes in working capital		1,766	1,581	1,195
Changes in working capital	(20)	(960)	555	897
Net cash provided by operating activities		806	2,136	2,092
Proceeds from disposals of tangible and intangible assets		58	14	41
Capital expenditure (including capitalised R&D costs)	(5)	(679)	(671)	(498)
Decrease in other non-current assets		22	4	38
Acquisitions of businesses, net of cash acquired		(12)	(40)	(425)
Disposals of businesses, net of net cash sold		(25)	36	(52)
Net cash used in investing activities		(636)	(657)	(896)
Capital increase		65	29	100
Treasury shares		(34)	-	-
Dividends paid including payments to minorities		(333)	(233)	(117)
Issuance of bonds & notes		1,750	-	-
Repayment of bonds & notes issued		(275)	(559)	(866)
Changes in current and non-current borrowings		(12)	11	(90)
Changes in obligations under finance leases		(33)	(27)	(38)
Changes in marketable securities and other current financial assets and liabilities		(14)	162	54
Net cash provided by (used in) financing activities		1,114	(617)	(957)
Net increase in cash and cash equivalents		1,284	862	239
Cash and cash equivalents at the beginning of the period		2,943	2,115	1,907
Net effect of exchange rate variations		135	(27)	(33)
Other changes		(11)	(7)	2
Cash and cash equivalents at the end of the period		4,351	2,943	2,115
Income tax paid		(191)	(192)	(140)
Net of interest received and interest paid		(29)	22	(58)

Year ended 31 March (in € million)	2010	2009	2008
Net cash variation analysis *			
Changes in cash and cash equivalents	1,284	862	239
Changes in marketable securities and other current financial assets	14	(162)	(54)
Changes in bonds and notes	(1,475)	559	866
Changes in current and non-current borrowings	12	(11)	90
Changes in obligations under finance leases	33	27	38
Net debt of acquired entities at acquisition date	-	(12)	(210)
Exercise of put option by Bouygues	175	-	-
Net effect of exchange rate variations and other	128	(116)	(1)
Decrease in net debt	-	-	64
Increase in net cash	171	1,147	904
Net debt at the beginning of the period	-	-	(64)
Net debt at the end of the period	-	-	-
Net cash at the beginning of the period	2,051	904	-
Net cash at the end of the period	2,222	2,051	904

* The net cash 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 14), less financial debt (see Note 25).

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

Consolidated statements of changes in shareholders' equity and minority interests

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 31 March 2007	138,617,201	1,940	366	85	(1,058)	1,333	42	1,375
Movements in income and expense directly recognised in equity	-	-	-	(13)	18	5	(3)	2
Net income for the period	-	-	-	852	-	852	10	862
Total recognised income and expense	-	-	-	839	18	857	7	864
Conversion of ORA	686,744	10	(7)	(5)	-	(2)	-	(2)
Change in scope and other	-	-	-	(4)	-	(4)	(8)	(12)
Dividends paid	-	-	-	(111)	-	(111)	(6)	(117)
Issue of ordinary shares under stock option plans	1,691,362	24	7	-	-	31	-	31
Recognition of equity settled share-based payments	606,820	8	61	37	-	106	-	106
At 31 March 2008	141,602,127	1,982	427	841	(1,040)	2,210	35	2,245
Movements in income and expense directly recognised in equity	-	-	-	-	(298)	(298)	2	(296)
Net income for the period	-	-	-	1,109	-	1,109	9	1,118
Total recognised income and expense	-	-	-	1,109	(298)	811	11	822
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

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 31 March 2009	287,653,703	2,013	425	1,752	(1,338)	2,852	32	2,884
Movements in income and expense directly recognised in equity	-	-	-	-	137	137	(2)	135
Net income for the period	-	-	-	1,217	-	1,217	(12)	1,205
Total recognised income and expense	-	-	-	1,217	137	1,354	(14)	1,340
Conversion of ORA	1211	-	-	-	-	-	-	-
Change in scope and other	196	-	-	(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	1,092,111	8	26	14	-	48	-	48
At 31 March 2010	293,841,996	2,057	630	2,605	(1,201)	4,091	10	4,101

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

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NOTE 1. DESCRIPTION OF BUSINESS

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

On 23 March 2009, the Chief Executive Officer announced the reorganization of the Group by merging into a single Sector all the activities related to power generation previously managed into two Sectors, Power Systems and Power Service. The reorganisation has been effective starting from 1 April 2009. Since then, the main activities of the Group have been organised in 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.

On 20 January 2010, Alstom and Schneider Electric signed with Areva the agreement for the acquisition of Areva T&D, its transmission and distribution business. The proposed transaction was approved by the European Commission on 26 March 2010. It remains subject to the approvals of competition authorities in some countries and of the French Commission des Participations et des Transfers (CPT).

At closing date of the transaction, Transmission activities (very high and high voltage) of Areva T&D will be transferred to Alstom and regrouped in a new third sector.

NOTE 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Alstom consolidated financial statements for the year ended 31 March 2010 have been prepared:

- in accordance with the International Financial Reporting Standards (IFRS) and interpretations as adopted for use by the European Union and whose application was mandatory as of 1 April 2009;
- using the same accounting policies and measurement methods as at 31 March 2009, with the exceptions of changes required by the enforcement of new standards and interpretations as described below.

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

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 3 May 2010. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 22 June 2010.

A. EXEMPTIONS USED REGARDING THE RETROSPECTIVE APPLICATION OF IFRS AT THE DATE OF FIRST TIME APPLICATION OF IFRS (1 APRIL 2004) AND STILL HAVING AN IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

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

- business combinations: the Group elected not to apply retrospectively IFRS 3 to business combinations undertaken prior to 1 April 2004;
- translation differences: all cumulative translation differences at 1 April 2004 have been transferred to the retained earnings.

B. CHANGES IN ACCOUNTING POLICIES DUE TO NEW, REVISED OR AMENDED STANDARDS AND INTERPRETATIONS MANDATORILY APPLICABLE FOR FINANCIAL PERIODS BEGINNING ON 1 APRIL 2009

IFRS 8 – Operating segments

IFRS 8 “Operating segments” replaces IAS 14 “Segment reporting” and requires a management approach under which segment information is presented on the same bases as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s “chief operating decision maker” (CODM) in order for him to make decisions about operating matters.

After consideration of the reorganisation of Power activities effective from 1 April 2009 (see Note 1), the Group has determined that the “chief operating decision making” (CODM) function is performed by the Chief Executive Officer (CEO) who assesses performance and allocates resources at Power and Transport level. Consequently, the Group identified these two business groups as operating segments about which the Group should report.

Revised IAS 1 – Presentation of Financial Statements

The structure of the financial statements has been modified, mostly by including the statement of changes in equity as a primary statement.

Revised IAS 23 – Borrowing costs

Revised IAS 23 requires that borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Revised IAS 23 applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date (1 April 2009 for the Group). Since the Group had elected to recognise these borrowing costs immediately as expense under IAS 23, the capitalisation of borrowing costs represents a change in accounting policy.

The Group has not identified any financing arrangement for a qualifying asset with a commencement date for capitalisation on or after 1 April 2009 that would require the capitalisation of borrowing costs. Therefore, the change in accounting policy brought by the enforcement of the revised standard has no effect on the consolidated financial statements at 31 March 2010.

Other amended standards

The following amendments to existing standards have been applied for the first time:

- the amendment to IFRS 2 “vesting conditions and cancellations of share-based payments” does not have a material impact on the Group’s accounts at 31 March 2010;
- the amendment to IFRS 7 enhances disclosures about financial instruments.

The Group is not affected by the other texts whose application is compulsory in the European Union starting from 1 April 2009.

C. NEW, REVISED OR AMENDED STANDARDS AND INTERPRETATIONS NOT YET MANDATORILY APPLICABLE

The Group has not opted for an early application in the consolidated financial statements at 31 March 2010 of the following forthcoming IFRS requirements whose application is not yet mandatory:

- requirements already endorsed by the European Union which will become effective for the preparation of the Group’s consolidated financial statements for the annual period beginning 1 April 2010:
 - revised IFRS 3 “Business Combinations” and resulting amendments to IAS 27 “Consolidated and separate Financial statements”, IAS 28 “Interests in Associates” and IAS 31 “Interests in Joint Ventures”: these standards introduce a number of changes that may result in material differences between the accounting treatment of business combinations occurred before 31 March 2010 and those carried out after that date,
 - amendment to IAS 39 “Financial Instruments: Recognition and measurement”: This amendment which clarifies to what extent certain exposures are eligible for hedge accounting is not expected to have a material impact on the consolidated financial statements,
 - annual improvements to IFRS published in April 2009: these improvements will become effective for the preparation of the Group’s consolidated financial statements for the annual period beginning 1 April 2010; they are not expected to have a material impact;
- requirements not yet endorsed by the European Union:
 - IFRS 9 Financial Instruments: this publication that is the first part of a project to replace IAS 39 covers the classification and the measurement of financial assets.
The effective date of this new standard will be 1 April 2013. At this stage, the Group considers that the impact of its implementation cannot be determined with sufficient accuracy.

The Group is not affected by the other new, revised or amended standards or interpretations.

NOTE 3. SUMMARY OF ACCOUNTING POLICIES

A. CONSOLIDATION METHODS

Subsidiaries

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

Inter company balances and transactions are eliminated.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the equity holders of the parent. Minority interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the equity attributable to the equity holders of the parent, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in joint ventures

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

Investments in associates

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

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost. 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.

B. USE OF ESTIMATES

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

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

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

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

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

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications, suppliers or subcontractors' failure to perform or delays caused by unexpected conditions or events. Warranty obligations are affected by product failure rates, material usage and service delivery costs incurred in correcting failures.

Although the Group makes individual assessments on contracts, there is a risk that actual costs related to those obligations may exceed initial estimates. Estimates of contract costs and revenues at completion in case of contracts in progress and estimates of provisions in case of completed contracts may than 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 the existing contracts in the order book, the budget and the three-year plan, and the length of carry back, carry forwards and expiry periods of net operating losses.

Measurement of post-employment and other long-term defined employee benefits

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

Valuation of assets

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

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

Inventories

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

C. SALES AND COSTS GENERATED BY OPERATING ACTIVITIES

Measurement of sales and costs

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

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

Penalties are taken into account in reduction of contract revenue as soon as they are probable.

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

Recognition of sales and costs

Revenue on sale of manufactured products 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 3-J). Selling and administrative expenses are expensed as incurred.

D. INCOME FROM OPERATIONS

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

E. OTHER INCOME AND OTHER EXPENSES

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

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

F. FINANCIAL INCOME AND EXPENSE

Financial income and expense include:

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

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

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

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

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

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

H. FOREIGN CURRENCY TRANSACTIONS

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

Since the Group is exposed to foreign currency volatility, the Group puts in place a significant volume of hedges to cover this exposure. These derivatives are recognised on the balance sheet at their fair value at the closing date. Providing that the relationships between the foreign currency exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. A relationship qualifies for hedge accounting if, at the inception of the hedge, it is formally designated and documented and if it proves to be highly effective throughout the financial reporting periods for which the hedge was designated.

Hedging relationships may be of three types:

- cash flow hedge in case of hedge of the exposure to variability of cash flows attributable to highly probable forecast transactions;

- fair value hedge in case of hedge of the exposure attributable to recognised assets, liabilities or firm commitments;
- hedge of net investment in foreign subsidiaries.

Cash flow hedge

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

Fair value hedge

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

Hedge of net investment in foreign subsidiaries

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

Whatever the type of hedge, the ineffective portion of the hedging instrument is recognised in the income statement. Realised and unrealised exchange gains and losses on hedged items and hedging instruments are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

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

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

I. GOODWILL

Goodwill represents the excess of the cost of acquisition over the interest in the fair values of assets acquired and liabilities and contingent liabilities assumed in a business combination. Initial estimates

of fair values are finalised within twelve months after the date of acquisition and any adjustments in these fair values are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment concerning fair value and estimates is directly recognised in the income statement.

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

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

J. INTANGIBLE ASSETS

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

Acquired intangible assets

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

Internally generated intangible assets

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

- the project is clearly defined and its related costs are separately identified and reliably measured;
- the technical feasibility of the project is demonstrated;
- the intention exists to complete the project and to use or sell it;
- adequate 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 expenditure.

K. PROPERTY, PLANT AND EQUIPMENT

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

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

	Estimated useful life in years
Buildings	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 the acquisition or construction of a qualifying asset 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.

L. IMPAIRMENT OF GOODWILL, TANGIBLE AND INTANGIBLE ASSETS

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

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. The valuation performed is based upon the Group's internal three-year business plan. Cash flows beyond this period are estimated using a 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.

M. FINANCIAL ASSETS

Loans and deposits

Loans are initially measured at their fair value, plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Deposits are reported as financial assets when their initial maturity is more than three months and as cash and cash equivalents in case of demand deposits or when the initial maturity is less than three months.

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

Investments and debt securities

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

The fair value of listed securities corresponds to the market value at the balance sheet date. A valuation model is used in case of unlisted securities. Changes in fair value are directly recognised in shareholders' equity until the security is disposed of or is determined to be impaired. On disposal or in case of significant or prolonged decline in the fair value, the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Unlike impairment losses recognised in respect of investments in a debt instrument, impairment losses recognised in respect of investments in equity instruments cannot be reversed.

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

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

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

Derivative financial instruments

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

Receivables

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

N. INVENTORIES

Raw materials and supplies, work in progress and finished products are stated at the lower of cost, using the weighted average cost method, or net realisable value. Inventory cost includes direct material and, where applicable, direct labour costs and those overheads that

have been incurred in bringing the inventories to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

O. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and 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.

P. TAXATION

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

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

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

Deferred tax assets and liabilities are offset when both of the following conditions are met:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Deferred tax is charged or credited to net income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is classified in equity.

In France, as from 1 January 2010, a new business tax (*Contribution Économique Territoriale – CET*) has been enacted in December 2009 in order to replace the *Taxe Professionnelle (TP)*. The CET comprises a property tax (*Cotisation Foncière des Entreprises – CFE*) and a tax on value added at the rate of 1.5% (*Cotisation sur la Valeur Ajoutée des Entreprises – CVAE*).

The CET will be applicable to calendar years starting on 1 January 2010.

In accordance with the provisions of the press release issued by the French National Accounting Board (*Conseil National de la Comptabilité – CNC*), on 14 January 2010:

- the CFE is recorded as an operating expense in the Group's consolidated financial statements;
- the Group has elected to recognize the CVAE within the scope of IAS 12, the base for calculation of the CVAE being net of income and expenses, and as the added value represents the intermediate level of income systematically used as the tax base in calculating the amount of CVAE due by its largest French subsidiaries.

In compliance with IAS 12, this election requires recognition of deferred taxes on temporary differences on asset and liabilities representing future income and expenses included in the CVAE base for calculation. The impact on the financial statements for the year ended 31 March 2010 was a net tax income of €1 million (see Note 9 – *Taxation*).

Q. PROVISIONS

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

Upon completion of the contract, such obligations are recognised as distinct liabilities when they satisfy the following criteria:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation; and
- such outflow can be reliably estimated.

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

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

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

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

R. FINANCIAL LIABILITIES

Bonds and borrowings

Bonds and interest-bearing bank loans are initially recognised at fair value, less any transaction costs directly attributable to the issuance of the liability. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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

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

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

Derivative financial instruments

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

Payables

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

S. INTEREST RATE DERIVATIVES

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

In the case of fair value hedge relationships, the re-measurement of the fixed rate borrowing is offset in the income statement by the movement in the fair value of the derivative 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.

T. 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.

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

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

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

Post-employment defined benefit plans

For single employer defined benefit plans, the Group uses the Projected Unit Credit Method to determine the present value of its obligations and the related current and past service costs/profits. This method considers the actuarial assumptions' best estimates (for example, the expected turnover, the expected future salary increase and the expected mortality).

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

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

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

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

Post-employment defined contribution plans

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

Other long-term employee benefits

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

V. OFF BALANCE SHEET COMMITMENTS

Commitments arising from execution of operations controlled by the Group

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

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

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

When the liability is considered as probable and can be reliably measured, the impact on the financial statements is the following:

- if the additional liability is directly related to the execution of a customer contract in progress, the estimated gross margin at completion of the contract is reassessed; the cumulated margin recognised to date based on the percentage of completion and the accrual for future contract loss, if any, are adjusted accordingly;
- if the additional liability is not directly related to a contract in progress, a liability is immediately recognised on the balance sheet.

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

No contingent asset is disclosed when the likelihood of the obligation of the third party remains remote or possible. A contingent asset is disclosed only when the obligation becomes probable. Any additional income resulting from a third party obligation is taken into account only when it becomes virtually certain.

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

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

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

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

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

W. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

A discontinued operation is a component of the Group that meets both of the following criteria:

- it has been disposed of or it is classified as held for sale; and
- it represents a separate major line of business or geographical area of operations; or it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or it is a subsidiary acquired exclusively with a view to resale.

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

X. EARNINGS PER SHARE

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

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

Y. EXCHANGE RATES USED FOR THE TRANSLATION OF MAIN CURRENCIES

€ for 1 monetary unit	Year ended 31 March 2010		Year ended 31 March 2009		Year ended 31 March 2008	
	Average	Closing	Average	Closing	Average	Closing
British pound	1.1287	1.1238	1.1991	1.0743	1.4175	1.2566
Swiss franc	0.6668	0.7004	0.6404	0.6599	0.6102	0.6354
US dollar	0.7077	0.7419	0.7032	0.7514	0.7063	0.6324
Brazilian real	0.3801	0.4159	0.3601	0.3250	0.3810	0.3629
Indian rupee	0.0149	0.0165	0.0154	0.0148	0.0176	0.0158
Chinese yuan	0.1037	0.1087	0.1023	0.1099	0.0947	0.0902

NOTE 4. SCOPE OF CONSOLIDATION
A. CHANGES IN SCOPE OF CONSOLIDATION

No significant change in the scope of consolidation has to be reported for the years ended 31 March 2010 and 31 March 2009.

The last main changes in scope of consolidation date back to the year ended 31 March 2008:

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

B. ACQUISITIONS IN PROGRESS
Transmission activities of Areva T&D

As already stated in Note 1, the Group intends to finalise the acquisition of the Transmission activities of Areva T&D during the early months of the financial year ended 31 March 2011.

According to the agreement signed on 20 January 2010, provided that required approvals from competition authorities are obtained, a consortium owned by Alstom and Schneider Electric will acquire the entire share capital of Areva T&D for an equity value of €2.29 billion and both partners of the consortium will take over from Areva the debt refinancing of this company. As acquirer of the Transmission activities, Alstom will have to fund around 70% of the equity value and the debt refinancing.

The Consortium Agreement establishes that, at the closing date of the transaction, Alstom will immediately get a 100% interest and an exclusive control over the Transmission activities acquired through the Consortium.

When finalised, this business combination will have to be accounted for according to the requirements of the newly revised IFRS3 that is mandatorily applicable by Alstom starting from 1 April 2010.

Acquisition costs related to this transaction and incurred up to 31 March 2010 (€7 million) have been immediately recorded as other expenses in the income statement (see Note 7).

Russian Transmasholding

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 Transmasholding's parent company, Breakers Investment BV. Alstom's acquisition of a stake in Breakers Investment BV is subject to the fulfilment of certain conditions.

NOTE 5. SECTOR AND GEOGRAPHICAL DATA

A. SECTOR DATA

At 31 March 2010

(in € million)	Power	Transport	Corporate & others	Eliminations	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.

At 31 March 2009

(in € million)	Power	Transport	Corporate & others	Eliminations	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.

At 31 March 2008

(in € million)	Power	Transport	Corporate & others	Eliminations	Total
Sales	11,376	5,512	29	(9)	16,908
Inter Sector eliminations	(6)	(3)	-	9	-
Total Sales	11,370	5,509	29	-	16,908
Income (loss) from operations	1,007	397	(109)	-	1,295
Earnings (loss) before interest and taxes	1,001	368	(148)	-	1,221
Financial income (expense)					(69)
Income tax					(291)
Share in net income of equity investments					1
Net profit					862
Segment assets ⁽¹⁾	11,888	4,940	599	-	17,427
Deferred taxes (assets)					1,070
Prepaid employee defined benefit costs					17
Financial assets					2,831
Total assets					21,345
Segment liabilities ⁽²⁾	10,601	5,024	727	-	16,352
Deferred taxes (liabilities)					3
Accrued employee defined benefit costs					818
Financial debt					1,927
Total equity					2,245
Total equity and liabilities					21,345
Capital employed ⁽³⁾	1,287	(84)	(128)	-	1,075
Capital expenditure	296	171	31	-	498
Depreciation and amortisation in EBIT	199	101	41	-	341

(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.

B. GEOGRAPHICAL DATA
Sales by country of destination

Year ended 31 March (in € million)	2010	2009	2008
Euro zone ⁽¹⁾	6,550	6,594	5,432
<i>thereof France</i>	1,983	2,182	1,862
Rest of Europe	3,261	3,111	2,876
North America	2,736	2,943	3,109
<i>thereof USA</i>	2,176	2,508	2,608
South & Central America	952	1,088	881
Asia/Pacific	2,251	2,557	3,058
Middle East/Africa	3,900	2,446	1,552
Total Group	19,650	18,739	16,908

(1) For the periods ended 31 March 2009 and 31 March 2008 euro zone comprised Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Spain and Portugal. Slovakia and Slovenia have been added for the period ended 31 March 2010.

Sales by country of origin

Year ended 31 March (in € million)	2010	2009	2008
Euro zone ⁽¹⁾	10,104	8,647	7,702
<i>thereof France</i>	5,151	4,046	3,774
Rest of Europe	3,679	4,486	3,860
North America	2,631	2,862	3,041
<i>thereof USA</i>	2,236	2,530	2,672
South & Central America	767	655	528
Asia/Pacific	1,433	1,650	1,511
Middle East/Africa	1,036	439	266
Total Group	19,650	18,739	16,908

(1) For the periods ended 31 March 2009 and 31 March 2008 euro zone comprised Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Spain and Portugal. Slovakia and Slovenia have been added for the period ended 31 March 2010.

Other non current assets by country of origin ^(*)

Year ended 31 March (in € million)	2010	2009	2008
Euro zone ⁽¹⁾	1,641	1,576	1,521
<i>thereof France</i>	762	735	714
Rest of Europe ⁽²⁾	4,672	4,639	4,595
North America	541	412	261
<i>thereof USA</i>	462	350	220
South & Central America	66	48	52
Asia/Pacific	488	442	287
Middle East/Africa	50	41	10
Total Group	7,458	7,158	6,726

(*) Other non current 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).

(1) For the periods ended 31 March 2009 and 31 March 2008 euro zone comprised Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Spain and Portugal. Slovakia and Slovenia have been added for the period ended 31 March 2010.

(2) It mainly includes goodwill of Power Sector located in Switzerland.

NOTE 6. RESEARCH AND DEVELOPMENT EXPENDITURE

Year ended 31 March (in € million)	2010	2009	2008
Research and development expenses	(558)	(586)	(554)
- Developments costs capitalised during the period (see Note 11.B)	(209)	(172)	(124)
- Amortisation expense of capitalised development costs (see Note 11.B)	87	77	55
- Amortisation of acquired technology (see Note 11.B)	67	60	62
Total research and development expenditure for the period	(613)	(621)	(561)

Capitalisation of development costs relates mainly to the new generation of very high speed train – AGV™ for the Transport Sector and to CO₂ capture programme and gas turbines development for the Power Sector.

NOTE 7. OTHER INCOME AND OTHER EXPENSES

Year ended 31 March (in € million)	2010	2009	2008
Capital gains on disposal of businesses ⁽¹⁾	7	35	26
Other	1	9	-
Other income	8	44	26
Capital losses on disposal of businesses ⁽¹⁾	(36)	(80)	(39)
Restructuring costs ⁽²⁾	(96)	(46)	(35)
Other ⁽³⁾	(26)	(11)	(26)
Other expense	(158)	(137)	(100)
Other income (expenses)	(150)	(93)	(74)

(1) In the year ended 31 March 2010, capital losses relate mainly to a fine from competition authorities related to a business disposed in previous years.

In the year ended 31 March 2009, capital gains originate from the disposal of non consolidated investments in South Africa and capital losses relate mainly to adjustments on the disposal of the former Marine Sector.

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

(2) In the year ended 31 March 2010, restructuring costs are related to the optimisation of the Group's industrial base.

(3) For the year ended 31 March 2010, this caption includes the costs related to the acquisition of Transmission activities from Areva incurred at closing date (€7 million).

NOTE 8. FINANCIAL INCOME (EXPENSE)

Year ended 31 March (in € million)	2010	2009	2008
Interest income	51	107	96
Net financial income from employee defined benefit plans	-	5	12
Net exchange gain	-	4	-
Other financial income	8	6	7
Financial income	59	122	115
Interest expense	(58)	(78)	(149)
Net financial expense from employee defined benefit plans	(24)	-	-
Net exchange loss	(6)	-	(10)
Other financial expenses	(13)	(23)	(25)
Financial expense	(101)	(101)	(184)
Financial income (expense)	(42)	21	(69)
<i>Out of which</i>			
- financial income (expense) arising from financial instruments (see Note 26)	(18)	16	(81)

Interest income of €51 million represents the remuneration of the Group's cash positions over the period.

Interest expense of €(58) million represents the cost of the financial debt.

The buy-back and the cancellation of bonds triggered interest expenses amounting to €5 million in the year ended 31 March 2009 and to €33 million in the year ended 31 March 2008 (see Note 25).

Other financial expense of €(13) million incorporates fees and commitment fees paid on guarantee facilities, syndicated loans and other financing facilities (€(13) million for the year ended 31 March 2009 and €(12) million for the year ended 31 March 2008).

NOTE 9. TAXATION

A. ANALYSIS OF INCOME TAX CHARGE

The following table summarises the components of income tax charge for the years ended 31 March 2010, 2009 and 2008:

Year ended 31 March (in € million)	2010	2009	2008
Current income tax charge	(199)	(173)	(194)
Deferred income tax charge	(186)	(200)	(97)
Income tax charge	(385)	(373)	(291)
Effective tax rate	24%	25%	25%

The favourable geographical mix of income before taxes has enabled the Group to retain an effective tax rate for the period ended 31 March 2010 at 24%. Note that, although the rate has been stable over the last years, it may change from one year to another notably based on the following events:

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

B. EFFECTIVE INCOME TAX RATE

The following table provides a reconciliation from the income tax charge valued at the French statutory rate to the actual income tax charge for the years ended 31 March 2010, 2009 and 2008.

Year ended 31 March (in € million)	2010	2009	2008
Pre-tax income	1,587	1,464	1,152
Statutory income tax rate of the parent company	34.43%	34.43%	34.43%
Expected tax charge	(546)	(504)	(397)
Impact of:			
- Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	130	124	114
- Transactions liable for reduced tax rate	(3)	-	7
- Changes in unrecognised deferred tax assets	71	96	230
- Changes in tax rates	(2)	(29)	(128)
- Additional tax expense (withholding tax and IRAP in Italy)	(35)	(31)	(22)
- Permanent differences and other	-	(29)	(95)
Income tax charge ⁽¹⁾	(385)	(373)	(291)
Effective tax rate	24%	25%	25%

(1) Including a €1million net tax income (comprising a €6 million current tax expense and €7 million deferred tax income) further to the implementation in France, of a new added value business tax at the rate of 1.5% (French Finance Law of 2010, published on 31 December 2009).

C. ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table summarises the significant components of the Group's deferred tax assets and liabilities as of 31 March 2010 and 2009:

(in € million)	At 31 March 2009					At 31 March 2010	
	Deferred tax assets	Deferred tax liabilities	Change in P&L	Change in equity *	Translation adjustments and other changes	Deferred tax assets	Deferred tax liabilities
Differences between carrying amount and tax basis of tangible and intangible assets	231	(74)	(56)	-	13	178	(64)
Accruals for employee benefit costs not yet deductible	258	(5)	(27)	8	4	241	(3)
Provisions and other accruals not yet deductible	510	-	(52)	-	46	504	-
Differences in recognition of margin on construction contracts	58	(326)	(32)	-	3	100	(397)
Tax loss carry forwards	1,259	-	(79)	-	86	1,266	-
Other	63	(194)	(11)	2	12	76	(204)
Gross deferred tax assets/(liabilities) before netting	2,379	(599)	(257)	10	164	2,365	(668)
Unrecognised deferred tax assets	(838)	-	71	45	(106)	(828)	-
Netting	(529)	529	-	-	-	(555)	555
Deferred tax assets/(liabilities)	1,012	(70)	(186)	55	58	982	(113)
Net deferred tax assets/(liabilities)	942					869	

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

The Group is satisfied as to the recoverability of its recognised net deferred tax assets at 31 March 2010 (€869 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 €828 million at 31 March 2010 (€838 million at 31 March 2009). Most of these unrecognised deferred taxes are originated from tax loss carry forwards, out of which €360 million are not subject to expiry at 31 March 2010 (€406 million at 31 March 2009).

D. CASH TAX

The Group's cash tax amounts to €191 million for the period ended 31 March 2010. The cash tax rate of 12% for the period differs from the Group's effective tax rate of 24% due to a number of variables including, but not limited to:

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

NOTE 10. EARNINGS PER SHARE

A. EARNINGS

Year ended 31 March (in € million)	2010	2009	2008
Net profit attributable to equity holders of the parent	1,217	1,109	852
Financial interests related to bonds reimbursable with shares, net of tax	-	(1)	-
Earnings used to calculate basic and diluted earnings per share	1,217	1,108	852

B. NUMBER OF SHARES

Year ended 31 March	2010	2009	2008
Weighted average number of ordinary shares used to calculate basic earnings per share	289,234,516	286,787,449	282,297,348
Effect of dilutive instruments other than bonds reimbursables with shares:			
- Stock options and performance shares ⁽¹⁾	1,936,644	3,290,001	4,926,962
- Free shares	240,293	1,332,599	1,302,672
Weighted average number of ordinary shares used to calculate diluted earnings per share	291,411,453	291,410,049	288,526,982

(1) Stock options taken into consideration in the calculation of the diluted earnings per share only relate to plans 7, 8 and 9, plans 6, 10, 11 and 12 being out of the money as at 31 March 2010.

C. EARNINGS PER SHARE

Year ended 31 March (in €)	2010	2009	2008
Basic earnings per share	4.21	3.87	3.01
Diluted earnings per share	4.18	3.81	2.95

NOTE 11. GOODWILL AND INTANGIBLE ASSETS

A. GOODWILL

(in € million)	At 31 March 2009	Acquisitions and purchase accounting adjustments	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
<i>of which:</i>					
Gross value	3,886	-	-	18	3,904
Impairment	-	-	-	-	-

(in € million)	At 31 March 2008	Acquisitions and purchase accounting adjustments	Disposals	Translation adjustments and other changes	At 31 March 2009
Power	3,252	80	-	36	3,368
Transport	515	5	-	(2)	518
Goodwill	3,767	85	-	34	3,886
<i>of which:</i>					
Gross value	3,767	85	-	34	3,886
Impairment	-	-	-	-	-

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

The impairment test at 31 March 2010 supports the Group's opinion that goodwill is not impaired.

Had the assessment of the fair value been made with the same growth rates and discount rates as at 31 March 2009 and 31 March 2008, no impairment loss would have had to be recognised.

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

	Power	Transport
Net carrying amount of goodwill at 31 March 2010 (in € million)	3,381	523
Value elected as representative of the recoverable value	fair value	fair value
Number of years over which cash flow estimates are available	3 years	3 years
Extrapolation period of cash flow estimates	7 years	7 years
Long term growth rate at 31 March 2010	2.0%	1.5%
Long term growth rate at 31 March 2009	2.0%	2.0%
Long term growth rate at 31 March 2008	2.0%	2.0%
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%
After tax discount rate at 31 March 2008 ⁽¹⁾	9.5%	9.0%

(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	
	-100 bp	+100 bp	-100 bp	+100 bp
After tax discount rate	1,792	(1,343)	491	(374)
	-50 bp	+50 bp	-50 bp	+50 bp
Long-term growth rate	(383)	441	(122)	140

At 31 March 2010, 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.

B. INTANGIBLE ASSETS

(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

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

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.

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

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

(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

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

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

At 31 March (in € million)	2010	2009	2008
Land	13	13	13
Buildings	88	98	107
Machinery and equipment	7	9	14
Tools, furniture, fixtures and other	18	17	15
Net value of tangible assets held under finance leases	126	137	149

Commitments to purchase fixed assets amount to €71 million at 31 March 2010. They notably arise from the construction of a new facility in the United States of America for the manufacturing of steam turbines.

NOTE 13. ASSOCIATES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

A. ASSOCIATES

At 31 March (in € million)	2010	2009	2008	% interest
Shanghai Alstom Transportation Company (SATCO)	10	14	4	40.0
Cerrey – Babcock & Wilcox de Mexico	17	13	-	25.0
Alstom Atomenergomash	13	9	20	49.0
Other	3	3	2	-
Total	43	39	26	-

Total assets, liabilities, revenues and net profit/(loss) of associates are as follows:

(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	95	69	56	6
Cerrey – Babcock & Wilcox de Mexico	31 December	167	101	117	7
Alstom Atomenergomash	31 March	88	1	-	(1)

B. AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 March (in € million)	2010			2009	2008	2010
	Gross	Impairment	Net	Net	Net	% interest
Tramvia Metropolitana SA ⁽¹⁾	5	-	5	8	8	25.35%
Tramvia Metropolitana del Besos ⁽²⁾	3	-	3	3	8	15.20%
Other ⁽³⁾	21	(6)	15	16	20	-
Total	29	(6)	23	27	36	

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

(2) The remaining 84.80% interest in this company are held by a pool of construction companies having direct control over the company.

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

NOTE 14. OTHER NON-CURRENT ASSETS

At 31 March (in € million)	2010	2009	2008
Financial non-current assets associated to financial debt ⁽¹⁾	450	449	546
Long-term loans, deposits and other	85	80	89
Other non-current assets	535	529	635

(1) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 25 and 30). They are made up as follows:

- at 31 March 2010, €427 million receivables and €23 million deposit;
- at 31 March 2009, €429 million receivables and €20 million deposit;
- at 31 March 2008, €520 million receivables and €26 million deposit.

NOTE 15. INVENTORIES

At 31 March (in € million)	2010	2009	2008
Raw materials and supplies	932	1,019	750
Work in progress	2,116	1,995	1,742
Finished products	303	147	123
Inventories, gross	3,351	3,161	2,615
Write-down	(318)	(285)	(299)
Inventories	3,033	2,876	2,316

NOTE 16. CONSTRUCTION CONTRACTS IN PROGRESS

At 31 March (in € million)	2010	2009	Variation	2008
Construction contracts in progress, assets	3,637	3,139	498	2,807
Construction contracts in progress, liabilities	(10,169)	(10,581)	412	(8,931)
Construction contracts in progress	(6,532)	(7,442)	910	(6,124)

At 31 March (in € million)	2010	2009	Variation	2008
Contract costs incurred <i>plus</i> recognised profits <i>less</i> recognised losses to date	51,577	46,180	5,397	39,681
<i>Less</i> progress billings	(54,345)	(49,258)	(5,087)	(42,504)
Construction contracts in progress excluding down payments received from customers	(2,768)	(3,078)	310	(2,823)
Down payments received from customers	(3,764)	(4,364)	600	(3,301)
Construction contracts in progress	(6,532)	(7,442)	910	(6,124)

NOTE 17. 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 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)
Trade receivables at 31 March 2008	3,538	3,021	295	107	115
- o/w gross	3,616	3,049	297	111	159
- o/w impairment	(78)	(28)	(2)	(4)	(44)

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 18. OTHER CURRENT OPERATING ASSETS

At 31 March (in € million)	2010	2009	2008
Down payments made to suppliers	554	611	433
Corporate income tax	73	67	45
Other tax	589	485	404
Prepaid expenses	137	142	123
Other receivables	457	421	314
Derivatives relating to operating activities (see Note 26)	318	342	414
Remeasurement of hedged firm commitments in foreign currency	450	705	309
Other current operating assets	2,578	2,773	2,042

NOTE 19. MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

At 31 March (in € million)	2010	2009	2008
Derivatives related to financing activities	31	10	7
Marketable securities	4	5	156
Held-to-maturity securities	-	-	7
Marketable securities and other current financial assets	35	15	170

NOTE 20. WORKING CAPITAL

At 31 March (in € million)	2010	2009	Variation	2008
Inventories	3,033	2,876	157	2,316
Construction contracts in progress, assets	3,637	3,139	498	2,807
Trade receivables	3,446	3,873	(427)	3,538
Other current operating assets	2,578	2,773	(195)	2,042
Assets	12,694	12,661	33	10,703
Non-current provisions	460	444	16	503
Current provisions	1,181	1,226	(45)	1,258
Construction contracts in progress, liabilities	10,169	10,581	(412)	8,931
Trade payables	3,613	3,866	(253)	3,132
Other current operating liabilities	2,784	2,847	(63)	2,528
Liabilities	18,207	18,964	(757)	16,352
Working capital	(5,513)	(6,303)	790	(5,649)

Analysis of variation in working capital

Year ended 31 March (in € million)	2010	2009
Working capital at the beginning of the period	(6,303)	(5,649)
Changes in working capital resulting from operating activities ⁽¹⁾	960	(555)
Changes in working capital resulting from investing activities ⁽²⁾	1	(44)
Translation adjustments and other changes	(171)	(55)
Total changes in working capital	790	(654)
Working capital at the end of the period	(5,513)	(6,303)

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

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

NOTE 21. 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.

A. MOVEMENTS IN SHARE CAPITAL

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 represent 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 25).

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 22).

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 represent 6,611 shares to be issued.

Movements in financial year ended 31 March 2008

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

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

B. DISTRIBUTION OF DIVIDENDS

In respect of the financial year ended 31 March 2010, it will be proposed to the Shareholders' meeting called on 22 June 2010 to distribute dividends for a total amount of €364 million corresponding to a €1.24 dividend per share.

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

- 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);
- year ended 31 March 2007 (decision of Shareholders' meeting held on 26 June 2007): total amount of €111 million, corresponding to a €0.40 dividend per share (after the two-for-one stock split that took place on 7 July 2008).

NOTE 22. SHARE-BASED PAYMENTS

A. STOCK OPTIONS, PERFORMANCE SHARES AND STOCK APPRECIATION RIGHTS

Stock option plans and performance shares

	Adjusted exercise price ⁽¹⁾	Exercise period	Adjusted number of options granted ⁽²⁾	Adjusted number of options exercised since the origin	Adjusted number of options cancelled since the origin	Adjusted number of outstanding options at 31 March 2010 (inc. those that may be subscribed by the present members of the Executive Committee)	Adjusted number of performance shares that may be delivered ⁽³⁾	Adjusted number of performance shares exercised since the origin	Adjusted number of performance shares cancelled since the origin	Adjusted number of outstanding performance shares at 31 March 2010 (inc. to the present members of the Executive Committee)
Plans issued of shareholders meeting on 24 July 2001										
Plan No. 3										
Granted on 24 July 2001 to 1,703 beneficiaries	€409.60	24 July 2002 23 July 2009	328,980	-	328,980	-	-	-	-	-
Plan No. 5										
Granted on 8 January 2002 to 1,653 beneficiaries	€162.60	8 Jan. 2003 7 Jan. 2010	333,390	-	333,390	-	-	-	-	-
Plan No. 6										
Granted on 7 January 2003 to 5 beneficiaries	€77.20	7 Jan. 2004 6 Jan. 2011	94,828	5,000	17,102	72,726 (72,726)	-	-	-	-
Plans issued of shareholders meeting on 9 July 2004										
Plan No. 7										
Granted on 17 September 2004 to 1,007 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	5,566,000	4,330,875	591,000	644,125 (125,000)	-	-	-	-
Plan No. 8										
Granted on 27 September 2005 to 1,030 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	2,803,000	1,352,755	137,000	1,313,245 (180,000)	-	-	-	-
Plan No. 9										
Granted on 28 September 2006 to 1,053 beneficiaries	€37.33	28 Sept. 2009 26 Sept. 2016	3,367,500	416,177	228,750	2,722,573 (525,000)	-	-	-	-
Plans issued of shareholders meeting on 26 June 2007										
Plan No. 10										
Granted on 25 September 2007 to 1,196 beneficiaries	€67.50	25 Sept. 2010 24 Sept. 2017	1,697,200	1,000	103,200	1,593,000 (298,000)	252,000	160	17,520	234,320 (10,000)
Plan No. 11										
Granted on 23 September 2008 to 1,431 beneficiaries	€66.47	23 Sept. 2011 22 Sept. 2018	754,300	-	22,955	731,345 (197,500)	445,655	-	16,859	428,796 (22,000)
Plan No. 12										
Granted on 21 September 2009 to 1,360 beneficiaries	€49.98	21 Sept. 2012 20 Sept. 2017	871,350	-	2,450	868,900 (217,000)	522,220	-	8,120	514,100 (16,000)

(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 plans 3 and 5 has expired during the year ended 31 March 2010. None of these options has been exercised.

At 31 March 2010, stock options granted by plans 6, 7, 8 and 9 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 25 September 2007 under the long term incentive plan 10 was conditional upon the Group satisfying specified levels of operating margin for the financial year 2009/10.

As the 2009/10 Group's operating margin is above 8.5%, 1,593,000 options and 55,100 stock appreciation rights (SARs) will be exercisable under this plan and 234,320 performance shares will be delivered.

Long term incentive plans 11 and 12 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 11 granted on 23 September 2008:
The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the financial year 2010/11:
 - if the 2010/11 Group's operating margin is equal or above 10.0%, 731,345 options will be exercisable and 428,796 performance shares will be delivered,

- if the 2010/11 Group's operating margin is between 9.5% (inclusive) and 10.0% (exclusive), 80% of options will be exercisable and 80% of performance shares will be delivered,
- if the 2010/11 Group's operating margin is between 9.0% (inclusive) and 9.5% (exclusive), 40% of options will be exercisable and 40% of performance shares will be delivered,
- if the 2010/11 Group's operating margin is below 9.0%, no option will be exercisable and no performance share will be delivered;
- LTI plan 12 granted on 21 September 2009:
The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the financial year 2011/12:
 - if the 2011/12 Group's operating margin is equal or above 9.0%, 868,900 options will be exercisable and 514,100 performance shares will be delivered,
 - if the 2011/12 Group's operating margin is between 8.5% (inclusive) and 9.0% (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 7.5% (inclusive) and 8.5% (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 7.5% (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.

The Group estimates the performance conditions of plan 11 will not be reached on its basis of the last three-year business plan.

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 2010
SARs No. 7						
Granted on 1 December 2004 to 114 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	478,000	393,048	75,052	9,900
SARs No. 8						
Granted on 18 November 2005 to 120 beneficiaries	€22.45	27 Sept. 2008 18 Nov. 2015	234,000	117,950	42,000	74,050
Notional SARs ⁽³⁾						
Granted on 16 December 2005 to 120 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	232,000	163,756	39,000	29,244
SARs No. 9						
Granted on 28 September 2006 to 134 beneficiaries	€36.05	28 Sept. 2009 28 Sept. 2016	341,250	132,425	74,375	134,450
SARs No. 10						
Granted on 25 September 2007 to 134 beneficiaries	€73.42	25 Sept. 2010 24 Sept. 2017	59,700	-	4,600	55,100

(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 price 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 performance shares	Weighted average exercise price per share in €	Number of SARs	Weighted average exercise price per share in €
Outstanding at 31 March 2008 before split of shares	4,890,842	81.18	123,380	135.00	406,725	58.29
Split of shares	4,890,842	(40.59)	123,380	(67.50)	406,725	(29.15)
Granted	754,300	66.47	445,655	66.47	-	-
Exercised	(1,323,318)	13.19	-	-	(247,028)	18.15
Cancelled	(228,899)	70.03	(12,864)	66.78	(57,868)	32.22
Outstanding at 31 March 2009	8,983,767	46.05	679,551	66.84	508,554	34.14
Granted	871,350	49.98	522,220	49.98	-	-
Exercised	(1,395,765)	20.52	(160)	67.50	(217,651)	28.84
Cancelled	(513,438)	180.71	(24,395)	61.34	11,841	19.97
Outstanding at 31 March 2010 ⁽¹⁾	7,945,914	42.27	1,177,216	59.47	302,744	36.87

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

As at 31 March 2010 :

- 7,945,914 stock options are outstanding, of which 4,752,669 are exercisable;
- 1,177,216 performance shares are outstanding, of which none is yet exercisable;
- 302,744 SARs are outstanding, of which 247,644 are exercisable.

Valuation of stock option plans and performance shares

	Exercise price	End of vesting period	Share price at grant date	Volatility	Risk free interest rate	Average dividend yield	Expense (in € million) for the year ended 31 March	
							2010	2009
Plan No. 7								
Granted on 17 September 2004 with an expected life of 4 years	€8.60	17 Sept. 2007	€8.80	51%	3.0%	0.67%	-	-
Plan No. 8								
Granted on 27 September 2005 with an expected life of 4 years	€17.88	27 Sept. 2008	€18.40	34%	2.5%	1.3%	-	2
Plan No. 9								
Granted on 28 September 2006 with an expected life of 4 years	€37.33	28 Sept. 2009	€36.05	22%	3.5%	1.0%	3	7
Plan No. 10								
Granted on 25 September 2007 with an expected life of 4 years	€67.50	24 Sept. 2010	€73.42	23%	4.2%	1.3%	12	13
Plan No. 11								
Granted on 23 September 2008 with an expected life of 3 years	€66.47	22 Sept. 2011	€65.10	30%	4.1%	1.3%	(6)	6
Plan No. 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%	6	-
Total expense							15	28

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

The Group assumes on the basis of its last three year business plan that criteria for plan 11 will not be reached. As a consequence, no new expense is booked during the year and the expenses booked in previous year is fully cancelled this year.

Valuation of stock appreciation rights (SARs) plans

	Exercise price	End of vesting period	Share price at 31 March – 2010 – 2009	Volatility	Risk free interest rate	Average dividend yield	Expense/ (income) (in € million) for the year ended 31 March	
							2010	2009
SARs No. 7								
Granted on 1 December 2004 with an expected life of 4 years	€8.60	17 Sept. 2007	€46.17 €38.99	43%	1.7%	2.99%	(1)	(1)
SARs No. 8								
Granted on 18 November 2005 with an expected life of 4 years	€22.45	27 Sept. 2008	€46.17 €38.99	43%	1.7%	2.99%	(1)	(2)
Notional SARs								
Granted on 27 September 2005 with an expected life of 4 years	€17.88	27 Sept. 2008	*	43%	1.8%	2.99%	-	-
SARs No. 9								
Granted on 28 September 2006 with an expected life of 4 years	€36.05	28 Sept. 2009	€46.17 €38.99	43%	1.8%	2.99%	(2)	(2)
SARs No. 10								
Granted on 25 September 2007 with an expected life of 4 years	€73.42	24 Sept. 2010	€46.17 €38.99	43%	1.9%	2.99%	-	-
Total expense							(4)	(5)

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

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

B. SHARE-BASED PAYMENTS AWARDED TO EMPLOYEES

Free shares

On 17 November 2005, the Group announced the attribution of twelve free shares to all employees, or the equivalent in cash (SARs) depending on the conditions in each country.

At 31 March 2006, the cost related to the portion of the attribution to be settled in shares (€27 million) has been 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 (€2 million income for the year ended 31 March 2010 and €9 million income for the year ended 31 March 2009).

Alstom sharing 2007

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

The group employees were in a position to subscribe to:

- the Alstom Sharing Plus 2007 plan: 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;
- the Alstom Classic 2007 plan: this plan allowed employees to subscribe to ALSTOM shares at a lower price than the current market price.

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

Alstom sharing 2009

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

- the Two for one 2009 plan based on “buy one share and get one free” concept: 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 23. PROVISIONS

(in € million)	At 31 March 2009	Additions	Releases	Applied	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

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

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

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

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

(4) Other non-current provisions mainly relate to guarantees delivered in connection with past disposals, employee litigations, commercial disputes and environmental obligations. Environmental provisions amount to €16 million at 31 March 2010 and €17 million at 31 March 2009.

NOTE 24. POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED EMPLOYEE BENEFITS

CHANGE IN DEFINED BENEFIT OBLIGATIONS

Year ended 31 March (in € million)	2010	2009	2008
Defined benefit obligations at beginning of year	(3,668)	(4,110)	(4,770)
Service cost	(69)	(68)	(69)
Plan participant contributions	(33)	(29)	(26)
Interest cost	(206)	(219)	(220)
Plan amendments	(3)	1	(25)
Business combinations/disposals	(5)	(1)	-
Curtailments	1	-	2
Settlements	49	74	57
Actuarial gains (losses) – due to experience	(16)	15	(52)
Actuarial gains (losses) – due to changes in assumptions	(380)	293	345
Benefits paid	228	213	228
Change in scope	-	-	12
Foreign currency translation	(149)	163	408
Defined benefit obligations at end of year	(4,251)	(3,668)	(4,110)
<i>Of which:</i>			
Funded schemes	(3,840)	(3,342)	(3,717)
Unfunded schemes	(411)	(326)	(393)

CHANGE IN PLAN ASSETS

Year ended 31 March (in € million)	2010	2009	2008
Fair value of plan assets at beginning of year	2,716	3,360	3,859
Expected return on assets	182	224	232
Actuarial gains (losses) on assets due to experience	405	(663)	(262)
Company contributions	104	146	110
Plan participant contributions	33	29	26
Business combinations /disposals	-	-	-
Settlements	(46)	(67)	(51)
Benefits paid from plan assets	(189)	(148)	(171)
Change in scope	-	-	(12)
Foreign currency translation	129	(165)	(371)
Fair value of plan assets at end of year	3,334	2,716	3,360

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

At 31 March (in € million)	2010	2009	2008
Funded status of the plans	(917)	(952)	(750)
Unrecognised past service gains	(12)	(10)	(11)
Impact of asset ceiling	(6)	(4)	(40)
Net of accrued and prepaid benefit costs after asset ceiling	(935)	(966)	(801)
<i>Of which:</i>			
<i>Accrued pension and other employee benefit costs</i>	<i>(943)</i>	<i>(970)</i>	<i>(818)</i>
<i>Prepaid pension and other employee benefit costs</i>	<i>8</i>	<i>4</i>	<i>17</i>

VARIATION OF ACTUARIAL GAINS AND LOSSES

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

At 31 March (in € million)	2010	2009	2008
Opening balance (net loss)	(1,370)	(1,051)	(1,081)
Actuarial gains and losses generated during the period	10	(355)	26
Asset ceiling generated during the period	(3)	36	4
Closing balance (net loss)	(1,363)	(1,370)	(1,051)

COMPONENTS OF PLAN ASSETS

At 31 March (in € million)	2010	%	2009	%	2008	%
Equities	1,214	36.4	930	34.3	1,267	37.7
Bonds	1,747	52.4	1,412	52.0	1,619	48.2
Properties	270	8.1	215	7.9	310	9.2
Others	103	3.1	159	5.8	164	4.9
Total	3,334	100	2,716	100	3,360	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 2010, plan assets do not include any of the Group's capital stock.

ASSUMPTIONS (WEIGHTED AVERAGE RATES)

At 31 March (in %)	2010	2009	2008
Discount rate	5.11	5.74	5.54
Rate of compensation increase	2.99	3.10	3.44
Expected return on plan assets for the period	6.13	6.61	6.44

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 9% in the year ended 31 March 2010 and reduces thereafter to an ultimate rate of 5.0% from 2017 onwards.

Sensitivity analysis shows that a 50-point increase in discount rates would reduce the Group obligations by approximately €284 million. A 50-point decrease in discount rates would increase the Group obligations by approximately €296 million.

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

At 31 March (in € million)	2010	2009	2008
Service cost	(69)	(68)	(69)
Defined contributions ⁽¹⁾	(150)	(144)	(121)
Income from operations	(219)	(212)	(190)
Actuarial gains/losses on other long-term benefits	-	-	2
Amortisation of unrecognised past service gain (cost)	(1)	2	(10)
Curtailments/settlements	4	7	3
Other income (expenses)	3	9	(5)
Interest cost	(206)	(219)	(220)
Expected return on plan assets	182	224	232
Financial income (expenses)	(24)	5	12
Total benefit expense	(240)	(198)	(183)

(1) Including multi-employer contributions accounted for as defined contribution plans.

Total cash spent in the year ended 31 March 2010 for defined benefit and defined contribution plans amounted to €293 million (€355 million for the year ended 31 March 2009 and €292 million for the year ended 31 March 2008).

The company's best estimate of contributions to defined benefit and defined contribution plans expected to be paid in the year ended 31 March 2011 is approximately €300 million, of which €150 million of employer contributions to defined benefits plans.

NOTE 25. FINANCIAL DEBT

Carrying amount at 31 March (in € million)	2010	2009	2008
Bonds reimbursable in shares (debt component)	-	-	1
Bonds ⁽¹⁾	1,736	273	828
Other borrowing facilities	248	261	202
Put options and earn-out on acquired entities ⁽²⁾	30	209	185
Derivatives relating to financing activities	10	27	19
Accrued interests	17	1	5
Borrowings	2,041	771	1,240
<i>Non-current</i>	1,845	65	664
<i>Current</i>	196	706	576
Obligations under finance leases	146	156	167
Other obligations under long-term rental ⁽³⁾	427	429	520
Obligations under finance leases	573	585	687
<i>Non-current</i>	527	543	644
<i>Current</i>	46	42	43
Total financial debt	2,614	1,356	1,927

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

(Nominal value in € million)	Total	Redemption date					
		28 July 2008	13 March 2009	3 March 2010	23 September 2014	1 February 2017	18 March 2020
Outstanding amount at 31 March 2008	834	249	161	424	-	-	-
Bonds reimbursed at maturity date	(391)	(249)	(142)	-	-	-	-
Bonds bought back and cancelled	(168)	-	(19)	(149)	-	-	-
Outstanding amount at 31 March 2009	275	-	-	275	-	-	-
Issue of bonds	1,750	-	-	-	500	750	500
Bonds reimbursed at maturity date	(275)	-	-	(275)	-	-	-
Bonds bought back and cancelled	-	-	-	-	-	-	-
Outstanding amount at 31 March 2010	1,750	-	-	-	500	750	500
Nominal interest rate	-	Euribor 3M+ 0.85%	Euribor 3M+ 2.20%	6.25%	4.0%	4.13%	4.50%
Effective interest rate as of 31 March 2010	-	-	-	7.16%	4.22%	4.25%	4.58%
Effective interest rate as of 31 March 2009	-	-	-	7.16%	-	-	-

(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, to €170 million at 31 March 2009 and €162 million at 31 March 2008.

(3) This debt represents liabilities related to lease obligations on trains and associated equipment (see Notes 14 and 30).

NOTE 26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

A. FINANCIAL INSTRUMENTS REPORTED IN THE FINANCIAL STATEMENTS

The Group's financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise 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 2010

Balance sheet positions at 31 March 2010

At 31 March 2010 (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	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 assets related to operating activities	2,578	1,355	-	-	905	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	23	9,229	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 liabilities	2,784	1,386	-	-	962	436	1,398	-	1,398	-	1,398
Liabilities	9,011	1,386	-	-	7,179	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.

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

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	Total
Interests	-	-	-	(7)	(7)
<i>Interest income</i>	-	-	-	51	51
<i>Interest expense</i>	-	-	-	(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 3.H) and bank fees (see Note 8).

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.

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 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 assets related to operating activities	2,773	1,309	-	-	1,122	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	5	27	8,463	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 liabilities	2,847	1,313	-	-	893	641	1,534	-	1,534	-	1,534
Liabilities	8,069	1,313	-	-	6,088	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 the period ended 31 March 2009

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

The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 3.H) and bank fees (see Note 8).

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.

YEAR ENDED 31 MARCH 2008

Balance sheet positions at 31 March 2008

At 31 March 2008 (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	HTM	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	62	26	-	36	-	-	-	-	36	-	36	-	36
Other non-current assets	635	18	-	-	-	617	-	617	-	617	-	-	617
Trade receivables	3,538	-	-	-	-	3,538	-	3,538	-	2,992	546	-	3,538
Other current assets related to operating activities	2,042	1,006	-	-	-	622	414	1,036	-	1,036	-	-	1,036
Marketable securities and other current financial assets	170	-	156	-	7	-	7	170	-	170	-	-	170
Cash and cash equivalents	2,115	-	-	-	-	2,115	-	2,115	-	2,115	-	-	2,115
Assets	8,562	1,050	156	36	7	6,892	421	7,512	-	6,966	546	-	7,512
Non-current borrowings	664	-	-	-	-	664	-	664	-	672	-	-	672
Non-current obligations under finance leases	644	-	-	-	-	644	-	644	-	644	-	-	644
Current borrowings	576	-	-	-	-	557	19	576	-	578	-	-	578
Current obligations under finance leases	43	-	-	-	-	43	-	43	-	43	-	-	43
Trade payables	3,132	-	-	-	-	3,132	-	3,132	-	3,132	-	-	3,132
Other current liabilities	2,528	1,199	-	-	-	1,107	222	1,329	-	1,329	-	-	1,329
Liabilities	7,587	1,199	-	-	-	6,147	241	6,388	-	6,398	-	-	6,398

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

Financial income and expense arising from financial instruments for the period ended 31 March 2008

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

Income from operations arising from financial instruments for the period ended 31 March 2008

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

B. CURRENCY RISK MANAGEMENT

Financial debt

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

At 31 March (in € million)	2010	2009	2008
Euro	2,062	700	1,153
US Dollar	7	8	24
British Pound	440	443	541
Other currencies	119	209	218
Financial debt in nominal value	2,628	1,360	1,936

The debt in GBP essentially originates from a long-term lease scheme of trains, involving London Underground. The related €427 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 14, 25 and 29).

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 2010 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 (in € million)	2010		2009		2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	298	441	318	650	369	221
Derivatives qualifying for cash flow hedges	31	-	28	15	-	-
Derivatives qualifying for net investment hedges	-	-	-	-	-	-
Derivatives qualifying for hedge accounting	5	3	6	3	52	20
Total	334	444	352	668	421	241

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 2010 and 31 March 2009 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 2010	10%	1	-	5%	-	(17)
	-10%	(1)	-	-5%	-	17
Year ended 31 March 2009	10%	(1)	-	5%	4	(29)
	-10%	1	-	-5%	(4)	29
Year ended 31 March 2008	10%	(4)	-	5%	28	-
	-10%	5	-	-5%	(30)	-

The effective portion of instruments qualifying for cash flow hedge accounting reclassified from equity to profit or loss during the year ended 31 March 2010 is positive by €52 million.

C. INTEREST RATE RISK MANAGEMENT

The Group has not implemented an active interest rate risk management policy. However under the supervision of the Executive Committee, it may enter into transactions in order to hedge its interest rate risk on a case-by-case basis according to market opportunities.

Carrying amount at 31 March (in € million)	2010	2009	2008
Financial assets at floating rate	4,372	2,965	2,288
Financial assets at fixed rate	480	481	572
Financial assets bearing interests	4,852	3,446	2,860
Financial debt at floating rate	(11)	(12)	(461)
Financial debt at fixed rate, put options and earn-out on acquired entities	(2,030)	(1,344)	(1,466)
Financial debt	(2,041)	(1,356)	(1,927)
Net position at floating rate before swaps	4,361	2,953	1,827
Net position at fixed rate before swaps	(1,550)	(863)	(894)
Net position before hedging	2,811	2,090	933
Net position at floating rate after swaps	4,361	2,953	1,827
Net position at fixed rate after swaps	(1,550)	(863)	(894)
Net position after hedging	2,811	2,090	933

Sensitivity is analysed based on the group's net cash position after hedging at 31 March 2010, 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 0.7% would increase the net interest income by €31 million while a fall of 0.7% would decrease it by the same amount.

D. CREDIT RISK MANAGEMENT

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

Risk related to customers

The Group believes that the risk of a counterpart failing to perform as contracted, which could have a significant impact on the Group's financial statements or results of operations, is limited because the Group seeks to ensure that customers generally have strong credit profiles or adequate financing to meet their project obligations.

In specific cases, the Group may use export credit insurance policies which may hedge up to 90% of the credit risk on certain contracts.

Risk related to other financial assets

The Group's exposure to credit risk related to other financial assets arises from default of the counterpart, with a maximum exposure equal to the carrying amount of those instruments.

Risk related to cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by Group treasury in accordance with the Group's policy. At 31 March 2010 and at 31 March 2009, as part of the central treasury management, cash and cash equivalents are invested entirely in deposits with bank counterparts of first rank noted "Investment Grade".

The Group's parent company has access to some cash held by wholly-owned subsidiaries through the payment of dividends or pursuant to intercompany loan arrangements. However local constraints can delay or restrict this access. Furthermore, while the Group's parent company has the power to control decisions of subsidiaries of which it is the majority owner, its subsidiaries are distinct legal entities and their payment of dividends and granting of loans, advances and other payments to the parent company may be subject to legal or contractual restrictions, be contingent upon their earnings or be subject to business or other constraints. These limitations include local financial assistance rules and corporate benefit laws.

The Group's policy is to centralise liquidity of subsidiaries at the parent company's level when possible. The cash and cash equivalents available at subsidiary level were €454 million and €342 million at 31 March 2010 and 31 March 2009, respectively.

E. LIQUIDITY RISK MANAGEMENT

Financial covenants

At 31 March 2010, to increase its liquidity, the Group has in place a €1,000 million revolving credit facility fully undrawn maturing in March 2012 and extended for €942 million up to March 2013. This facility is subject to the following financial covenants, based on consolidated data:

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

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

(c) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as at 31 March 2010 is (1.1) ((1.2) at 31 March 2009).

Cash flow

The Group's objective is to maintain a strong liquidity. A revolving cash planning tool is used to monitor the Group's liquidity needs. Due to the positive net cash situation at 31 March 2010, the Group has determined that time bands detailing maturities below 1 year would not be appropriate and shows its maturity profile on an annual basis.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2010 and 31 March 2009.

Planning data for future new assets and liabilities are not reported. Amounts in foreign currency are translated at the closing rate. The variable interest payments are calculated using the last interest rates available at the reporting date. Assets and liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Financial instruments held at 31 March 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 assets related to operating activities	303	-	202	-	53	-	40	-	8
Assets	303	-	202	-	53	-	40	-	8
Other current liabilities	(434)	-	(224)	-	(73)	-	(127)	-	(10)
Liabilities	(434)	-	(224)	-	(73)	-	(127)	-	(10)
Derivatives	(131)	-	(22)	-	(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 assets related to operating activities	920	-	920	-	-	-	-	-	-
Assets	4,466	-	4,417	-	12	-	2	-	35
Trade payables	(3,613)	-	(3,613)	-	-	-	-	-	-
Other current liabilities	(964)	-	(964)	-	-	-	-	-	-
Liabilities	(4,577)	-	(4,577)	-	-	-	-	-	-
Other financial assets and liabilities	(111)	-	(160)	-	12	-	2	-	35

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 assets related to operating activities	342	-	236	-	65	-	41	-	-
Assets	342	-	236	-	65	-	41	-	-
Other current liabilities	(641)	-	(376)	-	(138)	-	(120)	-	(7)
Liabilities	(641)	-	(376)	-	(138)	-	(120)	-	(7)
Derivatives	(299)	-	(140)	-	(73)	-	(79)	-	(7)

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

Cash flow for the years ended 31 March (in € million)	Carrying amount	2011		2012		2013-2015		2016 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	27	-	-	-	-	-	-	-	27
Other non-current assets	76	1	36	-	9	-	-	-	31
Trade receivables	3,873	-	3,873	-	-	-	-	-	-
Other current assets related to operating activities	1,122	-	1,122	-	-	-	-	-	-
Assets	5,098	1	5,031	-	9	-	-	-	58
Trade payables	(3,866)	-	(3,866)	-	-	-	-	-	-
Other current liabilities	(893)	-	(893)	-	-	-	-	-	-
Liabilities	(4,759)	-	(4,759)	-	-	-	-	-	-
Other financial assets and liabilities	339	1	272	-	9	-	-	-	58

F. 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 27. OTHER CURRENT OPERATING LIABILITIES

At 31 March (in € million)	2010	2009	2008
Staff and associated costs	822	810	751
Corporate income tax	132	151	123
Other taxes	368	292	287
Deferred income	60	44	14
Other payables	703	554	619
Derivatives relating to operating activities	436	641	222
Remeasurement of hedged firm commitments in foreign currency	263	355	512
Other current operating liabilities	2,784	2,847	2,528

NOTE 28. EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

Year ended 31 March (in € million)	2010	2009	2008
Total wages and salaries	3,484	3,336	2,983
Social charges	951	862	715
Post-employment and other long-term benefit expense (see Note 24)	240	198	183
Share-based payment expense (see Note 22)	9	25	60
Total employee benefit expense	4,684	4,421	3,941

At 31 March	2010	2009	2008
Staff of consolidated companies			
Managers, engineers and professionals	32,486	32,001	27,943
Other employees	36,372	39,510	39,981
Headcount ⁽¹⁾	68,858	71,511	67,924

(1) Headcount doesn't include any temporary people.

NOTE 29. CONTINGENT LIABILITIES AND DISPUTES

A. CONTINGENT LIABILITIES

Commercial obligations

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

At 31 March 2010, the Group has in place both uncommitted bilateral lines in numerous countries up to €14.6 billion and a Committed Syndicated Bonding Facility allowing issuance of instruments up to €8 billion up to 27 July 2010. In April 2010, the Group signed a new

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 2010, the total outstanding bonding guarantees related to contracts, issued by banks or insurance companies, amount to €14.6 billion (€14.0 billion at 31 March 2009).

The available amount under the syndicated Bonding Facility at 31 March 2010 amounts to €2.0 billion (€2.4 billion at 31 March 2009). The issuance of new bonds under this bonding facility is subject to the financial covenants disclosed in Note 26.E. The available amount under local bilateral lines at 31 March 2010 amounts to €6.0 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 2010, guarantees given as part of vendor financing arrangements amount to €246 million. Included in this amount are:

- guarantees totalling \$63 million (€47 million, €47 million and €40 million at 31 March 2010, 31 March 2009 and 31 March 2008, respectively) given with respect to equipments sold to a US train operator; and
- guarantees totalling £177 million (€199 million, €190 million and €222 million at 31 March 2010, 31 March 2009 and 31 March 2008, 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 €427 million amount of "Other obligations under long-term rental" (see Note 25).

B. 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 claimed against the Group, sometimes jointly with its consortium partners, in these proceedings and disputes are significant, and may reach €350 million in one particular dispute in India.

In some proceedings amount claimed is not specified at the beginning of the proceeding. Amounts retained in respect of litigation are taken into account in the estimate of margin at completion in case of contracts in progress or included in provisions and other current liabilities in case of completed contracts when considered as reliable estimates of probable liabilities. Actual costs incurred may exceed the amount of initial estimates because of a number of factors including the inherent uncertainties of the outcome of litigation.

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 with the aim of obtaining a court decision holding these subsidiaries liable for an inexcusable fault (*faute inexcusable*) which would allow them to obtain a supplementary compensation above the payments made by the French Social Security funds of related medical costs. Although the courts have made findings of inexcusable fault, the damages in most

of these proceedings have been borne to date by the French Social Security (medical) funds.

In 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.

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, some of its subsidiaries and some of its current and former Officers and Directors were named as defendants in a number of shareholder class action lawsuits filed on behalf of various alleged purchasers of American Depositary Receipts and other Alstom securities between 3 August 1999 and 6 August 2003. These lawsuits which have been consolidated in one complaint filed on 18 June 2004 alleged violations of United States federal securities laws arising from alleged untrue statements of material facts, and/or omissions to state material facts necessary to make the statements made not misleading in various Alstom public communications regarding its business, operations and prospects (in the areas of the performance of its GT24/GT26 turbines, certain vendor financing arrangements for the former Marine Sector's customers, and its US Transport business), causing the allegedly affected shareholders to purchase Alstom securities at purportedly inflated prices.

On 22 December 2005, the United States Federal District Court dismissed large portions of the consolidated complaint, including all claims relating to its GT24/GT26 turbines, all claims against the Group's current Officers and Directors and all claims brought by non-US investors who purchased Alstom securities on non-US stock exchanges except for those relating to its US Transport business. On 11 June 2007, the plaintiffs filed a motion for class certification which includes in addition to US persons all Canadian, French, English and Dutch persons who may have purchased Alstom's shares outside the United States. The Group filed a response to the motion contesting including the non-US persons in the class and the Court decided on 28 August 2008 to remove from the class, as to all defendants, the French shareholders and has declined the inclusion in the class of English and Dutch shareholders as to Alstom. This decision which reduces the potential damages associated with this action is final as the plaintiffs did not file a petition for appeal. The discovery phase of the case is largely completed. A process of mediation settlement aimed at concluding a negotiated settlement is ongoing.

While the Group continues to vigorously defend the class action lawsuit, the Group cannot ensure that there will be no adverse outcome that could have a material adverse effect on its business, results of operations and financial situation.

Alleged anti-competitive activities

GIS equipment

In April 2006, the European Commission commenced proceedings against Alstom, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears ("GIS equipment"), a product of its former T&D business sold to Areva in January 2004, following investigations that began in 2004. On 24 January 2007, the European Commission levied a fine of €65 million against Alstom which includes €53 million on a joint and several basis with Areva T&D SA.

Alstom has requested the cancellation of this decision before the European Court of first instance. The hearings took place on 24 March 2009 and the date when the Court will give its decision is not yet known.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages of €278 million 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.

Power transformers

On 21 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 SA. Alstom has requested the cancellation of the decision before the European Court of first instance on 21 December 2009.

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. The FCO may impose a fine up to three times the additional proceeds gained by the alleged breaches. The Group has responded to this statement through appropriate filings. In addition potential civil actions brought by 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. The World Bank and the European Investment Bank have launched an investigation concerning one case of alleged illegal payments. Alstom is fully cooperating with these institutions. Potential administrative sanctions, if any, include disbarment from projects financed by these institutions.

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 52 injured persons. The causes of the accident are under investigation by the competent federal authority, the National Transportation Safety Board. At present, 18 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 total to approximately €293 million as of today. It is too early to determine the causes of the accident, resulting liabilities and the total amount of claims. Additional plaintiffs or damage claims could be added, which could increase the total amount claimed.

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 30. LEASE OBLIGATIONS

(in € million)	Total	Maturity of lease payments		
		Within 1 year	1 to 5 years	Over 5 years
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
Long term rental ⁽¹⁾	520	20	117	383
Capital leases	206	30	86	90
Operating leases	217	19	124	74
Total at 31 March 2008	943	69	327	547

(1) Obligations related to lease of trains and associated equipments (see Note 14).

NOTE 31. INDEPENDENT AUDITORS' FEES

Fees due to auditors and members of their networks in respect of years ended 31 March 2010 and 31 March 2009 were as follows:

(in € million)	Year ended 31 March 2010				Year ended 31 March 2009			
	Mazars		PricewaterhouseCoopers		Ernst & Young et Autres		Deloitte & Associés	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Independent Auditors' diligence, certification, review of individual and consolidated accounts	5.1	96	8.8	80	9.6	90	8.6	81
- ALSTOM SA	0.8	16	1.2	11	1.2	11	1.2	11
- Controlled entities	4.3	80	7.6	69	8.4	78	7.4	70
Other audit diligence and audit related services	0.2	4	0.8	7	0.8	7	1.7	16
- ALSTOM SA	-	-	0.1	1	-	-	-	-
- Controlled entities	0.2	4	0.7	6	0.8	7	1.7	16
Sub-total	5.3	100	9.6	87	10.4	97	10.3	97
Tax services	-	-	1.4 ⁽¹⁾	13	0.3	3	0.3	3
Other	-	-	-	-	-	-	-	-
Sub-total	-	-	1.4	13	0.3	3	0.3	3
Total	5.3	100	11.0	100	10.7	100	10.6	100

(1) Tax services relate to foreign entities. These services were pre-approved by the Audit Committee and are compliant with French independence rules and Alstom's requirements. These tax services are mainly transferred to other service providers during the fiscal year 2009/10.

NOTE 32. RELATED PARTIES

SHAREHOLDERS OF THE GROUP

To the Group's knowledge, the only shareholder holding more than 5% of the parent company's share capital is Bouygues, a French company listed on Paris stock market. At 31 March 2010, 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 25).

No material transactions other than that related to Hydro have been carried out with Bouygues.

ASSOCIATES

During the year ended 31 March 2008, the Group took part in the establishment of Alstom Atomenergomash, a company dedicated to

manufacturing the conventional islands of Russian nuclear power plants. The entity, in which the Group holds 49%, is accounted for under the equity method (see Note 4). Shortly after it was established, Alstom Atomenergomash acquired intangible assets (technology) from Alstom. The Group has not recorded any sale or purchase of goods and services with Alstom Atomenergomash for the period ended 31 March 2010.

No material transaction have been carried out with other associates.

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 2010.

Year ended 31 March (in € thousand)	2010	2009	2008
Short-term benefits	5,955	6,025	7,027
Fixed gross salaries ⁽¹⁾	3,450	3,225	3,613
Variable gross salaries	2,505	2,800	3,414
Post-employment benefits	3,986	788	1,609
Post-employment defined benefit plans	3,876	681	1,491
Post-employment defined contribution plans	110	107	118
Other post-employment benefits	-	-	-
Other benefits	1,721	3,521	3,293
Non monetary benefits	24	24	39
Share-based payments ⁽²⁾	1,697	3,497	3,254
Total	11,662	10,334	11,929

(1) Fixed gross salaries do not included directors fees that amount to €629 thousand at 31 March 2010, €538 thousand at 31 March 2009 and €429 thousand at 31 March 2008.

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

NOTE 33. SUBSEQUENT EVENT

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

NOTE 34. 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 2010. 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 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 Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brasil	100%	Full consolidation
ALSTOM Power & Transport 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 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
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 Norway AS	Norway	100%	Full consolidation
ALSTOM Power Sp.z o.o.	Poland	100%	Full consolidation
ALSTOM S&E Africa (Pty) Ltd	South Africa	100%	Full consolidation
ALSTOM Hydro Spain S.L.	Spain	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
Ecotecnia Energias renovables SL	Spain	100%	Full consolidation
ALSTOM Power Sweden AB	Sweden	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
ALSTOM Hydro (Switzerland) Ltd	Switzerland	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Power Inc.	United States	100%	Full consolidation
ALSTOM Transportation Inc.	United States	100%	Full consolidation
AP Com Power Inc.	United States	100%	Full consolidation

Independent Auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 March 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2010 on:

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

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 March 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to Note 2.B of the consolidated financial statements, which sets out the change in accounting method following the application of the new standard IFRS 8 – “Operating segments” and the revised standard IAS23 – “Borrowing costs” and IAS 1 – Presentation of Financial Statements.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Construction contracts

As described in Notes 3.B, 3.C, 3Q, 23 and 29.A to the consolidated financial statements and related to the recognition of revenue and gross margin, ALSTOM makes estimates that may have a significant impact, notably when determining the margin at completion on each contract, determined on the basis of the latest information and contract status available. Those estimates are reflected on the balance sheet in the captions “Construction contracts in progress, assets”, “Construction contracts in progress, liabilities” and for contracts completed in “Current provisions”. We have examined the processes applied by ALSTOM and considered the data and assumptions on which these estimates are based.

Goodwill and other long term assets

ALSTOM performed at year-end an impairment test on goodwill and also assessed whether there was any indication of impairment of other long-term assets, in accordance with the approach described in Note 2.L to the consolidated financial statements. We have assessed the impairment test performed and verified that Note 11 to the consolidated financial statements gives the appropriate information.

Retirement, termination and postretirement benefit obligations

ALSTOM records provisions for retirement, termination and postretirement benefit obligations according to the principles described in Note 3.U to the consolidated financial statements. We have examined the actuarial valuation, carried out an assessment of the assumptions used and ensured that the information provided in Note 24 to the consolidated financial statements gives the appropriate information.

Deferred tax assets

As stated in Note 9 to the consolidated financial statements, ALSTOM recorded a net deferred tax asset balance of €869 million resulting from tax losses carried forward and other timing differences, as their future utilization has been estimated probable based on the group capacity to generate sufficient taxable income in the future. We have assessed the reasonableness of these assumptions and the resulting valuations.

Disputes

We have examined the procedures used by ALSTOM to identify, assess and account for disputes. We have ensured that the status of the disputes and the related uncertainties are adequately described in the Note 29.B to the consolidated financial statements.

As stated in Note 3.B to the consolidated financial statements, several matters mentioned in the paragraphs above are based on estimates and assumptions which are uncertain by nature, and for which the final outcome may significantly differ from the initial forward looking data used, in particular given the current economical and financial environment.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report.

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

Neuilly-sur-Seine and Courbevoie, 4 May 2010

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT

Olivier Lotz

MAZARS

Thierry Colin

STATUTORY ACCOUNTS

Income Statements

Year ended 31 March (in € million)	Note	2010	2009	2008
Management fees and other operating income		133	137	85
Administrative costs and other operating expenses		(27)	(32)	(23)
Depreciation and amortisation expense		(2)	(1)	(3)
Operating income	(3)	104	104	59
Reversal of impairment losses		-	-	-
Interest income and other items of financial income		44	112	180
Depreciation, amortisation and impairment expense		(4)	(6)	(18)
Interest expenses and related expenses		(32)	(40)	(112)
Financial income	(4)	8	66	50
Current income		112	170	109
Non recurring expense	(5)	(13)	-	(1)
Income tax credit	(6)	52	68	72
Net profit		151	238	180
<i>Total Income</i>		<i>397</i>	<i>249</i>	<i>264</i>
<i>Total Expenses</i>		<i>(246)</i>	<i>(11)</i>	<i>(84)</i>

Balance Sheets

At 31 March (in € million)	Note	2010	2009	2008
Assets				
Fixed assets				
Intangible assets	(7)	2	2	3
Investments	(8)	9,216	9,216	9,216
Advances to subsidiary	(8)	4,282	2,738	3,149
Total fixed assets		13,500	11,956	12,368
Current assets				
Receivables	(9)	46	16	53
Deferred charges	(10)	14	6	15
Total current assets		60	22	68
Total assets		13,560	11,978	12,436

At 31 March (in € million)	Note	2010	2009	2008
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital		2,057	2,014	1,982
Additional paid-in capital		619	414	370
Legal reserve		201	198	194
Restricted reserve		11	2	11
General reserve		7,483	7,491	7,489
Retained earnings		1,124	1,212	1,262
Net profit		151	238	180
Total shareholders' equity	(11)	11,646	11,569	11,488
Bonds reimbursables with shares	(12)	-	-	49
Provisions for risks and charges	(13)	59	44	44
Liabilities				
Bonds	(14)	1,766	276	840
Trade payables		3	4	12
Other payables	(15)	86	85	3
Total liabilities		1,855	365	855
Total shareholders' equity and liabilities		13,560	11,978	12,436

Notes to the statutory financial statements

NOTE 1. BASIS OF PREPARATION OF THE STATUTORY FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 March 2010 have been prepared in accordance with the provisions of the following rules applicable in France:

- the Parliament Act dated 30 April 1983 and the related Decree dated 29 November 1983;
- the 1999 French Chart of Accounts as described by the Regulation 1999-03 issued by the "Comité de la Réglementation Comptable" (CRC);

- the subsequent regulations which amend the Chart of Accounts.

These accounts have been prepared using the same accounting policies and measurement methods as at 31 March 2009.

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Financial Information

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

A. INVESTMENTS

Investments are recorded at acquisition cost, excluding transaction costs.

The year end valuation is based on current value in use value which is estimated using various assessment methods notably return on investment and appraised net assets.

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

B. SHARE CAPITAL

A share capital increase is recorded at the nominal share price. If the issue price is higher than the nominal value, this difference is recorded as a paid-in capital.

Transaction costs on capital increase are offset against paid-in capital. If total transaction costs exceed the paid-in capital, the excess is recorded as intangible assets and amortised over a period of five years.

C. PROVISIONS FOR RISKS AND CHARGES

Provisions for litigations and disputes

The Company identifies and analyses on a regular basis current litigations in which it is engaged. When provisions are deemed necessary, they are measured 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. Due to changes in facts and circumstances, costs finally incurred may differ from those estimates.

Provisions for post-employment benefits

The obligation arising from post-employment defined benefits granted to the Chairman and Chief Executive Officer is determined using the projected unit credit method and is wholly recognised as a liability.

D. FINANCIAL DEBT

Financial debt is recorded at nominal value in the liabilities. Transaction costs are recorded as deferred charges and amortised over the duration of the borrowings.

Financial instruments (swaps) may be used to hedge interest rate risks on bonds.

E. TAX GROUP

The company is the mother company of a French tax group including ALSTOM Holdings and several subsidiaries of ALSTOM Holdings.

Each company determines its income tax charge on the basis of its own pre-tax income for the year, as if it was not included in a tax group. The company recognises a gain or a loss equal to the difference between the current income tax based on the group pre-tax income and the sum of tax charges recognised by the entities members of the tax group.

When a subsidiary member of the tax group exits from the said tax group, it is not compensated for the loss of its tax credits, tax loss carry forward and/or long term losses derived during the period of time it belonged to the tax group.

NOTE 3. OPERATING INCOME

Operating income is made of €133 million management fees invoiced to the Group's Companies for the use of the Alstom name.

Officer (€2,309,851 for the financial year ended 31 March 2010) and directors' fees paid (€569,000).

Administrative costs and other operating expenses include management fees invoiced by ALSTOM Holdings, external operating expenses, the gross compensation due to the Chairman and Chief Executive

NOTE 4. FINANCIAL INCOME

The net financial income amounts to €8 million and is mainly made up of the following:

- €44 million of interest income arising from deposits made with ALSTOM Holdings (see Note 8);

- €32 million of interest expenses on bonds and borrowings;
- €4 million on amortisation of premiums and transaction costs related to bonds and borrowings.

NOTE 5. NON RECURRING EXPENSE

Amounts disclosed in respect of disposals of fixed assets relate to the sale to ALSTOM Holdings on 15 March 2010 of ALSTOM Hydro Holding shares received from Bouygues on 12 March in exchange for Alstom equity shares (see Note 11). These shares have been sold at the same price as the cost of acquisition; therefore, no gain or loss arises from this disposal.

The €13 million net non-recurring expense arises from an addition to provisions set aside in respect of current legal proceedings related to alleged anti-competitive activities (see Note 13).

NOTE 6. INCOME TAX

The €52 million tax credit is broken down as follows:

- €56 million gain from tax grouping; and
- €4 million loss from withholding taxes.

In absence of tax grouping, a €40 million income tax charge would have been recorded at 31 March 2010.

The deferred tax position of the company at 31 March 2010 is the following:

At 31 March (in € million)	2010	2009
Bases of deferred tax liabilities		
Regulated provisions	-	-
Total	-	-
Bases of deferred tax assets		
Non deductible provisions	16	14
Tax loss carry forward	69	247
Total	85	261

NOTE 7. INTANGIBLE FIXED ASSETS

At 31 March (in € million)	2009	Acquisitions/Disposals	Amortisation/impairment	2010
Trademark registration costs				
Gross value	2	-	-	2
Impairment	-	-	-	-
Net value	2	-	-	2
Costs related to capital increases				
Gross value	11	(11)	-	-
Depreciation	(11)	11	-	-
Net value	-	-	-	-
Total intangible fixed assets	2	-	-	2

NOTE 8. FINANCIAL ASSETS

A. INVESTMENTS

At 31 March (in € million)	2009	Acquisition	Disposal	2010
Investments				
ALSTOM Holdings	9,216	-	-	9,216
ALSTOM Hydro Holding	-	220	(220)	-
Total	9,216	220	(220)	9,216

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

ALSTOM Hydro Holding shares received from Bouygues on 12 March in exchange for Alstom equity shares (see Note 11) have been sold to ALSTOM Holdings on 15 March at the same price as their cost of acquisition.

At 31 March 2010, the company performed an impairment test of its stake in ALSTOM Holdings.

The valuation was primarily determined applying the discounted cash flow methodology which capture the potential of the assets base to generate future profits and cash flows. It was based on the following factors:

- the internal three-year business plan of ALSTOM Holdings and its subsidiaries prepared as part of their annual budget exercise;
- the extrapolation of the three-year business plan to 7 years; and
- the Group's weighted average cost of capital, post-tax, of 9%.

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

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

B. ADVANCES

At 31 March (in € million)	2009	Variation	2010
Advances to ALSTOM Holdings			
Gross value	2,737	1,529	4,266
Accrued interests	1	15	16
Total	2,738	1,544	4,282

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

NOTE 9. RECEIVABLES

Current receivables can be broken down as follows:

At 31 March (in € million)	2010		2009	
	Total	Out of which related parties	Total	Out of which related parties
Current account with ALSTOM Holdings	1	1	1	1
Trade receivables	6	6	7	7
“Research tax credit” receivable from the French State	33		6	-
Other receivables	6		2	-
Total	46	7	16	8

All receivables are due within one year.

NOTE 10. DEFERRED CHARGES**DEFERRED CHARGES**

At 31 March (in € million)	2009	Amount capitalised during the period	Amortisation expense of the period	2010
Transaction costs and premiums related to bonds and borrowings	4	14	(4)	14

NOTE 11. SHAREHOLDERS' EQUITY

A. SHARE CAPITAL

At 31 March 2010, ALSTOM's share capital amounted to €2,056,893,972 consisting of 293,841,996 ordinary shares with a par value of €7 each and fully paid.

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

	Number	Par value (in €)
Existing shares at beginning of year	287,653,703	7
- Reimbursement of bonds	1,211	7
- Exercise of options	1,394,775	7
- Subscription of shares under employee sharing program	1,092,307	7
- Treasury shares	(700,000)	7
- Shares issued in exchange for assets contributed by Bouygues	4,400,000	7
Existing shares at year end	293,841,996	7

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 exchange of shares took place on 12 March 2010.

ALSTOM Hydro holding shares contributed by Bouygues have then been sold to ALSTOM Holdings on 15 March 2010 (see Note 8).

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

B. CHANGES IN SHAREHOLDERS' EQUITY

At 31 March (in € million)	2009	Shareholders' meeting held 23 June 2009	Other movements	2010
Capital	2,014	-	43	2,057
Additional paid-in capital	414	-	205	619
Legal reserve	198	3	-	201
Restricted reserve	2	-	9	11
General reserve	7,491	-	(8)	7,483
Retained earnings	1,212	(88)	-	1,124
Net profit	238	(238)	151	151
Total	11,569	(323)	400	11,646

Following the decision of the Shareholders' Ordinary Meeting held on 23 June 2009, a €1.12 dividend per share was distributed, representing a total amount of €323 million.

The dividends per share distributed in respect of the two previous financial years respectively amounted to €1.6 for the year ended 31 March 2008 and €0.80 for the year ended 31 March 2007 (these dividends are representative of the dividend per share before the two-for-one stock split that took place on 7 July 2008).

"Other movements" for the period arise from:

- a €62 million cash contribution, net of transaction costs, resulting from the conversion of bonds reimbursable with shares, the exercise of options and the subscription of shares under employee sharing programme;
- respective increases of €31 million in share capital and €189 million in paid-in capital in exchange for the contribution of ALSTOM Hydro Holding shares by Bouygues;
- the attribution of free shares;
- a €34 million capital reduction, following the cancellation of 700,000 treasury shares;
- the €151 million net profit.

NOTE 12. BONDS REIMBURSABLE WITH SHARES

In December 2003, the company had issued bonds reimbursable with shares maturing in December 2008.

At 31 March 2010, in absence of notification from bondholders regarding the redemption, 86,062 bonds were still outstanding. These bonds represent 5,405 shares to issue.

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

At 31 March (in € million)	2009	Additions	Applications and reversals	2010
Litigations and disputes	42	13	-	55
Post-employment defined benefits	2	2	-	4
Total	44	15	-	59

A. PROVISIONS FOR LITIGATIONS AND DISPUTES

GIS equipment

In April 2006, the European Commission commenced proceedings against Alstom, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears ("GIS equipment"), a product of its former T&D business sold to Areva in January 2004, following investigations that began in 2004. On 24 January 2007, the European Commission levied a fine of €65 million against several entities of the Group Alstom which includes €53 million on a joint and several basis with Areva T&D SA.

Alstom has requested the cancellation of this decision before the European Court of first instance. The hearings took place on 24 March 2009 and the date when the Court will give its decision is not yet known.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages of €278 million 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.

Power transformers

On 21 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 jointly a fine of €16.5 million against several entities of the Group Alstom which includes €13.5 million on a joint and several basis with Areva T&D SA. Alstom has requested the cancellation of the decision before the European Court of first instance on 21 December 2009.

United States Class Action Lawsuit

The Group, some of its subsidiaries and some of its current and former Officers and Directors were named as defendants in a number of shareholder class action lawsuits filed on behalf of various alleged purchasers of American Depositary Receipts and other Alstom securities between 3 August 1999 and 6 August 2003. These lawsuits which have been consolidated in one complaint filed on 18 June 2004 alleged violations of United States federal securities laws arising from alleged untrue statements of material facts, and/or omissions to state material facts necessary to make the statements made not misleading in various Alstom public communications regarding its business, operations and prospects (in the areas of the performance of its GT24/GT26 turbines, certain vendor financing arrangements for the former Marine Sector's customers, and its US Transport business), causing the allegedly affected shareholders to purchase Alstom securities at purportedly inflated prices.

On 22 December 2005, the United States Federal District Court dismissed large portions of the consolidated complaint, including all claims relating to its GT24/GT26 turbines, all claims against the Group's current Officers and Directors and all claims brought by non US investors who purchased Alstom securities on non-US stock exchanges except for those relating to its US Transport business. On 11 June 2007, the plaintiffs filed a motion for class certification which includes in addition to US persons all Canadian, French, English and Dutch persons who may have purchased Alstom's shares outside the

United States. The Group filed a response to the motion contesting including the non-US persons in the class and the Court decided on 28 August 2008 to remove from the class, as to all defendants, the French shareholders and has declined the inclusion in the class of English and Dutch shareholders as to Alstom. This decision which reduces the potential damages associated with this action is final as the plaintiffs did not file a petition for appeal. The discovery phase of the case is largely completed. A process of mediation settlement aimed at concluding a negotiated settlement is ongoing.

Provisions recorded by Alstom regarding these proceedings amount to €55 million at 31 March 2010 (€42 million at 31 March 2009).

B. PROVISIONS FOR POST-EMPLOYMENT DEFINED BENEFITS

The provision related to post-employment benefits represents the present value at year end of the obligations arising from defined benefits granted by the Company to the Chairman and Chief Executive Officer.

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

The defined benefit plan implemented in 2004 covers all managing executives of the Group in France whose base annual salary exceeds eight times the annual French social security ceiling. The rights under this plan are vested only if the beneficiary retires from the Company

and after claiming his or her retirement rights. Even though the plan does not set any minimum seniority requirement in order to benefit from it, the plan remains compliant with the intention behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority, and only represent each year a limited percentage of the compensation corresponding at maximum to a rate of 1.2% per year on a capped amount. The pension is determined by multiplying the replacement ratio based on the seniority by the fraction of the annual reference salary (*i.e.* the average of the last three fixed and variable annual remunerations) that exceeds eight times the annual French social security ceiling (€276,960 for the 2010 calendar year). The annual reference salary is capped at €2 million. Since the 1 of January 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC supplemental retirement scheme. As such, given his seniority within the Group, the Chairman and Chief Executive Officer could, when he retires, claim a replacement ratio between 13% and 20% of this salary portion.

The amount of contributions paid by ALSTOM within the defined contribution plan, was €22,007 for the year ended 31 March 2010.

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

The liability recognised in respect of the defined benefit obligation, including the legal retirement indemnity, amounts to €4,120,243 as at 31 March 2010.

NOTE 14. FINANCIAL DEBT

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

(Nominal value in € million)	Total	Maturity date					
		28 July 2008	13 March 2009	3 March 2010	23 September 2014	1 February 2017	18 March 2020
Outstanding amount at 31 March 2008	834	249	161	424	-	-	-
Bonds reimbursed at maturity date	(391)	(249)	(142)	-	-	-	-
Bonds bought back and cancelled	(168)	-	(19)	(149)	-	-	-
Outstanding amount at 31 March 2009	275	-	-	275	-	-	-
Bonds issued	1,750	-	-	-	500	750	500
Bonds reimbursed at maturity date	(275)	-	-	(275)	-	-	-
Outstanding amount at 31 March 2010	1,750	-	-	-	500	750	500

Three new issues of bonds were made at the following conditions:

- on 23 September 2009:
 - total amount: €500 million,
 - nominal annual interest rate: 4%,
 - maturity: 23 September 2014;
- on 1 February 2010:
 - total amount: €750 million,
 - nominal annual interest rate: 4.125%,
 - maturity: 1 February 2017;

- on 18 March 2010:
 - total amount: €500 million,
 - nominal annual interest rate: 4.5%,
 - maturity: 18 March 2020.

Accrued interests at 31 March 2010 amounting to €16 million are added to the outstanding principal amount in the balance-sheet.

At 31 March 2010, the company has in place a €1,000 million revolving credit facility fully undrawn maturing in March 2012 and extended for €942 million up to March 2013. This facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum interest cover (a)	Maximum total debt (in € million) (b)	Maximum total net debt leverage (c)
From March 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). This covenant does not apply since the Group has a net interest income.
- (b) Total debt corresponds to borrowings, *i.e.* total financial debt less finance lease obligations. This covenant ceases to apply since the Group has an "Investment grade" rating.
- (c) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as at 31 March 2010 is (1.1) ((1.2) at 31 March 2009).

NOTE 15. OTHER LIABILITIES

At 31 March (in € million)	2010	2009
Payables to members of the tax group	83	82
Other tax and social security payables	3	3
Total	86	85

NOTE 16. MATURITY OF LIABILITIES

At 31 March (in € million)	2010	Within one year	One to five years	More than five years	Out of which related parties
Bonds	1,766	16	500	1,250	-
Borrowings	-	-	-	-	-
Trade payables	3	3	-	-	-
Other payables	86	86	-	-	83
Total	1,855	105	500	1,250	83

NOTE 17. OTHER INFORMATION

A. COMMITMENTS

Total outstanding guarantees given by the company amounted to €126 million at 31 March 2010, out of which €33 million Parent guarantees detailed as follows:

- €22 million lease guarantees; and
- €11 million guarantees of commercial obligations contracted by the Transport Sector.

B. STOCK OPTIONS

	Adjusted exercise price ⁽¹⁾	Exercise period	Adjusted number of options granted ⁽²⁾	Adjusted number of options exercised since the origin	Adjusted number of options cancelled since the origin	Adjusted number of outstanding options at 31 March 2010 (inc. those that may be subscribed by the present members of the Executive Committee)	Adjusted number of performance shares that may be delivered ⁽³⁾	Adjusted number of performance shares exercised since the origin	Adjusted number of performance shares cancelled since the origin	Adjusted number of outstanding performance shares at 31 March 2010 (inc. to the present members of the Executive Committee)
Plans issued of shareholders meeting on 24 July 2001										
Plan No. 3										
Granted on 24 July 2001 to 1,703 beneficiaries	€409.60	24 July 2002 23 July 2009	328,980	-	328,980	-	-	-	-	-
Plan No. 5										
Granted on 8 January 2002 to 1,653 beneficiaries	€162.60	8 Jan. 2003 7 Jan. 2010	333,390	-	333,390	-	-	-	-	-
Plan No. 6										
Granted on 7 January 2003 to 5 beneficiaries	€77.20	7 Jan. 2004 6 Jan. 2011	94,828	5,000	17,102	72,726 (72,726)	-	-	-	-
Plans issued of shareholders meeting on 9 July 2004										
Plan No. 7										
Granted on 17 September 2004 to 1,007 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	5,566,000	4,330,875	591,000	644,125 (125,000)	-	-	-	-
Plan No. 8										
Granted on 27 September 2005 to 1,030 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	2,803,000	1,352,755	137,000	1,313,245 (180,000)	-	-	-	-
Plan No. 9										
Granted on 28 September 2006 to 1,053 beneficiaries	€37.33	28 Sept. 2009 26 Sept. 2016	3,367,500	416,177	228,750	2,722,573 (525,000)	-	-	-	-
Plans issued of shareholders meeting on 26 June 2007										
Plan No. 10										
Granted on 25 September 2007 to 1,196 beneficiaries	€67.50	25 Sept. 2010 24 Sept. 2017	1,697,200	1,000	103,200	1,593,000 (298,000)	252,000	160	17,520	234,320 10,000
Plan No. 11										
Granted on 23 September 2008 to 1,431 beneficiaries	€66.47	23 Sept. 2011 22 Sept. 2018	754,300	-	22,955	731,345 (197,500)	445,655	-	16,859	428,796 (22,000)
Plan No. 12										
Granted on 21 September 2009 to 1,360 beneficiaries	€49.98	21 Sept. 2012 20 Sept. 2017	871,350	-	2,450	868,900 (217,000)	522,220	-	8,120	514,100 (16,000)

(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 plans 3 and 5 has expired during the year ended 31 March 2010. None of these options has been exercised.

At 31 March 2010, stock options granted by plans 6, 7, 8 and 9 are fully vested. These options will expire seven years after the end of the vesting period of each plan.

The number of stock options and free performance shares granted on 25 September 2007 under the long term incentive plan 10 was conditional upon the Group satisfying specified levels of operating margin for the financial year 2009/10.

As the 2009/10 Group's operating margin is above 8.5%, 1,593,000 options will be exercisable under this plan and 234,320 performance shares will be delivered.

Long term incentive plans 11 and 12 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 11 granted on 23 September 2008:

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the financial year 2010/11:

- if the 2010/11 Group's operating margin is equal or above 10.0%, 731,345 options will be exercisable and 428,796 performance shares will be delivered,

- if the 2010/11 Group's operating margin is between 9.5% (inclusive) and 10.0% (exclusive), 80% of options will be exercisable and 80% of performance shares will be delivered,
- if the 2010/11 Group's operating margin is between 9.0% (inclusive) and 9.5% (exclusive), 40% of options will be exercisable and 40% of performance shares will be delivered,
- if the 2010/11 Group's operating margin is below 9.0%, no option will be exercisable and no performance share will be delivered;

- LTI plan 12 granted on 21 September 2009:

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the financial year 2011/12:

- if the 2011/12 Group's operating margin is equal or above 9.0%, 868,900 options will be exercisable and 514,100 performance shares will be delivered,
- if the 2011/12 Group's operating margin is between 8.5% (inclusive) and 9.0% (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 7.5% (inclusive) and 8.5% (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 7.5% (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.

The Group estimates the performance conditions of plan 11 will not be reached on its basis of the last three-year business plan.

Movements in stock option plans and performance share plans

	Number of options	Weighted average exercise price per share in €	Number of performance shares	Weighted average exercise price per share in €
Outstanding at 31 March 2008 before split of shares	4,890,842	81.18	123,380	135.00
Split of shares	4,890,842	(40.59)	123,380	(67.50)
Granted	754,300	66.47	445,655	66.47
Exercised	(1,323,318)	13.19	-	-
Cancelled	(228,899)	70.03	(12,864)	66.78
Outstanding at 31 March 2009	8,983,767	46.05	679,551	66.84
Granted	871,350	49.98	522,220	49.98
Exercised	(1,395,765)	20.52	(160)	67.50
Cancelled	(513,438)	180.71	(24,395)	61.34
Outstanding at 31 March 2010 ⁽¹⁾	7,945,914	42.27	1,177,216	59.47

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

As at 31 March 2010,

- 7,945,914 stock options are outstanding, of which 4,752,669 are exercisable;
- 1,177,216 performance shares are outstanding, of which none is yet exercisable.

C. FREE SHARE PLANS AWARDED TO EMPLOYEES

Alstom sharing 2007

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

The group employees were in a position to subscribe to:

- the Alstom Sharing Plus 2007 plan: 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;
- the Alstom Classic 2007 plan: this plan allowed employees to subscribe to ALSTOM shares at a lower price than the current market price.

Alstom sharing 2009

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

- the Two for one 2009 plan: based on "buy one share and get one free" concept 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;
- the Alstom Classic 2009 plan: this plan had the same characteristics as the Alstom Classic 2007.

1,092,111 shares have been issued with respect to this plan.

D. REMUNERATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

At its meeting dated 4 May 2009, the Board of Directors acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment as well as to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office. It has consequently authorized amendments to the commitments related to Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, which have been approved by the shareholders' meeting held on 23 June 2009.

E. LIST OF SUBSIDIARIES

ALSTOM Holdings is Alstom's sole significant subsidiary and is 100% owned.

Information on ALSTOM Holdings

Gross value of investment held by the company	€9.2 billion
Net value of investment held by the company	€9.2 billion
Gross value of loans and advances granted by the company	€4.3 billion
Net value of loans and advances granted by the company	€4.3 billion
Bonds and guarantees granted by the company outstanding at 31 March 2010	-
Dividends paid by ALSTOM Holdings to the company during financial year ended at 31 March 2010	-
Alstom Holdings shareholders' equity at 31 March 2009	€4.1 billion
Alstom Holdings shareholders' equity at 31 March 2010	€5.1 billion

NOTE 18. SUBSEQUENT EVENTS

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

Five-year summary

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

Year ended 31 March	2006	2007	2008	2009	2010
1. Share capital at year end					
a) Share capital (in € thousand)	1,934,391	1,940,641	1,982,430	2,013,576	2,056,894
b) Number of outstanding issued shares	138,170,776	138,617,201	141,602,127	287,653,703	293,841,996
c) Par value of shares (in €)	14	14	14	7	7
2. Operations and income for the year (in € million)					
a) Dividends received	-	-	-	-	-
b) Income before tax, depreciation, impairment and provisions	78	92	128	177	118
c) Income tax credit	36	29	72	68	52
d) Net income after tax, depreciation, impairment and provisions	6,398	2,701	180	238	151
e) Dividends	-	111	227	323	364
3. Earnings per share (in €)					
a) Net earning after tax, but before depreciation, impairment and provisions	0.82	0.88	1.42	0.85	0.58
b) Net earning after tax, depreciation, impairment and provisions	46.10	19.49	1.27	0.83	0.51
c) Net dividend per share	-	0.80	1.60	1.12	1.24
4. Personnel					
a) Average headcount of the year	-	-	-	-	-
b) Amount of remuneration of the Chairman and Chief Executive Office (in € thousand)	1,251	2,228	2,391	2,466	2,310
c) Amount of social charges and other welfare benefits for the year (in € thousand)	357	540	579	754	651

Appropriation of the net income for the period ended 31 March 2010

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

The following appropriation of the net income for the year ended 31 March 2010 (€151,153,901.86) will be proposed to the next shareholders' meeting:

Net income for the financial year	€151,153,901.86
Retained earnings	€1,123,690,232.14
Allocation to the legal reserve	€4,331,805.10
Distributable income	€1,270,512,328.90
Dividends paid	€364,364,075.04
Retained earnings carried forward	€906,148,253.86

The proposed dividend corresponds to a dividend of €1.24 for each of the 293,841,996 shares comprising the capital as of 31 March 2010 and eligible to dividend at 1 April 2009.

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

The dividend would be paid in cash on 29 June 2010. Should the Company hold any of its own shares at that date, the amount of dividends attributable to those shares would be carried forward.

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

- a dividend of €1.12 per share (par value of €7) for the period ended 31 March 2009;
- a dividend of €1.60 per share (par value of €14) for the period ended 31 March 2008;
- a dividend of €0.80 per share (par value of €14) for the period ended 31 March 2007.

Comments on statutory accounts

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

The company is the holding company of the Alstom Group. The company centralises a large part of the external financing of the Group and directs the funds to its subsidiary ALSTOM Holdings through loans and a current account. Fees from its indirect subsidiaries for the use of the ALSTOM name are the company's main other source of revenue.

INCOME STATEMENT

The company net profit amounted to €151 million and mainly comprised:

- €104 million operating income stemming from the fees for the use of ALSTOM name minus administrative costs and other external costs;
- €8 million financial income;
- €13 million non-recurring expense; and
- €52 million income tax credit including a €56 million tax group gain.

BALANCE SHEET

Total of balance sheet amounts to €13,560 million and is made of:

- assets:
 - ALSTOM Holdings investments totalling €9,216 million,
 - advances to ALSTOM Holdings amounting to €4,282 million;
- shareholders' equity and liabilities:
 - shareholders' equity amounts to €11,646 million and is made of:
 - share capital: €2,057 million,
 - paid-in capital: €619 million,
 - reserves: €7,695 million,
 - retained earnings: €1,124 million, and
 - net profit of the period: €151 million,
 - outstanding bonds amounting to €1,766 million,
 - other payables (€86 million) out of which €83 million due to subsidiaries in accordance with the tax grouping agreements.

INFORMATION ON TRADE PAYABLES

In accordance with by the Article D.441-4 of the French Commercial Code, it is stated that trade payables recorded on the balance-sheet are made up as follows:

- invoices to be paid (€2 million) whose maturity is less than 60 days;
- invoices to come (€1 million).

Independent Auditors' report on statutory financial statements

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 March 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting we hereby report to you, for the year ended 31 March 2010, on:

- the audit of the accompanying financial statements of ALSTOM;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 March 2010 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Investments are recorded as assets in your company's balance sheet for a net book value of €9,216 million. Note 2(a) "Summary of accounting policies - Investments" to the financial statements describes the methods adopted for accounting for these investments as well as the methods used to calculate impairment losses. We have examined the methodology used and assessed the reasonableness of the estimates applied by ALSTOM to perform the impairment test, as described in Note 8 "Financial assets" to the financial statements.

The data and assumptions on which those estimates are based, are uncertain by nature, and the future results may significantly differ from the initial forward looking data used, in particular given the current economical and financial environment.

We have examined the procedures used by ALSTOM to identify, assess and account for disputes. We have ensured that the status of the disputes and the related uncertainties are adequately described in the Note 13 "Provisions for risks and charges" to the financial statements.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by ALSTOM from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Courbevoie, 4 May 2010

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT

Olivier Lotz

MAZARS

Thierry Colin

Independent Auditors' special report on regulated related-party agreements and commitments

This is a free translation into English of the Statutory Auditor's special report in regulated related-party agreements and commitments that is issued in the French language and is provided solely for the convenience of English-speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards

Year ended 31 March 2010

To the Shareholders,

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

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

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

The terms of our engagement do not require us to identify such other agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them. We performed the procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie nationale des Commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Amendment to the joint venture agreement and contribution in kind following the exercise by Bouygues of its put option on Alstom Hydro Holding shares

Directors concerned:

Bouygues SA, Olivier Bouygues, Patrick Kron, Georges Chodron de Courcel.

Nature and purpose:

In connection with the joint venture Alstom Hydro Holding, it had been agreed between Alstom Power Centrales (wholly-owned subsidiary of Alstom, subsequently renamed Alstom Power Systems) and Bouygues that the latter could, during the last 20 worked days following 31 October 2009, sell its shares in the joint venture against 2,220,000 shares in Alstom (this number of Shares became 4,400,000 after the split by two of the Alstom Share nominal value) or a payment in cash.

For practical reasons, it was agreed through an amendment signed on 30 October 2009 between the above mentioned parties and Alstom, that in case of Bouygues exercises its put option against Alstom shares, the latter would substitute itself to its subsidiary Alstom Power Centrales (that became Alstom Power Systems). The operation would then lead to a contribution in kind by Bouygues to Alstom, Bouygues contributing its shares into the joint venture against 4,400,000 newly issued Alstom shares pursuant to the delegation granted by the Annual General Shareholders' Meeting on 24 June 2008.

On 25 November 2009, Bouygues notified the exercise of its exit option on its 50% shares in the Alstom Hydro Holding and has called for 4,400,000 shares in Alstom, through the application of the above mentioned agreements. In application of the 30 October 2009 amendment and the Article 225-147 of the French Commercial Code, a capital contribution treaty has been signed between Bouygues and Alstom, the contribution, being valued at €220,001,468.

After the suspensive conditions detailed in the treaty were fulfilled, the final realisation of both the contribution in kind and the capital increase occurred on 12 March 2010.

Conditions of the Authorization:

The amendment to the joint venture agreement was pre-approved by the Board of Directors on 28 October 2009.

The contribution in kind treaty was pre-approved by the Board of Directors on 22 December 2009.

Subscription agreement on the €500 million bonds issued on 23 September 2009

Directors concerned:

Georges Chodron de Courcel and Jean-Martin Folz.

Nature and purpose:

On 21 September 2009, Alstom agreed, in particular with BNP Paribas and Société Générale, a subscription agreement in connection with its €500 million bonds issue, to be redeemed in full on 23 September 2014, and for which the banks agreed to guarantee the subscription of the bonds. The subscription agreement carries a fee equal to 0.35 % of the principal amount, *i.e.* €1,750 thousand. The Bonds were issued on 23 September 2009.

Conditions of the Authorization:

The subscription agreement was pre-approved by the Board of Directors on 21 September 2009.

Subscription agreement on the €750 million bonds issued on 1 February 2010

Directors concerned:

Georges Chodron de Courcel and Jean-Martin Folz.

On 28 January 2010, Alstom agreed, in particular with BNP Paribas and Société Générale, a subscription agreement in connection with its €750 million bonds issue, to be redeemed in full on 23 September 2014, and for which the banks agreed to guarantee the subscription of the bonds. The subscription agreement carries a fee equal to 0.35 % of the principal amount, *i.e.* €2,625 thousands. The Bonds were issued on 1 February 2010.

Conditions of the Authorization:

The subscription agreement was pre-approved by the Board of Directors on 22 December 2009.

AGREEMENTS AND COMMITMENTS AUTHORISED AND APPROVED IN THE CURRENT YEAR AND WHICH REMAINED IN FORCE DURING THE YEAR

In accordance with the French Commercial Code, we have been advised that the following agreements and commitments, which were approved during the year, remained current during the year.

Commitments falling in the scope of article L. 225-42-1 of the French Commercial Code with Mr Patrick Kron, Chairman and Chief Executive Officer

Director concerned:

Patrick Kron, Chairman and Chief Executive Officer.

Nature and purpose:

At its 4 May 2009 meeting, the Board of Directors approved the amendments to the commitments discussed in Article L. 225-42-1 of the French Commercial Code with Mr Patrick Kron and which had been approved by the Annual General Shareholders' Meeting on 24 June 2008. These amendments followed Mr Patrick Kron's proposal to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment and to stock options and performance shares granted to him before the term of his mandate, the vesting rights of which, with respect to the stock options, or the rights to delivery with respect to the shares, are not yet definitively earned as of the end of his term of office. The Annual General Shareholders' Meeting approved these amendments on 23 June 2009.

Consequently, the commitments undertaken with respect to stock options and performance shares are now as follows:

Stocks options and performance shares

In the event of termination of his Chairman and Chief Executive Officer mandate, as initiated by either the Company or himself, the Chairman and Chief Executive Officer will only uphold the rights to exercise the stock options subject to performance conditions and the rights to the delivery of the performance shares, granted before his term of office, that will have been definitely vested as of the end of his term of office, following the fulfilment of the conditions set forth by the plans. Upholding of stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which with respect to the shares, are not definitively acquired as of the end of his term of office, is not allowed.

The supplemental retirement scheme is unchanged and detailed in the specific paragraph below.

Conditions of the Authorization:

These amendments were authorized by the Board of Directors on 4 May 2009, and approved by the Annual General Shareholders' Meeting on 23 June 2009.

AGREEMENTS AND COMMITMENTS AUTHORISED IN PRIOR YEARS AND WHICH REMAINED IN FORCE DURING THE YEAR

In accordance with the French Commercial Code, we have also been advised that the following agreements and commitments, which were approved in prior years, remained current during the year.

Supplemental retirement schemes

Director concerned:

Patrick Kron, Chairman and Chief Executive Officer.

Nature and purpose:

The Chairman and Chief Executive Officer is entitled to a supplemental retirement scheme, set up on 1 January 2004 for Group employees in France whose basic annual remuneration exceeds eight times the French social security ceiling, which provides approximately, per year of service, a pension equivalent to 1.2% of the bracket of salary above 8 times this ceiling, capped at €2 million. Since 1 January 2008, this capping is annually updated based on the evolution of base salary used for supplemental retirement AGIRC. The scheme is a compound of a defined contribution plan and a defined benefit plan.

The contributions paid by Alstom to its Chairman and Chief Executive Officer regarding the defined contribution plan for the year ended 31 March 2010 amounted to €22,007. With respect to the defined benefit plan, the obligation assumed by ALSTOM at 31 March 2010 amounted to €4,120,243 including statutory retirement termination benefits.

Agreement for industrial, commercial and financial cooperation with Bouygues

Directors concerned :

Bouygues SA and Georges Chodron de Courcel.

Nature and purpose:

Alstom and Bouygues signed an agreement for industrial, commercial and financial cooperation on 26 April 2006. The purpose of this agreement is to develop cooperation between the commercial networks of the two Groups and, where possible, to realise integrated projects combining the civil engineering activities of the Bouygues Group with the equipment activities of the ALSTOM Group.

This agreement also includes a project for the creation of a joint company in the hydraulic electricity production, that was subject of an agreement signed on 29 September 2006 between Bouygues, ALSTOM Power Centrales and ALSTOM Hydro Holding. The latter agreement was subject to a new regulated related-party agreement during the year (first regulated related-party agreement listed in the above section "Agreements and commitments authorized during the year").

Neuilly-sur-Seine and Courbevoie, 4 May 2010

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT

Olivier Lotz

MAZARS

Thierry Colin



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Risks in relation to market environment and Group activities

The section below presents the main risk factors, both specific to Alstom and to its market environment, and is part of the Board of Directors' report on the Group's management for fiscal year 2009/10, together with the section "Group activity".

Internal control and risk management procedures are described in section "Corporate governance – Chairman's Report pursuant to article L. 225-37 of the French Commercial Code" (the "Chairman's report"), which presents in particular the annual risk assessment process ("cartography of Group risks") and the internal control questionnaire ("self-assessment questionnaire").

MARKET ENVIRONMENT

Long-term evolution of Alstom's markets is driven by a variety of complex and inter-related external factors, such as economic growth, public policies in particular on environment and public transportation, price and availability of the different sources of fuels. Short-term evolution of Alstom's markets are also driven by the current financing constraints, the impact of government stimulus packages and the uncertainty on economic growth, particularly on future demand of electricity. Worldwide demand analysis and key drivers for each Alstom's Businesses, as well as Alstom assessment of the crisis short- and long-term impact on its activities are presented in section "Group Activity".

In addition the Group faces strong competition in its markets, both from large historical international competitors as well as new ones, in particular from emerging countries, where they benefit from a low cost base. This competition on prices, tenders' quality, time to market, and customer service may result in an increased pressure on selling prices and payment terms and may affect Alstom's position in certain of its markets. Alstom competitive position in its various Businesses is described in section "Group Activity".

The Group believes it competes effectively in most of its markets and considers that a strong backlog as well as the measures it has taken, in particular for costs reduction, should enable it to face the current competition and an uncertain economic environment, marked by a slowdown of investments, particularly in the power generation sector. These initiatives may prove to be insufficient, notably in case of a long lasting down turn of the world economy, drop in demand and increasing competitive pressures. Any unfavourable development of any of the aforementioned drivers may have a long-term adverse effect on Alstom's markets and as a consequence on its activity and financial situation.

CONTRACT EXECUTION

Alstom's Business includes major long-term contracts. The revenue, cash flow and profitability of a long-term project vary significantly in accordance with the progress of that project and depend on a variety of factors, some of which are beyond the Group's control, such as unanticipated technical problems with equipment being supplied, postponement or delays in contract implementation, financial difficulties of customers, withholding of payment by customers, and performance defaults by or financial difficulties of suppliers, subcontractors or consortium partners with whom Alstom is jointly liable. Profit margins realised on certain of Alstom's contracts may vary from its original estimates as a result of changes in costs and productivity over their term. As a result of this variability, the profitability of certain of its contracts may significantly impact the Group income and cash flows in any given period.

Alstom has established strict risk control procedures applying from tendering to contract execution, in particular through its Corporate Risks Committee at the Group level and procedures implemented within the Sectors, as described in the Chairman's Report. However Alstom can give no assurance that these and other initiatives will be sufficient to avoid difficulties in the future, and certain of its projects may be subject to delays, cost overruns, or performance shortfalls which may lead to the payment of penalties or damages.

DESIGN AND USE OF COMPLEX TECHNOLOGIES

The Group designs, manufactures and sells several products of large individual value that are used in major infrastructure projects. Alstom is required to introduce new, highly sophisticated and technologically complex products on increasingly short time scales. This necessarily limits the time available for testing and increases the risk of product defects and their financial consequences. It is sometimes necessary to fine tune or modify products after Alstom begins manufacturing them or after its customers begin operating them. Because Alstom produces some of its products in series, it may need to make such modifications during the production cycle.

At the same time, when it sells its products or enters into maintenance contracts, Alstom may be required to accept onerous contractual penalties, in particular related to performance, availability and delay in delivering its products, as well as after-sales warranties. Alstom's contracts may also include clauses allowing the customer to terminate the contract or return the product if performance specifications or delivery schedules are not met. As a result of these contractual provisions and the time needed for the development, design and manufacturing of new products, problems encountered with Alstom's products may result in material un-anticipated expenditures, including without limitation additional costs related to securing replacement parts and raw materials, delays and cost overruns in manufacturing, delivering and implementing modified products and the related negotiations or litigation with affected clients.

In instances where such difficulties occur, Alstom cannot ensure that the total costs that it ultimately incurs will not exceed the amount that it has provisioned. Further, given the technical sophistication of its products, Alstom can give no assurance that it will not encounter new problems or delays in spite of the technical validation processes implemented within the Group. Any such problems or delays could cause Alstom's products to be less competitive than those of its competitors and have a material adverse impact on its results and financial position.

COSTS AND CONDITIONS TO ACCESS TO CERTAIN MANUFACTURED GOODS

In the course of its business, Alstom uses raw materials and manufactured goods in amounts which vary according to the project and which may represent up to one third of the contract price. Given the difficulties and delays in the delivery of certain manufactured goods and the significant volatility of raw materials prices, the Group cannot ensure that these elements will necessarily be fully reflected in contract prices thus potentially impacting the profitability of its contracts. See also Note 26.F to the consolidated financial statements for the fiscal year ended 31 March 2010.

Any unexpected unfavourable evolution in this area could create a negative pressure on margins and adversely affect Alstom's results. In addition, the financial and economic crisis has increased risks of failures of certain Alstom's suppliers. Although the Group has an advanced system to detect these failures, Alstom cannot ensure that it may not be affected by delays in deliveries or financial difficulties possibly encountered by its suppliers.

WORKING CAPITAL MANAGEMENT

The structure and long term of Alstom's projects results in payment of expenses before realisation of revenue. As a result, Alstom's ability to negotiate and collect customer advances is therefore an important element of its strategy, as it provides the Group with cash flow and allows it to manage its working capital. In addition any long lasting decrease in global orders intake volume could materially impact working capital evolution. Additional information regarding customer deposits and advances and working capital are given in Notes 16 and 20 to the consolidated financial statements for the fiscal year ended 31 March 2010. A material degradation of the working capital may adversely impact the Group's financial situation and its liquidity.

MANAGEMENT OF HUMAN RESOURCES

There is significant competition in the employment market with respect to the highly qualified managers and specialists, which are needed by Alstom's Businesses, particularly in emerging countries. The success of development plans will depend in part on the Group's ability to retain its employee base and recruit and integrate additional managers and skilled employees. The Group can give no assurance that it will be successful in developing and retaining its employee base as needed to accompany its business development.

Risks in relation to financial markets

CURRENCY EXCHANGE, INTEREST RATE, CREDIT AND LIQUIDITY

The Group is exposed mainly to currency exchange risks. The Note 26 to the consolidated financial statements for the fiscal year ended 31 March 2010 presents the Group exposure and sensitivity to currency exchange and interest rate risks, as well as the management policy of these risks. Detailed information on the Group financial debt amounting to €2,614 million as of 31 March 2010 is also given in Note 25 to the consolidated financial statements for the fiscal year ended 31 March 2010.

In addition to its cash available, €4,351 million as of 31 March 2010, the Group has a €1 billion revolving credit facility (the "Credit Facility") maturing in March 2012 and extended for €942 million up to March 2013, which is fully undrawn. During fiscal year 2009/10 Alstom has completed three new bond issues: a €500 million 4% bond issue due 23 September 2014, a €750 million 4.125% bond issue due 1 February 2017 and a €500 million 4.50% bond issue due 18 March 2020. In light of these operations the Group considers that it has sufficient financial flexibility to meet its financial obligations and needs.

Pursuant to its bonds and guarantees programmes, the Group has a committed facility allowing the issuance of bonds and guarantees up to €8 billion until 27 July 2010 with an available amount of €2 billion as of 31 March 2010 (the "Master Facility Agreement"). In April 2010 the Group has signed a new revolving committed bonding facility agreement replacing the Master Facility Agreement as from 28 July 2010 and allowing the issuance of bonds and guarantees up to €8.275 billion from 28 July 2010 until 27 July 2013 (the "Committed Facility Agreement"). The available amount under this new Committed Facility Agreement on 28 July 2010 shall correspond to the available amount under the Master Facility Agreement increased by €275 millions and shall then increase in accordance with the release of guarantees issued under the Master Facility Agreement and the Committed Facility Agreement. In addition the Group has non committed bilateral lines in numerous countries up to a total amount of €14.6 billion as of 31 March 2010.

The Credit Facility and the Committed Bonding Facility Agreement are subject to financial covenants disclosed in Note 26 to the consolidated financial statements for the fiscal year ended 31 March 2010. Alstom complies with these covenants as at 31 March 2010 and does not anticipate any particular difficulty continuing to comply with these covenants. Alstom is rated by two rating agencies (Moody's and Standard & Poor's). As of today the Group believes it has no major

risk so as to access financial markets, if needed. However Alstom can give no assurance that its financial situation and rating will enable it to continue to access markets at equivalent conditions, in particular financial.

Additional information are presented in the Chairman's report regarding the specific management of financial risks.

EQUITY RISKS

Since Alstom holds no participating interests in listed companies outside its Group, it is not exposed to equity risks, other than in relation to pension plans as described below. Alstom uses money market instruments in the context of its current cash management, which are not subject to equity risks.

DEFINED BENEFIT PENSION PLANS

Pursuant to certain of Alstom's defined benefit schemes, notably in the United Kingdom and the United States, Alstom is committed to providing cash to cover any differences between the market value of the plan's assets and required levels for such schemes over a defined period. The Group projected benefit obligations are based on certain actuarial assumptions that vary from country to country, including, in particular, discount rates, long-term rates of return on invested plan assets, rates of increase in compensation levels and rates of mortality.

If actual results, in particular actual performance of plans assets, were to materially differ from these assumptions the funded status of the Group plans could be significantly higher or lower. Over fiscal year 2009/10, the improvement of financial markets resulted in an increase in the fair value of plan assets, partially offset by a decrease in pension obligations, but nonetheless overall improving the funded status of the Group plans (€917 million at 31 March 2010 vs. €952 million at 31 March 2009).

Further details on the methodology used to assess pension assets and liabilities together with the annual pension costs are included in Notes 3.U and 24 to the consolidated financial statements for the fiscal year ended 31 March 2010.

The Pension Committee supervises and monitors pension plans and other employee benefits as described in the Chairman's report.

Legal risks

This section is to be read in relation with the Note 29.B to the consolidated financial statements for the fiscal year ended 31 March 2010.

DISPUTES IN THE ORDINARY COURSE OF BUSINESS

The Group is engaged in several legal proceedings, mostly contract related disputes that have arisen in the ordinary course of business. Contract related disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large, long-term projects.

ALLEGATIONS OF ANTI-COMPETITIVE ACTIVITIES AND ILLEGAL PAYMENTS

The Group is subject to procedures for alleged anti-competitive practices described in Note 29.B to the consolidated financial statements for the fiscal year ended 31 March 2010. Any adverse development of these investigations and procedures may have a material adverse impact on the Group reputation, as well as on its results and financial position due notably to the significant amount of fines that can be ordered in this area.

Certain 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, the exclusion of Group subsidiaries from public tenders and third-party actions.

Strict procedures are in place to ensure compliance with all laws and regulations, and in particular those relating to competition rules and prohibited payments. As part of this objective, the Group communicates to each employee the Alstom Code of Ethics, which prescribes strict compliance with rules of conduct to prevent in particular anti-competitive activities and corruption and which recalls the role of employees and the alert procedure within the Group. During fiscal year 2009/10, Alstom has also continued to conduct several training programmes to continuously improve employees awareness towards potential risks linked to illegal activities and for teaching appropriate and practical individual behaviours for the day to day professional life.

The Group internal control rules and procedures to control the risks linked to illegal activities have been constantly reinforced over the last years. Alstom actively strives to ensure that it appropriately addresses any problems that may arise. However, given the extent of its activities worldwide, Alstom cannot be assured that such difficulties will not arise or that such difficulties will not have a material adverse effect on its reputation and/or our results and financial situation position.

For more information on the internal control system put in place within the Group, the Alstom Code of Ethics and the measures taken by the Ethics & Compliance Department, see section "Corporate Governance – Chairman's report pursuant to article L. 225-37 of the French Commercial Code – Internal control and risks management procedures report".

ASBESTOS

It has been the Group's policy for many years to abandon definitively the use of products containing asbestos by all of its operating units worldwide and to promote the application of this principle to all of its suppliers, including in those countries where the use of asbestos is permitted. In the past, however, the Group used and sold some products containing asbestos, particularly in France in its former Marine Sector sold on 31 May 2006 and to a lesser extent in its other Sectors. The Group is subject to asbestos-related legal proceedings or claims including in France and the United States, which are described in Note 29.B to the consolidated financial statements for the fiscal year ended 31 March 2010.

PRIVATE CLASS ACTION IN THE UNITED STATES

Detailed information regarding a private class action law suits alleging violations of United States federal securities laws arising from alleged untrue statements of material facts, and/or omissions to state material facts necessary to make the statements made not misleading in various Alstom public communications between 1999 and 2003 is given in the Note 29.B to the consolidated financial statements for the fiscal year ended 31 March 2010.

US LITIGATION FOLLOWING AN ACCIDENT IN THE WASHINGTON D.C. METRO

Detailed information regarding the accident which occurred in the Washington D.C. metro on 22 June 2009 is given in the Note 29.B to the consolidated financial statements for the fiscal year ended 31 March 2010.

Risks in relation to disposals, acquisitions and other external growth operations

As part of its development strategy, Alstom has completed and continue to complete acquisitions of businesses or companies, as well as mergers and joint ventures. In January 2010, Alstom signed an agreement for the acquisition of the Transmission & Distribution activity of Areva in consortium with Schneider Electric, as indicated on page 8 of this Registration Document. External growth operations include risks due to the difficulties that may arise in evaluating assets and liabilities relating to these operations, as well as in integrating people, activities, technologies and products. Although the Group has put in place strong processes to control these operations, no assurance exists that the acquired businesses or companies do not contain liabilities which were not anticipated at the time of the operation and for which Alstom's no or insufficient protection from the seller or partner.

The Group has disposed of a large number of its businesses and may continue to dispose some of them. As is customary, it has made and will make certain warranties regarding the businesses being sold. In some cases the Group has retained certain contracts and liabilities. As a result it may be required to bear increased costs on retained contracts and liabilities and to pay indemnities or purchase price adjustments to the acquirer, which could have a material adverse effect on the Group's results and financial position. In particular, the Group has received claims, some of which involving significant amounts, following the disposal of its former T&D and Marine Sectors. Certain claims regarding Alstom former T&D Sector in relation to investigations by competition authorities, including the European Commission, are exposed in Note 29.B to the consolidated financial statements for the fiscal year ended 31 March 2010.

Environmental, health and safety risks

The Group is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. These standards exposes the Group to the risk of substantial environmental costs and liabilities, including in relation with divested assets and past activities. In most of the jurisdictions in which the Group operates, its industrial activities are subject to obtaining permits, licences and/or authorisations, or to prior notification. Alstom's facilities must comply with these permits, licences or authorisations and are subject to regular inspections by competent authorities.

The Group invests significant amounts to ensure that it conducts its activities in order to reduce the risks of impacting the environment and regularly incurs capital expenditures in connection with environmental compliance requirements. Although the Group is involved in the remediation of contamination of certain properties and other sites, it believes that its facilities are in compliance with their operating permits and that its operations are generally in compliance with environmental laws and regulations.

The procedures ensuring compliance with environmental, health and safety regulations are decentralised and monitored at each plant. The costs linked to environmental health and safety issues are budgeted at plant or unit level and included in the consolidated income statement.

The outcome of environmental, health and safety matters cannot be predicted with certainty and there can be no assurance that the Group will not incur any environmental, health and safety liabilities in the future and it cannot guarantee that the amount that it has budgeted or provided for remediation and capital expenditures for environmental or health and safety related projects will be sufficient to cover the intended loss or expenditure. In addition, the discovery of new conditions or facts or future changes in environmental laws, regulations or case law may result in increased liabilities that could have a material effect on our financial condition or results of operations. The Group has booked provisions of €16 million to cover environmental risks as of 31 March 2010.

The environmental, health and safety risks management policy is presented in section "Corporate governance – Chairman's report pursuant to article L. 225-37 of the French Commercial Code – Internal control and risk management procedures report".

Insurance

The Group policy is to purchase insurance policies covering risks of a catastrophic nature from insurers presenting excellent solvency criteria. The amount of insurance purchased varies according to Alstom's estimation of the maximum foreseeable loss, both for Property Damage & Business Interruption and Civil Liability Insurance.

This estimate is made within the framework of Industrial Risk Management Audits that are conducted for property damage and business interruption. For civil liability, the estimation of insurance needs depends on the evaluation of the maximum legal risk considering the various Group activities. The annual risks assessment process which results in the Group cartography of risks, has allowed the Group to confirm that the appropriate level of insurance was purchased for insurable risks. For more information see also section "Corporate governance – Chairman's report pursuant to article L. 225-37 of the French Commercial Code – Internal control and risk management procedures report".

The main risks covered are the following, subject to certain customary limitations, exclusions and declarations in relation of each type of insurance:

- property damage and business interruption caused by fire, explosion, natural events or other perils as well as machinery breakdown;
- liability incurred because of damage caused to third parties by our operations, products and services;
- transit, covering transportation risks from start to discharge of goods at warehouse, construction site or final destination; and
- construction and installation, covering risks during execution of contracts.

In addition to Group policies, Alstom purchases, in the various countries where it is present, policies of insurance of a mandatory nature or designed to cover specific risks such as automobile, worker's compensation or employer's liability.

The presentation below is a summary of the main Group insurance policies in effect as of 31 March 2010, and does not reflect all applicable restrictions and limits. For reasons of confidentiality and protection of the interests of the Group, it is not possible to describe exhaustively all policies.

Property damage and business interruption

The insurance programme covers accidental damage and consequent business interruption caused by fire, explosions, smoke, impact of vehicles and aircraft, storm, hail, snow, riot, civil commotion, water damage and natural events to industrial, commercial and administrative sites of the Group named in the policies:

- the programme has an overall limit of €410 million per event;
- sub-limits apply in particular for natural events (these sub-limits vary according to the insured sites and the type of events) for machinery breakdown and accidental events other than those named in the policy;
- coverage is subject to usual limitations and exclusions, in particular: war, civil war, terrorism, nuclear reaction, and certain natural events normally insured in national pools;
- the policy is in force in all countries where the Group has significant industrial sites with the exception of India and China, where specific policies are in place.

Civil liability resulting from operations or products and services

The Group Insurance Programme covers the financial consequences of liability of the Group because of damages caused to third parties because of its operations or products and services:

- the programme has several layers of insurance for an overall limit of €700 million per event and in annual aggregate; sub-limits are applicable;
- the policy is subject to usual limitations and exclusions of policies of this type, in particular, war, nuclear reactions, work accidents, Directors and Officers liability, automobile liability, consequences of contractual obligations more onerous than trade practice, as well as damages caused by products such as asbestos, formaldehyde, lead, organic pollutants as well as those caused by toxic mould, magnetic fields and electronic viruses.

Transport insurance

The policy covers damages to transported goods irrespective of the mode of transportation: sea, land or air, anywhere in the world; coverage is extended to war risks (however, some territories are excluded):

- the policy limit is €70 million; sub-limits are applicable notably during storage at packers or sub-contractors;
- the policy is subject to limitations and exclusions generally applicable to policies of this type.

Damage during installation and construction

A construction and installation policy covers damage to equipment being installed for contracts of the Power Sector having values of less than €500 million and for which the duration of works is less than 48 months. For the Transport Sector, a policy with a limit of €100 million is in place to cover contracts of the French Units. Contracts which cannot be insured under these policies are insured specifically according to the needs. Construction and Installation policies are subject to customary limitations and exclusions, in particular war, radioactive contamination and terrorism.

Reinsurance

The Group owns a reinsurance vehicle to self-insure property damage and business interruption, civil liability and transportation risks. This vehicle has not been used since calendar year 2004. A new reinsurance vehicle has been opened to self-insure a primary layer of €2 million of the construction and installation risk policy of the Power Sector. The maximum commitment of this vehicle is €10 million per year.

The costs of the main Group policies represents approximately 0.4% of the annual consolidated sales for fiscal year 2009/10.



4 | CORPORATE GOVERNANCE

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For many years, the Company has committed itself to carrying out the corporate governance principles published by the AFEP and the MEDEF.

The corporate governance code to which the Company abides is the AFEP-MEDEF corporate governance code dated December 2008.

In its first section, which is dedicated to Corporate Governance, the Chairman of the Board of Directors' report, as presented below pursuant to Article L. 225-37 of the French Commercial Code, presents the decisions made by the Board of Directors in that respect.

Chairman's report pursuant to article L. 225-37 of the French Commercial Code

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors presents, in this report for the fiscal year ended on 31 March 2010, the composition of the Board of Directors, the corporate governance code to which the Company abides, the conditions for the preparation and organisation of the Board of Directors' duties, the limitations that the Board can impose on the Chief Executive Officer's powers, the principles and rules set by the Board to determine the compensation and benefits of any kind to be paid to the Company's Executive and Non-Executive Directors ("mandataires sociaux"), other disclosure required pursuant to Article L. 225-37 of the French Commercial Code, as well as the internal control and risk management procedures implemented by the Company at the Group level.

This report was reviewed and approved by the Board of Directors at its meeting held on 3 May 2010, after the Audit Committee reviewed the chapter relating to the internal control and risk management procedures, and after the Nominations and Remuneration Committee reviewed the chapter relating to Corporate Governance.

In a report attached to their general report, the Independent Auditors will present their observations on the content of this report, and more specifically on the internal control procedures relating to the preparation and the processing of accounting and financial information and on the compliance with the disclosure of other information required pursuant to Article L. 225-37 of the French Commercial Code.

CODE OF CORPORATE GOVERNANCE

The Board of Directors confirmed that the AFEP-MEDEF corporate governance code of December 2008 for listed companies that includes the October 2008 recommendations on the remuneration of Executive Directors represents the corporate governance code applicable to the Company for the purpose of this report (the "AFEP-MEDEF Code"). This code is available on the MEDEF internet site (www.medef.fr) and on the Company internet site (www.alstom.com, section "About us").

At its meeting held on 5 November 2008, the Board of Directors adhered to the AFEP-MEDEF recommendations on remuneration dated 6 October 2008 that are applicable to Executive Directors ("dirigeants mandataires sociaux"), noted that almost all of them were already implemented and decided that the additional provisions considered necessary would be set at a later date.

In March and May 2009, the Board of Directors reviewed all the Company Corporate Governance practices and all the components of the Chairman and Chief Executive Officer's remuneration and adopted upon the Nominations and Remuneration Committee's proposal, the additional provisions considered necessary for the implementation of the recommendations contained in the AFEP-MEDEF Code.

Upon the report of the Nominations and Remuneration Committee, the Board of Directors also reviews annually these practices in order to identify the necessity to more accurately reflect these recommendations or to explain the discrepancies, if any. This review has been performed in March 2010.

The Board of Directors concluded that the Company was seeking to conform to the recommendations of the AFEP-MEDEF Code and that it did not notice the existence of any deviation from these recommendations.

CORPORATE GOVERNANCE AND EXECUTIVE AND NON-EXECUTIVE DIRECTORS' COMPENSATION REPORT

Representatives of the Legal Department, the Human Resources Department, and the Finance Department contributed to the drafting of this section.

Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

As of 3 May 2010, the Board of Directors is composed of twelve members, of whom four are non-French nationals and seven are independent. Since 2002, the Directors are appointed for a four-year period. The terms of office have not been staggered and the renewal of such terms of office is distributed over three consecutive years. Upon the Nominations and Remuneration Committee's report, the Board of Directors examines the Board and Committees' composition at the time of renewal of Directors' mandates. Directors are also invited to indicate their views on this topic during the annual assessment of the Board and Committees' functioning.

Pursuant to the Board's internal rules, each Director shall hold at least 500 shares. The number of shares effectively held is, generally speaking, higher than 500. As of 3 May 2010, 22,945 total Company shares were held by individual Directors and 90,543,867 shares were held by Bouygues SA.

No appointment of Directors were proposed to the Ordinary and Extraordinary shareholders' meeting held on 23 June 2009.

It will be proposed to the Ordinary and Extraordinary Shareholders' Meeting convened on 22 June 2010 to renew, for a four year period, the mandates of Mr Georges Chodron de Courcel, Bouygues SA which permanent representative is Mr Philippe Marien and of Mr Olivier Bouygues.

The Board of Directors also aims to increase the proportion of women Directors and non-French nationals comprising the Board.

Therefore, it has decided to submit to the Ordinary and Extraordinary Shareholders' Meeting convened on 22 June 2010 the appointments of Mrs Lalita D. Gupte and Mrs Katrina Landis, as independent Directors, for four years. Mrs Lalita D. Gupte and Mrs Katrina Landis whose biographies are provided below, meets all the AFEP-MEDEF Criteria to be qualified as independent Directors.

Mrs Lalita D. Gupte, is currently Chairperson of ICICI Venture Funds Management Company Limited. She retired at the end of October 2006 as Joint Managing Director and Member of the Board of ICICI Bank Limited. Mrs Gupte was responsible for setting up the International business of ICICI Bank since 2001. Beginning her career with ICICI Limited in 1971 in the project appraisal division, Mrs Gupte has held various leadership positions in areas of Corporate and Retail Banking, Strategy, Resources, and International Banking and other areas. She was instrumental in transforming ICICI Bank from a primarily term lending institution into a technology led diversified financial services group. Mrs Lalita D. Gupte was at the helm of ICICI Bank's global foray, which includes operations in over 17 countries. Mrs Lalita D. Gupte has received numerous awards and recognitions. She holds a Bachelor's Degree in Economics (Hons) and a Master's degree in Management Studies. She did her Advanced Management Programme (AMP) from Insead.

Mrs Katrina Landis is the Chief Executive Officer of BP's Alternative Energy division. Alternative Energy has businesses in solar, wind, biofuels, and carbon capture and storage. Mrs Landis owned and operated a consulting company before joining the BP Group in 1992. Within BP she has served in a variety of senior roles including BP's exploration and production, oil supply, trading and mergers and acquisitions. Her career has included postings in the United Kingdom, Singapore and the United States. Mrs Landis holds degrees from the University of Mary Washington and the University of Alaska in the United States.

Name	Title	Age	Independent director	Committees		First Term Start	Current Term End	Years on Board	Experience
				Audit	Nominations & Remuneration				
Patrick Kron	Chairman and Chief Executive Officer	56				2003 ^(*)	2011	9	Industry
Jean-Paul Béchat	Member of the Board of Directors	67	✓	✓		2001	2012	9	Industry
Candace K. Beinecke	Member of the Board of Directors	63			✓	2001	2011	9	Law
Olivier Bouygues	Member of the Board of Directors	59			✓	2006	2010	4	Industry
Georges Chodron de Courcel	Member of the Board of Directors	60		✓		2002	2010	8	Bank, Finance
Pascal Colombani	Member of the Board of Directors	64	✓	✓		2004	2012	6	Industry, Technology
Jean-Martin Folz	Member of the Board of Directors	63	✓	✓		2007	2011	3	Industry
Gérard Hauser	Member of the Board of Directors	68	✓		✓	2003	2012	7	Industry
James W. Leng	Member of the Board of Directors	64	✓		✓	2003	2011	7	Industry
Klaus Mangold	Member of the Board of Directors	66	✓		✓	2007	2011	3	Industry
Philippe Marien	Permanent representative of Bouygues SA	54		✓		2008	2010	2	Finance
Alan Thomson	Member of the Board of Directors	63	✓	✓		2007	2011	3	Finance

(*) In 2001 as a Director.

INFORMATION ON THE BOARD MEMBERS

The information provided below also constitute the information of the Board of Directors' Report to the Shareholders' Meeting requested by the paragraph 4 of Article L. 225-102-1 of the French Commercial Code.

PATRICK KRON

Age: 56.
Nationality: French.
Professional address:
ALSTOM – 3, avenue André Malraux – 92300 Levallois-Perret (France).

Principal function: Chairman and Chief Executive Officer of ALSTOM.

End of current mandate: AGM 2011.
First mandate: 2001 – 2007.

Holds 7,011 ALSTOM shares.

Other current directorships and positions:

In France:

Director of Bouygues^(*);
Director of Association Française des Entreprises Privées (AFEP);
Director of the choral Society "Les Arts Florissants".

Within the Alstom Group:

Chairman of ALSTOM Resources Management.

In foreign countries:

Within the Alstom Group:
Director of ALSTOM UK Holdings Ltd.

Past directorships (held during the past five years):

Member of the Supervisory Board of Imerys^(*) (5 May 2003 – 3 May 2005);
Director of Imerys^(*) (3 May 2005 – 2 May 2006);
Member of the Supervisory Board of Vivendi Universal^(*)
(28 April 2005 – 13 December 2006).

(*) Listed company.

Biography:

Mr Patrick Kron is a graduate of École Polytechnique and the Paris École des Mines. He started his career in the French Ministry of Industry where he served from 1979 to 1984 before joining the Pechiney Group. From 1984 to 1988, Patrick Kron held operational responsibilities in one of the Group's most important factories in Greece, becoming manager of this Greek subsidiary. From 1988 to 1993, he occupied several senior operational and financial positions within Pechiney, first managing a group of activities in the processing of aluminium and eventually as President of the Electrometallurgy Division. In 1993, he became a member of the Executive Committee of the Pechiney Group and was appointed Chairman of the Board of the Carbone Lorraine Company from 1993 to 1997. From 1995 to 1997, he ran the Food and Health Care Packaging Sector of Pechiney and held the position of Chief Operating Officer of the American National Can Company in Chicago (USA). From 1998 to 2002, Patrick Kron was Chief Executive Officer of Imerys before joining ALSTOM. He has been Chief Executive Officer of ALSTOM since 1 January 2003 and Chairman and Chief Executive Officer since 11 March 2003. Mr Patrick Kron was awarded the "Légion d'honneur" on 30 September 2004 and is Officer of National Order of Merit since 18 November 2007.

JEAN-PAUL BÉCHAT

Age: 67.
Nationality: French.
Professional address:
ARSCO – 91, rue du Faubourg Saint-Honoré – 75008 Paris (France).

Principal function: Manager of ARSCO.

End of current Mandate: AGM 2012.
First mandate: 14 May 2001 – 9 July 2004.
Second mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Chairman of the Audit Committee.

Holds 3,900 shares.

Other current directorships and positions:**In France:**

Director and Chairman of the Audit Committee of Atos Origin ^(*);
Director of the Supervisory Board of IMS ^(*);
Director of Sogepa;
Director of Musée de l'Air;
Member of the Board and Office of GIFAS.

In foreign countries:

–

(*) Listed company.

Past directorships and positions (held during the past-five years):**In France:**

Chief Executive Officer of Safran ^(*) (11 May 2005 – 2 September 2007);
Director of Aéroports de Paris ^(*) (9 July 2004 – 26 June 2005);
Chief Executive Officer of Sagem ^(*) (18 March 2005 – 11 May 2005);
Chairman and Chief Executive Officer of Snecma ^(*) (4 June 1996 – 18 March 2005).

In foreign countries:

–

Biography:

Mr Jean-Paul Béchat is a graduate of École Polytechnique and has a Master degree in Science from Stanford University (USA). In 1965, Mr Béchat started his career at Snecma and, from June 1996 till March 2005, he was Chairman and Chief Executive Officer of the Group, then Chairman of the Management Board when the Group evolved as Safran until August 2007. Mr Béchat is Honorary Chairman and member of the Board of GIFAS. He is also member of the Boards of Atos Origin and Sogepa and member of the Supervisory Board of IMS. Mr Béchat is Honorary Fellow of the Royal Aeronautical Society, member of the Association Aéronautique et Astronautique de France (AAAF) and member of the International Academy of Astronautics (IAA). Mr Béchat is Officer of the "Légion d'honneur" and Officer of the National Order of Merit.

CANDACE K. BEINECKE

Age: 63.
Nationality: American.
Professional address:
Hughes Hubbard & Reed LLP – One Battery Park Plaza, New York, NY 10004-1482 (United States).

Principal function: Chair of Hughes Hubbard & Reed LLP.

End of current mandate: AGM 2011.
First mandate: 24 July 2001 – 26 June 2007.

Member of the Nominations and Remuneration Committee.

Holds 600 shares.

Other current directorships and positions:**In France:**

–

In foreign countries:

Chairperson of the Board of Arnhold & S. Bleichroeder Advisors First Eagle Funds, Inc. ^(*), a public mutual fund family;
Member, Board of Trustees, Vornado Realty Trust (NYSE) ^(*);
Member, Board of Directors, Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc.

Non-profit organisations:

Director Vice-Chair and member of the Executive Committee, the Partnership for New York City; Trustee, The Wallace Foundation.

Past directorships and positions (held during the past-five years):**In France:**

–

In foreign countries:

–

Biography:

Mrs Candace K. Beinecke, Chair of Hughes & Reed LLP, was named to her current position in 1999, the first woman to chair a major New York law firm. Mrs Beinecke is also a practicing partner in Hughes Hubbard's Corporate Department. Mrs Beinecke serves as Chairperson of Arnhold & S. Bleichroeder Advisors LLC First Eagle Funds, Inc., a leading US public mutual fund family. She is a Board member of Vornado Realty Trust (NYSE), Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc. She also serves as a Director, Vice-Chair and Executive Committee member of the Partnership for New York City, and as a Trustee of The Wallace Foundation. She is also a member of the Board of Advisors, Yale Law School Center for the Study of Corporate Law, and a Director of the Merce Cunningham Dance Foundation. She has been included in The Best Lawyers in America, in Chambers, and in the National Law Journal's 50 Most Influential Women Lawyers in America.

OLIVIER BOUYGUES

Age: 59.

Nationality: French.

Professional address:

Bouygues – 32, avenue Hoche – 75378 Paris cedex 08 (France).

Principal function: Deputy Chief Executive Officer of Bouygues(*).

End of current mandate: AGM 2010 (appointed on 28 June 2006).

Member of the Nominations and Remuneration Committee.

Holds 2,000 shares.

Other current directorships and positions:**In France:**

Chief Executive Officer of SCDM;

Standing representative of SCDM at the Board of Bouygues;

Standing representative of SCDM, Chairman at the Board of SCDM

Énergie, SCDM Investur, SCDM Investcan;

Chairman of SAGRI-E and SAGRI-F;

Member of the Executive Committee of Cefina;

Director of Finagestion;
Manager of SIR and SIB.

Within Bouygues group:

Director of TF1 (*), Bouygues Telecom, Colas (*), Bouygues Construction and Eurosport.

In foreign countries:**Within Bouygues group:**

Chairman and Chief Executive Officer and Director of Seci (ex-Saur Énergie de Côte d'Ivoire);

Director of Compagnie Ivoirienne d'Électricité (CIE) (*), of Société de Distribution d'Eau de la Côte d'Ivoire (Sodeci) (*), and of Société Sénégalaise des Eaux.

Past directorships (held during the past-five years) outside Bouygues group:**In France:**

Director of Novasaur in 2006.

In foreign countries:

–

Biography:

Mr Olivier Bouygues is a graduate of École Nationale Supérieure du Pétrole (ENSPM). Mr Olivier Bouygues joined the Bouygues group in 1974. He began his career in the Group's civil works branch. From 1983 to 1988, he worked at Bouygues Offshore as Director of the Cameroon subsidiary Boscam and then Director for the France Works and Special Projects division. From 1988 to 1992, he held the post of Chairman and CEO of Maison Bouygues. In 1992, he was appointed Group Executive Vice President for Utilities Management, a division covering the French and international activities of Saur. In 2002, Olivier Bouygues was appointed Deputy Chief Executive Officer of Bouygues.

GEORGES CHODRON DE COURCEL

Age: 60.

Nationality: French.

Professional address:

BNP Paribas – 3, rue d'Antin – 75002 Paris (France).

Principal function: Chief Operating Officer of BNP Paribas (*).

End of current mandate: AGM 2010.

First mandate: 3 July 2002 – 28 June 2006.

Member of the Audit Committee.

Holds 982 shares.

(*) Listed company.

Other current directorships and positions:**In France:**

Director of Bouygues ^(*);
 Director of Société Foncière, Financière et de Participations (FFP) ^(*);
 Director of Nexans ^(*);
 Member of the Supervisory Board of Lagardère SCA ^(*);
 Non-voting Director of Safran ^(*) and Scor ^(*).

Within BNP Paribas group:

Chairman of Compagnie d'Investissement de Paris SAS;
 Chairman of Financière BNP Paribas SAS;
 Director of Verner Investissements SAS;
 Non-voting Director of Exane (a subsidiary of Verner).

In foreign countries:

Director of Erbé SA (Belgium);
 Director of Group Bruxelles Lambert-GBL (Belgium) ^(*);
 Director of Scor Holding (Switzerland) AG (Switzerland);
 Director of Scor Global Life Rückversicherung Schweiz AG (Switzerland);
 Director of Scor Switzerland AG (Switzerland).

Within BNP Paribas group:

Chairman of BNP Paribas (Switzerland) SA;
 Vice Chairman of Fortis Banque SA/NV (Belgium) ^(*).

Past directorships (held during the past-five years):**In France:**

Member of the Supervisory Board of Sagem, non-voting Director of SCOR Global Life (ex-Scor Vie).

Within BNP Paribas group:

Chairman of BNP Emergis SAS;
 Director of Capstar Partner SAS.

In foreign countries:

Within BNP Paribas group:
 Director of BNP Paribas ZAO (Russia);
 Director of BNP Paribas (Suisse) SA (Switzerland);
 Chairman and Director of BNP Paribas UK Holdings Limited;
 Director of BNL (Italy).

Biography:

Mr Georges Chodron de Courcel graduated in 1971 from École Centrale de Paris and had a degree in Economics in 1972. He began his career with Banque Nationale de Paris where he has had a succession of responsibilities. After having spent 6 years in Corporate Banking, he was named Head of Equity Research and then Head of Asset Management. In 1989, he was appointed Director of Corporate Finance and Chief Executive Officer of Banexi. In January 1991, he became Head of Capital Markets and in September 1996, was appointed Chief Executive International and Finance of BNP.

(*) Listed company.

After the merger with Paribas in August 1999, he has been named Head of Corporate and Investment Banking and was Member of the Executive Committee, then Chief Operating Officer in June 2003.

PASCAL COLOMBANI

Age: 64.
 Nationality: French.
 Professional address:
 A.T. Kearney – 44, rue de Lisbonne – 75008 Paris (France).

Principal function: Senior Advisor, A.T. Kearney.

End of current mandate: AGM 2012.
 First mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Member of the Audit Committee.

Holds 600 shares.

Other current directorships and positions:**In France:**

Non-Executive Chairman of the Board of Directors of Valeo ^(*);
 Non-Executive Director of Rhodia ^(*);
 Non-Executive Director of Technip ^(*).

In foreign countries:

Non-Executive Director of British Energy Group plc (subsidiary of EDF);
 Non-Executive Director of EnergySolutions ^(*) (USA).

Past directorships (held during the past five years):**In France:**

Senior Advisor of Detroyat Associés and Banque Arjil (2006 – 2009);
 Chairman of the Board of the French Association for the Advancement of Science (AFAS) (2003 – 2006);
 Non-Executive Director of the French Institute of Petroleum (IFP) (2001 – 2006).

In foreign countries:

–

Biography:

Mr Pascal Colombani is a graduate of École Normale Supérieure (Saint-Cloud) and holds a doctorate in Nuclear Physics. His career has been balanced between research and industry: he started as a research associate at the French Centre for National Research (CNRS) then joined Schlumberger where he spent almost twenty years in various management positions in Europe, the USA, and Japan. In this last assignment, while President of Schlumberger KK in Tokyo, he also initiated the implantation of an R&D centre in China.

Director of Technology at the French Ministry of Research from 1997 to 1999, he became Chairman and Chief Executive Officer of the French Atomic Energy Commission (CEA) in 2000 until December 2002. He initiated the restructuring of the CEA industrial holdings, resulting in the creation of Areva in 2000, the nuclear engineering conglomerate. He chaired the Supervisory Board of Areva until 2003. Pascal Colombani is Senior Advisor on Innovation, High Technology and Energy at A. T. Kearney, the management consultancy. He is also Non-Executive Chairman of the Board of Directors of Valéo and member of the Boards of British Energy Group plc (a subsidiary of EDF), Rhodia, Technip and EnergySolutions Inc. He is a member of the French Academy of Technologies. Mr Pascal Colombani is Officer of the "Légion d'honneur" and Officer of the National Order of Merit.

JEAN-MARTIN FOLZ

Age: 63.

Nationality: French.

Principal function: Director of companies.

End of mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.

Member of the Audit Committee.

Holds 1,000 shares.

Other current directorships and positions:

In France:

Director of Saint-Gobain (*)

Director of Société Générale (*)

Director of Carrefour (*)

Member of the Supervisory Board of Axa (*)

Member of the Supervisory Board of ONF Participations (SAS).

In foreign countries:

Director of Solvay (*) (Belgium).

Past directorships and positions (held during the past five years):

In France:

Chairman of Association Française des Entreprises Privées (AFEP) (2007 – 2010);

Chairman of the Management Board of Peugeot SA (*) (1997 – 2007);

Chairman of Automobiles Peugeot (*);

Chairman of Automobiles Citroën;

Director of Banque PSA Finance;

Director of Peugeot Citroën Automobiles;

Director of Faurecia (*).

In foreign countries:

–

(*) Listed company.

Biography:

Mr Jean-Martin Folz is a graduate of École Polytechnique. He started his career in the French Ministry of Industry where he served from 1972 to 1978. Then he joined the group Rhône-Poulenc in 1978. He became Deputy Chief Executive Officer and, then, Chairman and Chief Executive Officer of Jeumont-Schneider between 1984 and 1987. He then joined Pechiney as Chief Operating Officer up to 1991, and was appointed Chairman of Carbone Lorraine. He was Chief Executive Officer of Eridania Béghin-Say and Chairman of Béghin-Say from 1991 to 1995. In 1995, he joined PSA Peugeot Citroën group and was appointed Chairman of the group in 1997. He left the group in February 2007. He was Chairman of AFEP from 2007 to 2010.

GÉRARD HAUSER

Age: 68.

Nationality: French.

Principal function: Director of Nexans.

End of current mandate: AGM 2012.

First mandate: 11 March 2003 – 9 July 2004.

Second mandate: 9 July 2004 – 24 June 2008.

Independent Director.

Member of the Nominations and Remuneration Committee.

Holds 3,702 shares.

Other current directorships and positions:

In France:

Director of Technip (*);

Director of Ipsen (*);

Chairman of Supervisory Board of Stromboli Investissement (SAS).

In foreign countries:

–

Past directorships (held during the past five years):

In France:

Chairman and Chief Executive Officer of Nexans (*)

(17 October 2000 – 26 May 2009)

Director of Aplix (12 June 1998 – 14 January 2009);

Director of Faurecia (*) (22 July 2003 – 23 April 2009).

In foreign countries:

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Biography:

From 1965 till 1975, Mr Hauser covered several high-duty positions in the Philips Group. From 1975 till 1996, he worked for the Pechiney Group, as Chairman and Chief Executive Officer of Pechiney World

Trade first and of Pechiney Rhénalu later; he was later appointed Senior Executive Vice President of American National Can and member of the Group Executive Board. Mr Hauser joined Alcatel in 1996 and became President of its Cable and Component Sector in 1997. From October 2000 to May 2009, he was Chairman and Chief Executive Officer of Nexans.

JAMES WILLIAM LENG

Age: 64.
Nationality: British.
Professional address:
AEA Investors (UK) Limited – 78 Brook Street – London, W1K 5EF (United Kingdom).

Principal function: Chairman of AEA Investors Europe.

End of current mandate: AGM 2011.
First mandate: 18 November 2003 – 26 June 2007.

Independent Director.
Chairman of the Nominations and Remuneration Committee.

Holds 1,150 shares.

Other current directorships and positions:

In France:

–

In foreign countries:

Non-Executive Director of TNK-BP Limited;
Director of Pregis Holding I Corporation;
Director of Pregis Holding II Corporation;
Non-Executive Director of CforC Limited.

Past directorships (held during the past-five years):

In France:

–

In foreign countries:

Non-Executive Director of Lennox Managements Limited (6 April 2004 – 19 January 2006);
Non-Executive Director of Pilkington plc (11 September 1998 – 16 June 2006);
Chairman of Laporte Group Pension Trustees Ltd (4 July 2001 – 19 March 2007);
Non-Executive Director of Hanson plc (1 June 2004 – 24 August 2007);
Non-Executive Director of Corus Group plc (12 June 2001 – 23 January 2008);
Deputy Chairman of Corus Group plc (22 April 2002 – 23 January 2008);
Chairman of Corus Group plc (1 June 2003 – 23 January 2008);
Chairman of Tata Steel UK Limited (21 January 2008 – 21 November 2008);

(*) Listed company.

Nominated Executive of Convenience Food Systems (7 July 2004 – 15 January 2009);
Non-Executive Director of Rio Tinto plc (14 January 2009 – 7 February 2009);
Non-Executive Director of Rio Tinto Limited (14 January 2009 – 7 February 2009);
Chairman of Tata Steel Europe Limited (14 November 2008 – 31 March 2009);
Deputy Chairman of Tata Steel Limited (*) (17 May 2007 – 7 July 2009);
Chairman of Doncasters Group Limited (20 December 2006 – 31 December 2009).

Biography:

Mr James W. Leng is European Chairman of AEA, an American private equity partnership. As a Non-Executive Director, he sits on the Boards of Alstom where he chairs the Nominations and Remuneration Committee, and TNK-BP the largest independent Russian oil and gas company. He is also a Senior Advisor of HSBC, a Governor at Ashridge College and the National Institute of Economic & Social Research. From 2001 to 2009 he was Chairman of Corus Group plc, a global steel company sold to Tata Steel of India where he was also Deputy Chairman until July 2009. Past Non-Executive Directorships include, Chairman of Doncaster Ltd, (Precision Engineering), Pilkington plc (Glass), Hanson plc (Aggregates & Building Products) and IMI plc (Engineering). In an executive capacity he was Chief Executive Officer of Laporte plc, an international speciality chemicals company and before that Low & Bonar plc a diverse materials and packaging company. His early business years were spent at John Waddington plc where he was Managing Director of a number of their subsidiaries including consumer goods and packaging companies.

KLAUS MANGOLD

Age: 66.
Nationality: German.
Professional address:
Daimler AG – Siemenstraße 7 – 70469 Stuttgart (Germany).

Principal function: Chairman of the Advisory Board of Rothschild GmbH (Frankfurt).

End of current mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 500 shares.

Other current directorships and positions:

In France:

–

In foreign countries:

Vice Chairman Europe of Rothschild, Paris/London;
 Member of the European Advisory Council of Rothschild, Paris/London;
 Member of the Supervisory Board of Drees & Sommer AG, Stuttgart;
 Member of the Supervisory Board of Universitätsklinikum, Freiburg;
 Member of the Supervisory Board of Metro AG ^(*);
 Member of the Supervisory Board of Continental AG ^(*), Hannover;
 Member of the Supervisory Board of Tui AG ^(*), Hannover, Germany.

Past directorships and positions (held during the past-five years):**In France:**

–

In foreign countries:

Member of the Supervisory Board of Jenoptik AG ^(*), Jena;
 Member of Board of Directors of Magna International Inc. ^(*), Canada;
 Member of the Board of Directors of Chubb Group of Insurance Companies ^(*), USA.

Biography:

Dr Klaus Mangold is a former Member of the Board of Management of DaimlerChrysler AG, former Chairman of the Board of Management of DaimlerChrysler Services AG and former Executive Advisor to the Chairman of DaimlerChrysler AG. He studied law and economics at the Universities of Munich, Geneva, London, Heidelberg and Mainz and finished his studies with a law degree at Heidelberg University. After graduating, he held different functions in the German industry before being nominated a Member and Chairman of the Board of Management of Rhodia AG, a branch of the French Rhône-Poulenc group (1983 – 1990), and Chairman and Chief Executive Officer of Quelle-Schickedanz AG (1991 – 1994). He joined the Daimler-Benz group as a Member of the Board of Management in charge of its Services Division and Central and Eastern European markets (1995 – 2003). Dr Mangold is member of a number of Supervisory and Advisory Boards including those of Rothschild Europe and Metro AG. Dr Klaus Mangold is Honorary Consul of the Russian Federation. He is a recipient of the Great Silver Badge of Honour with the Star of the Austrian Republic and Commander of the "Légion d'honneur" in France.

(*) Listed company.

ALAN THOMSON

Age: 63.
 Nationality: British.
 Professional address:
 Bodycote plc – Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire, SK10 2XF (United Kingdom).

Principal function: Chairman of Bodycote plc.

End of current mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.

Member of the Audit Committee.

Holds 1,500 shares.

Other current directorships and positions:**In France:**

–

In foreign countries:

Senior Independent Director of Johnson Matthey plc ^(*) (UK).

Past directorships and positions (held during the past-five years):**In France:**

–

In foreign countries:

Deputy Chairman of Bodycote plc ^(*) (UK) (2007 – 2008);
 Group Finance Director of Smiths Group plc ^(*) (UK) (1995 – 2006).

Biography:

Mr Alan Thomson studied Economics and History at Glasgow University graduating with a Master of Arts degree in 1967. He qualified as a Chartered Accountant in 1970 and became a member of the Institute of Chartered Accountants of Scotland. From 1971 until 1975, he was Audit Manager with Price Waterhouse in Paris. From 1975 until 1979, he was Financial Director then Chief Executive Officer of Rockwell International SA in Paris, and from 1979 until 1982, he was Financial Director in the Automotive Division of Rockwell International firstly in the USA (1979 – 1980) then in the United Kingdom (1980 – 1982). From 1982 until 1984, he was UK Financial Director of Raychem Ltd, a division of a US public Materials Science company. From 1984 until 1992, he was a Divisional Finance Director within Courtaulds plc, a UK quoted company. From 1992 to 1995, Mr Alan Thomson was employed as the Group Financial Director and Main Board Director of The Rugby Group plc, a UK quoted Building Materials company and from 1995, until his retirement in September 2006, he held the position of Group Financial

Director of Smiths Group plc a UK quoted engineering company. Mr Alan Thomson was elected Chairman of Bodycote plc, a quoted engineering company, in April 2008. He is also the Senior Independent Director of Johnson Matthey plc, a UK quoted company specialised in Precious metals and Environmental catalysts. Mr Alan Thomson is President of the Institute of Chartered Accountants of Scotland.

PHILIPPE MARIEN

Age: 53.
Nationality: French.
Professional address:
Bouygues – 32, avenue Hoche – 75378 Paris cedex 08 (France).

Principal function: Chief Financial Officer of Bouygues group.

Member of the Audit Committee.
Designated by Bouygues SA (*) as its permanent representative.

End of Bouygues' mandate: AGM 2010
(appointment on 18 March 2008 ratified by the 24 June 2008 AGM).

BOUYGUES SA

French *Société Anonyme* with a share capital of €342,818,079.
Head Office: 32, avenue Hoche – 75378 Paris cedex 08 (France).

Holds 90,543,867 shares as of 3 May 2010.

Other current directorships and positions of Bouygues SA:

In France:

Director of Bouygues Construction;
Director of TF1 (*);
Director of Colas (*);
Director of Bouygues Telecom;
Director of C2S;
Director of Bouygues Immobilier;
Director of 32 Hoche.

Past directorships and positions (held during the past-five years):

In France:

Director of Infomobile 2 (5 April 2002 – 31 August 2004);
Director of Bymages 3 (16 April 2002 – 10 November 2004);
Director of Société d'Aménagement Urbain et Rural (SAUR)
(26 June 1991 – 7 December 2004);
Director of Bymages 4 (11 April 2003 – 14 April 2005);
Director of Société Financière et Immobilière de Boulogne (SFIB)
(15 April 1999 – 15 April 2005);
Director of Société Technique de Gestion (SOTEGI)
(14 April 2003 – 7 April 2008);

(*) Listed company.

Director of Bouygues Bâtiment International
(10 June 1999 – 28 November 2008);
Director of Bouygues Travaux Publics
(10 June 1999 – 28 November 2008);
Director of Bouygues Bâtiment Île-de-France
(28 May 2003 – 28 November 2008);
Director of CATC (21 May 1996 – 8 April 2008).

ADDITIONAL INFORMATION

To the Company's knowledge, no member of the Board of Directors:

- has been convicted for fraud during the last five years and/or has been the subject of any official public investigation and/or sanction by statutory or regulatory authorities;
- has been associated in his/her capacity of manager in any bankruptcy, receivership or liquidation for the past five years;
- has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in the management or conduct of the Business of any issuer for the past five years.

To the Company's knowledge, no family relationships among the members of the Company's Board of Directors exists.

Furthermore, to the Company's knowledge there is no conflict of interest between any duty of the members of the Board of Directors and their private interests and/or other duties. The only potential conflicts of interest are those that could, as the case may be, originate from agreements that Bouygues and Alstom have entered into. Bouygues SA or companies of its group may be in a position to sign various contracts with ALSTOM or its subsidiaries pursuant, in particular, to the non exclusive cooperation protocol signed between both groups on 26 April 2006, and the purpose of which is the creation of infrastructures for transport or the production of electricity.

In case of conflict of interest, according to the Director's Chart annexed to the Board of Directors' Internal Rules, any Director must inform the Board as soon as he/she is aware of any, even potential, conflict of interests and he/she must abstain from participating to discussions on the conflicting subject matter and from voting on the resolution thereby. In case of permanent conflict of interest, the Director must resign.

To the Company's knowledge, no settlement or agreement has been reached with shareholders, clients, suppliers or others to appoint a member of the Board of Directors.

To the Company's knowledge, there is no service contract linking any members of the Board of Directors to the Company or to any of its subsidiaries and granting them any benefits.

EVALUATION OF THE DIRECTORS' INDEPENDENCE

According to the AFEP-MEDEF Code and as set forth in the Board of Directors' Internal Rules, the Board of Directors re-examines annually the situation of each Director in the light of the independence criteria. The Board meeting of 3 May 2010 performed this review based on the proposals made by the Nominations and Remuneration Committee which the Board had accepted.

As in the previous year, the Board followed the definition contained in the AFEP-MEDEF Code and considered that a Director is independent when he or she has no relationship of any kind with the Company, its Group or its Management that could compromise the independence of his or her judgement.

The Board took into account all the criteria recommended by the AFEP-MEDEF Code to assess the independence of its members, which follow:

- a Director is not an employee or a Corporate Officer ("mandataire social") of the Company or of one of its consolidated subsidiaries and has not been in such a position for the five previous years;
- a Director is not a Corporate Officer ("mandataire social") of a company in which the Company holds, either directly or indirectly, a directorship, or in which a directorship is held or has been held within the past-five years by an employee or a Corporate Officer ("mandataire social") of the Company;
- a Director is not either directly or indirectly, a significant customer, supplier, investment banker or commercial banker or for which the Company or its Group holds a material proportion of the entity's activity;
- a Director does not have any close family ties with a Corporate Officer ("mandataire social") of the Company;
- a Director has not been an auditor of the Company for the past five years;
- a Director has not been a Director of the Company for more than twelve years;
- a Director does not hold, control, or represent a shareholder who holds alone or in concert more than 10% of the Company's share capital or voting rights.

In compliance with AFEP-MEDEF recommendation, the Board of Directors may consider that a Director may not be qualified as independent even though the criteria are satisfied and conversely.

On this basis, the Board of Directors decided to maintain its characterisations defined in 2009 and determined that seven members should be considered as independent Directors (Mr Jean-Paul Béchat, Mr Pascal Colombani, Mr Jean-Martin Folz, Mr Gérard Hauser, Mr James William Leng, Mr Klaus Mangold and Mr Alan Thomson) out of the twelve members of the Board of Directors.

The Board's view that Mr Gérard Hauser should be considered to be independent took into account the fact that Mr Gérard Hauser is no longer Chairman and Chief Executive Officer of Nexans since 26 May 2009, and the commercial relationship between Nexans and the Alstom Group (which represented less than 1% of Nexans revenues in 2009), a relationship that the Board judged non-material.

The Board's view also took into account (i) the fact that a Company Director is also a Non-Executive Director of Nexans, and (ii) the fact that Mr Gérard Hauser is Non-Executive Director of a company in which another Company Director without executive function is a Non-Executive director. None of these elements were considered of the type to affect his freedom of judgment.

After having taken into account the fact that Mr Pascal Colombani is Non-Executive Director of a company in which a former Director of ALSTOM (for less than five years) is also a Director and in which a member of ALSTOM Executive Committee has recently been appointed as Non-Executive Director, and that he is a Director for a company in which an ALSTOM Director has been appointed as Director, the Board's opinion is that Mr Pascal Colombani should be considered to be independent. None of these elements were considered of the type to affect his liberty of judgment. The Board's view that Mr Jean-Martin Folz should be considered to be independent took into account the fact that in spite of the level of relationship between the Group and Société Générale, of which Mr Folz is a Director, Mr Folz does not have and never has had an executive position within Société Générale.

The Board also determined that Mr Jean-Paul Béchat, Mr James W. Leng, Dr Klaus Mangold and Mr Alan Thomson fulfilled each of the above criteria and should be considered to be independent.

In addition to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company, Mrs Candace K. Beinecke who is Chair of Hughes Hubbard & Reed LLP, one of the Company's principal legal advisors, Mr Olivier Bouygues who is Delegated Chief Executive Officer of the company Bouygues SA, Bouygues SA which holds on 31 March 2010 approximately 30.8% of the Company's share capital, and Mr Georges Chodron de Courcel who is Delegated Chief Executive Officer of BNP Paribas, one of the core banks and one of the financial advisors of the Company, are not independent Directors.

Thereby, the Board of Directors qualified seven members out of twelve as independent, which corresponds to the proportion of one half recommended by the AFEP-MEDEF Code for those companies with a widely spread share capital and to the rule adopted by the Board set forth in its Internal Rules.

RULES OF CONDUCT

Director's Chart

Attached to the Board of Directors' Internal Rules is the Director's Chart, defining the Directors' rights and obligations, and the content of which is for the most part compliant with the recommendations of the AFEP-MEDEF Code.

Before accepting her/his appointment, all Directors shall take cognisance of the legal and regulatory requirements relating to his office, as well as of the Company by-laws, the Group's Code of Ethics, the internal procedures for the Board of Directors, Board Committees and this Chart. Any Director can refer to the Secretary of the Board at

any time, regarding the application of these rules and the rights and obligations of his role.

Any Director shall dedicate to her/his function all the required time and attention and shall attend – unless prevented to do so – all meetings of the Board of Directors and of the Committees which he is a member of, as well as all shareholders general meetings.

Pursuant to the Chart, each Director has a duty to inform the Board as soon as she/he is aware of a conflict of interest, even a potential one, and to abstain from attending discussions and from voting the resolution thereby. In case of permanent conflict of interest, the Director must resign.

The Director's Chart reminds the Directors' duty to comply with the Group's internal rules and, more generally, with the applicable legal or regulatory provisions regarding the Directors' abstention from dealing on the Company's shares.

The Company has been operating, since the time of its flotation in accordance with a **Code of conduct on insider trading designed to prevent insider trading** which defines the situations in which certain individuals must refrain from carrying out transactions involving the Company's shares. These principles are also contained in the Group's Code of Ethics presented in the second part of this report.

The Group's Code of Ethics and Code of Conduct are also delivered to each Director at the beginning of her/his mandate.

This Code of conduct for the prevention of insider trading, updated in October 2006 and approved by Board of Directors, applies to the Directors, officers and employees of the Group.

Pursuant to this Code, the purchase and sale of the Company's shares are not allowed:

- during the 30 calendar days before Alstom first six-month and annual results are disclosed to the public and until the second trading day included after the date when the information has been disclosed to the public;
- during the 15 calendar days before the public disclosure of the sales and orders for the first and third quarters of the financial year and until the second trading day included after the date when the information has been disclosed to the public, and in any case;
- when inside information is held and until the second trading day included after the date when this information has been disclosed to the public.

The opening of the black-out trading periods are notified to the interested persons.

The prohibitions do not apply to the subscription of shares through the exercise of stock options so long they are not followed by the sale of such acquired shares.

The Board Internal Rules, as well as this Code, also remind the Executive and Non-Executive Directors of their **legal obligations to notify the transactions on the Company's securities** completed either by them or by persons close to them.

Conditions of preparation and organisation of the work of the Board of Directors

ORGANISATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

Internal Rules

The procedures governing the organisation and functioning of the Board of Directors are defined by the Internal Rules of the Board and applicable laws and regulations.

Each year, the rules are reviewed by the Board to determine whether its provisions need to be amended in order to better comply with regulations in force or to improve the efficiency and operation of the Board and its Committees. The last amendments made, aimed at improving the Board's good governance practices were incorporated on 18 March 2009 upon recommendations of the Nominations and Remuneration Committee.

The Internal rules as amended notably state that the Board of Directors:

- shall comprise at least half of the Board of independent members as determined and reviewed annually by the Board on the basis of a proposal to be made by the Nominations and Remuneration Committee;
- shall define, upon the proposal of the Chief Executive Officer, the Group's strategy, and shall regularly review the Group's strategic options as previously defined, supervise management and verify the quality of information supplied to shareholders and the financial markets;
- shall examine and approve the annual budget and the medium-term plan;
- shall consider prior to implementation, any operation that is not part of the Group's announced strategy or that could significantly affect it or materially modify the financial structure or results of the Group;
- shall approve before implementation any acquisition or divestiture insofar as the amount exceeds €250 million, any decision to set up a partnership or a joint venture where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion;
- shall approve before implementation organic growth investments in an amount higher than €250 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy;

- shall be kept regularly informed of developments in the Group's Business activities and results, the Group's significant risks, its financial position, indebtedness, cash position and, more generally, any Group commitments, and may request information about the foregoing at any time;
- shall create one or more specialised Committees and shall define their composition and responsibilities;
- shall approve the composition of the Group's Executive Committee;
- shall set the remuneration of the Executive and Non-Executive Directors ("mandataires sociaux") and assess each year the Chairman and Chief Executive Officer's performance outside of his presence;
- shall review and approve annually the information published in the Company's annual report on its practices and structure of corporate governance, including the presentation of the policy that is followed with respect to the remuneration of Executive and Non-Executive Directors.

The Board shall examine its operation at least once a year and implement a formal assessment every three years.

In practice, the Board implement a formal assessment of its functioning and of the Committees' functioning annually.

A minimum of five meetings are scheduled each year.

TRAINING OF DIRECTORS

At the beginning of her/his mandate, each Director receive all information needed to perform her or his duties and may request any documents she or he considers appropriate.

Interviews with those responsible for the Group's main central functions are organized, as well as meetings in the Group's Sectors, in order for the Directors to gain initial contact with management teams and develop a more thorough understanding of elements that are specific to the Company, its activities and the markets in which it operates.

During the annual evaluations of the Board's operation, the members are requested to indicate whether they feel the need to update their knowledge or broaden their skills.

The Board's Internal Rules have been supplemented to clarify that any further training a Director may request, if she or he considers it necessary, may cover not only Group's activities and product lines, but also accounting and financial aspects.

Each year, one Board meeting is held on one of the main Group's sites and provides in depth presentations of the business concerned and visits of production sites.

INFORMATION TO BE SUPPLIED TO DIRECTORS

Prior to each Board meeting, the Directors shall receive, sufficiently in advance and with proper notice, a report on the agenda items which require prior examination and consideration.

Draft annual and semi-annual accounts are generally sent to all Directors at least one week before the meeting of the Audit Committee which always precedes the Board meeting.

In addition to Board meetings, the Chairman regularly informs the Directors of any event or development that may have a material impact on operations or on any information previously communicated to the Board or on any matters discussed during the meetings; the Chairman also regularly forwards to the Directors any material information regarding the Company. The Board Internal Rules, notably provide for the prior notice and data to be given to the Board for any acquisition, disposal or any decision to set up a partnership or a joint venture in excess of €100 million.

The Directors also receive copies of any press releases issued by the Company which have not been specifically approved by the Board, as well as the main articles appearing in the press and reports by financial analysts.

The Directors may at any time request further information from the Chairman of the Board, who shall assess the pertinence of the request. Any Director is also entitled to meet with the Group's Senior Executives outside of the presence of the "mandataires sociaux" of the Company.

The Directors can also be asked to join workgroups organised by the Company whose subject matters will then be presented to the Board.

BOARD COMMITTEES

Since the Company's listing in 1998, the Board of Directors has created two Committees, the Audit Committee and the Nominations and Remuneration Committee, invested with the responsibility to study and prepare the Board's main deliberations in order to improve the Board's efficiency, which is the only body duly authorised to make decisions.

Each Board meeting is generally preceded by a meeting of one or of the two Committees depending on the items on the Board meeting agenda. The Committees report to the Board on their work and observations, and submit their opinions, proposals or recommendations. Given the travelling requirements foreign Directors are faced with, Committee meetings are usually held the day prior to Board meetings and not two days ahead as recommended by the AFEP-MEDEF Code, subject to certain exceptions, on the basis of documents that have already been sent to participants (generally speaking, a week before the meeting). However, with respect to the approval of the financial statements for the 2008/09 fiscal year, the Audit Committee met several days before the Board meeting.

The composition, the powers and the procedures of each Committee are also defined by Internal Rules put forward by each Committee involved and approved by the Board of Directors. Each Committee reviews every year its Internal Rules and can submit any modifications that it considers appropriate to the Board.

In March 2009, the Board amended the Internal Rules of the Board and Committees to take into account the evolution of the regulations, the recommendations of the AFEP-MEDEF Code and specify current practices. These modifications were essentially related to the Internal Rules of the Audit Committee.

A Director's experience and skills are taken into account as selection criteria in deciding on his or her presence on a given Committee.

According to the Audit Committee Internal Rules, the Committee shall consist of at least three members of whom at least two-thirds must be independent Directors including the Chairman of the Committee. As for the Nominations and Remuneration Committee, the Rules recommend that it shall consist of at least three members and that at least a majority of the Committee's members are independent among whom the Chairman of the Committee who shall have a casting vote in case of a tie vote.

In the context of its work, each Committee can meet any Group executive it wishes, resort to the services of experts on its own initiative and ask for any information useful for it to perform effectively.

Moreover, each member of a Committee may propose that a meeting be held if he or she considers this necessary in order to discuss a particular issue.

Each Committee prepares a report presenting its work during the past fiscal year; this report is included in the Annual Report (see hereinafter).

The Internal Rules of the Board of Directors and its Committees and the Director's Charter appended to the Board Internal Rules of which large extracts are provided herein, are available on the Alstom Internet site (www.alstom.com, section "About us").

ANNUAL EVALUATION OF THE FUNCTIONING OF THE BOARD AND OF THE COMMITTEES AND THE FOLLOW UP

Since 2004, the Board carried out annually a formal self-assessment of its organisation and functioning pursuant to its Internal Rules, based on a questionnaire prepared by the Nominations and Remuneration Committee addressed to each Director.

A summary of the individual assessments collected by the Committee on an anonymous basis is prepared by the Committee and then discussed by the Board of Directors in May. A similar procedure is simultaneously conducted to evaluate the workings of each Committee.

These evaluations were conducted for the first time in May 2004 and the last time in May 2010. The possibility of using the services of an outside consultant for the purposes of evaluating the operation of the Board and its Committees is considered and debated annually in March. The Nominations and Remuneration Committee as well as the Board of Directors once again determined in March 2010, that the self-evaluation process conducted to this day was an exhaustive and quality procedure that the Company would maintain for the assessment to be conducted in respect of the 2009/10 fiscal year.

Self-assessment questionnaires proposed by the Nominations and Remuneration Committee are reviewed on an annual basis and, if appropriate, updated, as done in March 2009.

The Board's evaluations covered notably the composition of the Board, the frequency and length of the meetings, the issues discussed, the quality of the debates, the works of the Committees, the information provided to the members, their remuneration and the interaction with the Group's executives. Directors are also requested to give their opinion and proposals on each topic including on the individual contribution of members to the Board works.

In 2004, generally, the Directors had a positive opinion of the quality of the information made available to them, whose continuous improvement they appreciated, and of the preparation of the Board decisions.

To continue on the same line, the following principles were agreed:

- organisation of specific meetings focused on strategy, human resources, risk management or any other subjects according to priorities and needs;
- increased participation to Board meetings by Group executives, in particular by the Sectors' Presidents;
- possibility for the Non-Executive Directors to meet outside of the Executive Directors' presence.

These principles were implemented in September 2004 with a Board meeting dedicated to the human resources and social policy of the Group presented to the Board by the Senior Vice President of human resources. These principles were subsequently implemented each year in March when the Sector Presidents attended the Board meeting discussing the budget for the next fiscal year and the three-year plan, and when Directors met without the Chairman and Chief Executive Officer to discuss the evaluation of his performance.

These principles have been embedded in the Board Internal Rules and Regulations in 2007.

The subsequent annual reviews confirmed that the performance of the Board and its Committees was satisfactory.

To take into account the suggestions of the 2005 performance review, it was decided to organise once a year a Board meeting on one of the Group's main industrial sites, in order to arrange a visit of the site and a thorough presentation of the Business and of the strategic plan of the Sector concerned.

Such meetings took place in September 2005 and 2006 on one of the main industrial sites related to the Power Business and to the Transport Sector, with a presentation by the Sector's President of the Business and strategic plan. In 2007, the meeting took place in China and also led to the visit of the Group's production units and infrastructures in this country. In 2008, the meeting, the industrial site visits and presentations took place in Spain, and in 2009 in Copenhagen.

The evaluation carried out in May 2006 confirmed the Directors' wish to continue these annual meetings, deemed highly satisfactory, intensify the Board's work on the medium and long-term strategy of the Group, continue the succession plans which are considered to be advancing well, expand and internationalise the composition of the Board and enhance the Directors' level of knowledge concerning the Group's activities and application of accounting principles.

The quality and relevance of the information communicated to the Directors at these Board meetings or between meetings was judged very satisfactory, as was the information on the main risks facing the Company.

A positive appraisal was also given concerning the quality of the minutes of the Committees' work, the progress of which was underlined.

Responding to the wish to enlarge the composition of the Board, the appointment of three new independent Directors corresponding to the profiles required, was submitted by the Board for the 26 June 2007 General Meeting's approval.

When conducting their May 2007 evaluation of the overall performance of the Board, the members strongly reaffirmed the good quality of the Board of Directors' operation. They found that significant progress with respect to the Board's role in strategic planning had been achieved during the fiscal year and that the additional time spent by the Board on these matters was appropriate.

The members once again judged that the Board was kept informed of major risks facing the Group, and that the Board had at its disposal an appropriate procedure for the identification and management of risks.

A powerful consensus was reached on the issue that Board meetings were now refocused on essential subject matter and that the appropriate amount of time was allocated to each of the points included in the meeting's agenda. The members had the feeling that the quality of information sent to the members from one Board meeting to the next had again improved.

The information and reports provided by both Committees were considered of very good quality and to have improved over the course of the fiscal year.

In 2008, the members found that the seminars intended for new Directors and initiating them to the activities, markets and specificities

of the Group, as well as the annual Board meetings on Group sites, satisfied the objective set by the Board with respect to the sustained training of its members.

Over the course of the 2008/09 fiscal year, the Chairman undertook to increase the amount of information pertaining to important matters that is sent to Directors from one Board meeting to the next, and to meet expectations expressed by Directors during the annual evaluation carried out in May 2008 following which the Directors confirmed that the Board was fully attaining its goals.

As such, an additional Board meeting was dedicated to the Group's growth strategy and a more in-depth presentation of the Group's position and its main challenges and actions regarding human resources policies was made by the Manager of the Human Resources Department. The human resources evaluation process, as well as succession plans, were presented.

In May 2009, Board members reaffirmed their positive view on the quality of the Board's functioning and dynamics, and the achievement of the Board's objectives. Members also expressed their will to keep focussing on strategic matters and sustained training of the members through dedicated Board meetings organised on the Group's industrial sites.

ACTIVITY REPORT OF THE BOARD FOR FISCAL YEAR 2009/10

The Board of Directors met eight times during the fiscal year (five times during the previous fiscal year). The average attendance was 93% in 2009/10, whereas it was 95% in 2008/09.

The Board discussed and passed resolutions on all main topics regarding the Group.

The Board reviewed and approved the consolidated and parent company accounts for the fiscal year 2008/09, the consolidated accounts for the first half of the fiscal year 2009/10, as well as the related management reports. The Board reviewed the draft press releases on these accounts before their publication.

At the time it reviewed the accounts and also regularly, the Board continued to review the financial situation of the Group, the evolution of the cash flow and debt and credit and bonding lines situation. The Board received information on the significant risks faced by the Group and the action plans launched and discussed and approved the description of the main risks faced by the Group which were included in the Company's 2008/09 Annual Report/Registration Document.

In September 2009, a Board of Directors' meeting was held in Copenhagen and gave rise to additional presentations on the Group's growth strategy as an extension of the three-year strategic plan that had been reviewed in March 2009, as well as to the detailed presentation of the Group's business activity in Scandinavia. A point of the Agenda was also dedicated to the presentation of the Group's

strategic planning process. A presentation of the Group's strategy in clean power technologies including the visit of a carbon capture prototype at a Group's client site was also done.

A report on the development of the Group's activities and proposed acquisitions has been presented at each meeting. The Board discussed and approved the planned acquisition of Areva T&D Holding SA jointly with Schneider Electric.

In March 2010, during its annual budget and planning meeting attended by the Sector's Presidents, the Board reviewed and approved the 2010/11 budget and the three-year plan 2010/2013; it also discussed the Group's short term strategy in the different business Sector during this annual session. In addition, it reviewed the update of the risk map produced for each business line and for the Group.

It was kept abreast on the evolution of the organisation of the Ethics and Compliance function, its actions plan and ongoing procedures to promote the application of the Group's Ethics and Compliance rules and policies.

The Board discussed in March and May 2009 the application by the Company of the AFEP-MEDEF corporate governance principles and the additional necessary measures to be taken.

In May 2009, the Board reviewed all components of the Chairman and Chief Executive Officer's remuneration. The Board determined in May 2009, the amount of the Chairman and Chief Executive Officer's variable compensation for fiscal year 2008/09 based on the achievement of the financial and personal objectives and on the terms of calculation previously set by the Board. The Board also fixed the objectives for the determination of his variable compensation for fiscal year 2009/10 and the basis for its calculation depending on the achievements and fixed its annual fixed remuneration for the three year period 2009-2012.

At its meeting dated 4 May 2009, the Board of Directors also acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment as well as to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office. The Board therefore authorised the commitments discussed in Article L. 225-42-1 of the French Commercial Code with regard to Mr Patrick Kron as amended which were submitted and approved by the Shareholders' Meeting held on 23 June 2009.

Also in May 2009, the Board discussed and approved the results of the annual performance evaluation of the Board and its Committees as submitted by the Nominations and Remuneration Committee, the Chairman's report attached to the Management report, the Director's independence and the criteria applied, and more generally approved the Chairman's report pursuant to article L. 225-37 of the French

Commercial Code and the section "Corporate Governance" of the 2008/09 Annual Report/Registration Document before its filing with the AMF ("Autorité des marchés financiers").

The Board also adopted in May 2009 the resolutions and the documents required by law concerning the Annual General Meeting.

During the fiscal year, the Board of Directors also:

- decided in September 2009, as proposed by the Nominations and Remuneration Committee, the allocation of a new long term incentive plan combining the allocation of stock options and the free allocation of performance shares both conditional upon the achievement of the Group's financial objectives in the 2011/12 fiscal year and subject to attendance requirements within the Group. The Board also defined, pursuant to the Committee's proposal, the amount of the allocation to the Chairman and Chief Executive Officer under this plan and the requirements associated with the holding of the shares applicable to the Chairman and Chief Executive Officer and to the other members of the Executive Committee within the framework of this plan;
- reviewed and approved the information related to the Chairman and Chief Executive Officer's remuneration put on the Company web site following Board's decisions in compliance with AFEP-MEDEF recommendations;
- approved, within the framework of the related party agreements' procedure, the contribution in kind by Bouygues of its 50% ownership in the joint venture ALSTOM Hydro Holding against delivery of newly issued shares of the Company, following the exercise by Bouygues of its exit option from the joint venture;
- renewed the financial delegation of powers to the Chairman and Chief Executive Officer for the issue of bonds;
- reviewed the Chairman and Chief Executive Officer's performance during its annual meeting outside of his presence held in March.

The Committees' Chairmen submitted their Committee work reports to the Board for discussion.

The Independent Auditors were invited to the two Board meetings dedicated to the review and approval of the annual and half-yearly accounts.

AUDIT COMMITTEE

The **Audit Committee**, formed in 1998, is currently composed of six members: Mr Jean-Paul Béchat, Chairman of the Committee since 1 January 2004, Mr Georges Chodron de Courcel, Mr Pascal Colombani, Mr Jean-Martin Folz, Mr Philippe Marien and Mr Alan Thomson.

Four members out of six are independent, including the Chairman. This corresponds to the two-thirds of Directors recommended by the AFEP-MEDEF Code.

Three members of the Committee have specific expertise in financial or accounting matters due to their qualification or professional expertise.

Duties

Acting under the exclusive and collective authority of the Board of Directors, the general purpose of the Committee is to assist the Board of Directors in overseeing issues relating to the development and management of financial and accounting information. In particular, the Committee is responsible for monitoring (i) the process according to which the financial information is developed, (ii) the efficiency of internal controls and risk management systems, (iii) the legal auditing of annual account statements and consolidated account statements as carried out by the external auditors, and the independence of such external auditors.

In fulfilling its role, as stated in its Internal rules as amended on 18 March 2009, the Committee is responsible for the following:

- to review the scope of consolidation and examine all draft consolidated and corporate financial statements and related reports which will be submitted to the Board for approval and to discuss them with Management and the external auditors;
- to review with Management and the external auditors the generally accepted accounting principles used in the preparation of the accounts including the review of alternative accounting principles, as well as any change in accounting principles, methods or rules while ensuring that such principles are still relevant;
- to examine and monitor the production process and the treatment of financial and accounting information used in the preparation of account statements;
- to evaluate the validity of the methods chosen for processing significant transactions as well as those transactions through which a conflict of interest could have occurred;
- to examine Management's presentation on risk exposure (including legal risks) and significant off-balance sheet commitments and contingencies at the time of the Committee's review of the accounts;
- to review and evaluate at least annually, the efficiency of internal control procedures and risk management procedures in place, including those associated with the development and treatment of financial and accounting information; the Committee ensures that the main risks are identified and managed, and that it is kept informed of their existence and status;
- to examine and review, on an annual basis, the organization and operation of the internal audit; the Committee approves the internal audit program, monitors its development and the results of its plans of action;
- to review with the external auditors the nature, scope, and results of their audit and work performed, and to review their comments and suggestions, in particular those relating to internal control and risk management procedures, to accounting practices and to the internal audit program;
- to examine and provide the Board of Directors with its opinion on the Chairman of the Board of Director's draft report to shareholders at the general shareholders' meeting on the internal controls and risk management procedures implemented by the Company;
- to review and control the call for tenders procedure associated with the selection of external auditors and provide the Board of Directors with a recommendation on the external auditors proposed for appointment by shareholders at the general shareholders' meeting and on the amount of fees that the Company intends to pay them;

- to approve the External Audit Charter governing relations with the external auditors and examine, on an annual basis, the amount of the fees paid by the Group to the networks to which such external auditors belong, including fees that are not directly linked to the external auditors' duties;
- to see to the external auditors' independence, to examine with them, if applicable, the risks that are impacting such independence and the safety measures undertaken to mitigate these risks and grant its prior approval to any external audit performed that is accessory to or directly complementary to the audit of the accounts they are responsible for (excluding all other duties).

The Committee may also perform any other activities as the Committee or the Board of Directors deems necessary or appropriate. The Committee is entitled to seek any external assistance it may deem necessary.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning.

Unless the Committee decides differently, the Independent Auditors will attend meetings.

ACTIVITY REPORT OF THE AUDIT COMMITTEE FOR FISCAL YEAR 2009/10

The Audit Committee met five times during fiscal year 2009/10 (three times during fiscal year 2008/09). The attendance level was 93% (94% for previous fiscal year).

The Chief Financial Officer, the Vice President Internal Audit, the Group Controller, the General Counsel and at least one representative of the two independent audit firms were in attendance at all five meetings. Other Senior Management including the Vice President of Tenders and Projects Control, the Senior Vice President of Ethics and Compliance, the Senior Vice President of Corporate Funding and Treasury and several representatives of Sectors' Financial Departments attended the Committee meetings.

The Chairman of the Committee also met in November 2009 with the Senior Vice President Ethics & Compliance.

The Committee reviewed the Statutory and Consolidated Financial Statements as of 31 March 2009 as well as the half-year consolidated accounts as of 30 September 2009 (financial statements, notes and management or activity reports) in April and October 2009 respectively. In April 2009, the Committee also reviewed the Registration Document ("Document de Référence") for the fiscal year ended 31 March 2009 prior to its filing with the French Stock Market authority ("Autorité des marchés financiers") and especially the section concerning risks as well as the section concerning the internal control and risk management procedures of the Chairman's Report, which the Committee has approved.

On the basis of the presentations produced by the General Management and the independent audit firms, the Committee checked the relevance of the accounting methods and treatments used in the financial statements.

As each year, the annual and half-year closing of accounts led to detailed presentations from the General Management and Financial Management of each Sector, of the Group's major risks (risks linked to the activity, to contract execution, to the main disputes), of cash-flow, of the off-balance sheet commitments and of provisions

Furthermore, specific subjects were presented and discussed with the Committee concerning risk management: the Group's Treasury and information systems organisation. In September 2009, a specific risk management session was organised including a presentation of the Power market assessment and of the annual forecast process, which was reported to the Audit Committee. The Three-Year Plan and the Group accounts preparation processes were also presented. In October 2009, the Committee received the annual Compliance presentation including detailed rules and procedures applicable to all Sectors concerning the selection and employment of consultants. A specific introduction to the Alstom integrity programme was also examined by the Committee.

The risk mapping methodology – risk identification and follow-up tool embedded in the Budget/Three year plan – as well as the action plans implemented, were examined and the updated results were discussed at Group level in March 2010.

The Committee studied in March 2010 the budget prepared by the Company for fiscal year 2010/11 and the Three Year Plan 2010/13, examined and challenged the assumptions considered by Management.

The Committee reviewed the existing internal control procedures put in place in the Group and the internal control evaluation done by the Company through an annual evaluation questionnaire. The Committee was informed of the detailed results of the annual internal control campaign and of the action plans aiming to improve internal controls, to eliminate weaknesses and to ensure compliance with applicable regulations. The results of the action plans were presented to the Committee. The Committee also heard the auditors' observations and recommendations on internal control in March 2010.

The Vice President Internal Audit presented the Internal Audit half-year and full year activity reports for 2009 and the proposed internal audit plan for each of the next four years was reviewed and approved. As each year, the Chairman of the Audit Committee met individually with the Vice President Internal Audit.

In April 2009, a specific session was organised for the audition of bidding firms for the renewal of the External Auditors' college. Based on the results of bidders' presentations, the Committee then presented its recommendations of appointment to the Board of Directors who accepted them in May 2009.

The Committee examined the amount of fees paid out to the independent audit firms during the last fiscal year. The External Auditors' Charter includes the listing of pre-approved services that can be performed within defined limits by the independent audit firms. The Committee, at each meeting, was informed of the work performed by the independent audit firms within its guidelines and the fees involved.

The Committee also reviewed and approved in March 2010 the External Auditors' Charter updated following the renewal of External Auditors and also approved the revised Internal Audit Charter.

As each year, members evaluated the functioning of the Committee on the basis of a questionnaire prepared by the Nominations and Remuneration Committee which particularly aims to check that important questions were adequately prepared and discussed. The results and suggestions were discussed during a Board meeting.

The Committee reported on its work, provided comments and gave proposals to the Board.

NOMINATIONS AND REMUNERATION COMMITTEE

The **Nominations and Remuneration Committee**, formed in 1998, is currently composed of five members: Mr James W. Leng, Chairman of the Committee since 18 November 2003, Mrs Candace K. Beinecke, Mr Olivier Bouygues, Mr Gérard Hauser and Mr Klaus Mangold.

Three members of the Committee out of five are independent, including the Chairman, which corresponds to the AFEP-MEDEF Code's recommendation to have a majority of independent members in Remuneration Committees.

Duties

As stated in its Internal rules as amended on 18 March 2009, the Committee reviews and makes proposals or gives its opinion to the Board of Directors on the following subjects:

- the separation or combining of the functions of Chairman of the Board and Chief Executive Officer of the Company;
- the nomination (or revocation) of the Chairman of the Board and of the Chief Executive Officer;
- the nomination of new Directors including in case of unforeseeable vacancy; in particular, the Committee organises an appropriate procedure for selecting future independent Directors and makes its own independent research on potential candidates prior to their being approached;
- the nomination (or revocation), upon proposal of the Chief Executive Officer, of any other Executive Directors ("Dirigeants mandataires sociaux") and members of the Executive Committee;
- the succession plans for the Company's Executive Directors;
- the compliance by the Company with corporate governance principles that the Company abides by, notably regarding the policy with respect to the remuneration of the Executive Directors. The Committee advises the Board on the part of the annual report dedicated to the shareholders' information on these matters and on Board's work;

- the Board and Committees' composition and functioning (including the Nominations and Remuneration Committee);
- the Company's definition of an independent Director and the list of independent Directors to be inserted in the Company's Annual Report;
- the whole of the elements comprising the compensation to be paid to the Executive Directors of the Company, including any award of stock options or performance-based shares, as well as compensation and benefits of any kind (including pensions and termination benefits) also paid to them by the Company or companies belonging to the Group. The Committee notably reviews and defines the rules for determining the variable part of such compensation, ensures their coherence with the annual performance evaluation and the strategy of the Company, and thereafter controls the implementation of these rules;
- the Company's general policy relating to stock option plans including the granting, timing and frequency of allocations, and any proposed stock option plans including the proposed beneficiaries;
- the Company's general policy relating to employee share purchase schemes and any proposed schemes;
- the Directors' fees and the conditions for their award.

The Committee decides whether it will define, upon proposal of the Chief Executive Officer, the compensation and benefits of all or some of the members of the Executive Committee, including the principles and criteria used for their annual performance evaluation, in particular those for determining the variable part of their remuneration, or whether it will just be informed of these.

The Committee also develops and recommends to the Board for its approval, a formal process for evaluating the functioning of the Board and its Committees to be implemented at least every three years and, outside of the Directors concerned, prepares the annual performance evaluation of the Chairman of the Board and of the Company's Executive Directors based on the principles applied to other Senior Corporate Executives.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning.

The Committee performs any other related activities as the Committee or the Board deems necessary or appropriate.

ACTIVITY REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE FOR FISCAL YEAR 2009/10

The Nominations and Remuneration Committee met four times during fiscal year 2009/10 (four times during the previous fiscal year) and the members' attendance rate at these meetings was 100% (compared to 95% for fiscal year 2008/09).

In May 2008, the Committee reviewed all components of the Chairman and Chief Executive Officer's remuneration and finalized its compliance review of the Company's practices with the AFEP-MEDEF Corporate Governance Code started in November 2008 in order to recommend to the Board any additional provisions necessary to achieve strict compliance with the recommendations on the remuneration of executive directors.

The Nominations and Remuneration Committee discussed and proposed to the Board the terms to determine the fixed part of the Chairman and Chief Executive Officer's remuneration over the three-year 2009/2012 and recommended a 3% increase per year after a salary freeze in the three year period of 2006-2009. It also discussed and proposed to the Board of Directors the Chairman and Chief Executive Officer's variable remuneration for 2008/09 pursuant to the methods predetermined in May 2008 and the objectives which could be used to determine his variable remuneration for 2009/10 applying the same criteria and method as in preceding years. The Committee was informed of and approved the remunerations of the other members of the Executive Committee and recommended to maintain for the fiscal year 2009/10 the Director's fees distribution rules previously fixed.

The Committee acknowledged the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event of a termination of his mandate, to receive any severance payment and noted that his mandate as a corporate officer was not combined with any employment contract.

The Committee reviewed the defined benefit plan applicable to the Chairman and Chief Executive Officer and noted that even though the plan does not set any minimum seniority requirement to be met in order to benefit from it, the plan remains compliant with the intent behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority at a rate of 1.2% per year of seniority on a capped amount.

To strictly comply with the AFEP-MEDEF Code, the Committee reviewed and proposed to the Board to fix the principles of limits applicable to future allocations of conditional stock options or performance shares to the Chairman and Chief Executive Officer (maximum IFRS 2 value of any annual allocation, maximum percentages of the overall amount authorised by the Shareholders' Meeting and of the total annual allocation, number of shares to be purchase in case of new allocation of performance shares).

The Committee adhered to a full compliance of the Company's practices as prescribed in the AFEP-MEDEF Code.

As a part of its Corporate Governance audit, the Committee reviewed the procedure for the annual assessment of the performance and functioning of the Board and its Committees. In the previous two years (2008 and 2009) these audits were carried out with a specifically designed and comprehensive self evaluation questionnaire, updated to reflect changes to the general governance codes.

Based on results of these assessments, which are compiled through an independent third party, the Board and Committees debated and reviewed the reports and agreed what actions are to be implemented in order to improve the Boards and its Committees' effectiveness in the forthcoming year.

It also reviewed the Directors' independence status and the independence criteria applied, reviewed and approved the Chairman's

draft report on the functioning of the Board and compensation of corporate officers and recommended it for Board's approval as well as the Corporate Governance section of the 2008/09 Annual Report/Registration document.

Concerning the employees' shareholding and conditional stock options/performance share plans, the Nominations and Remuneration Committee made note in May 2009 of the final results of the Employee Share Purchase Scheme "Alstom Sharing 2009" open to the Group's employees and former employees in 22 countries, and recommended for Board approval the implementation of the grant of free shares to the employees who subscribe shares outside France.

The Nominations and Remuneration Committee also examined and recommended to the Board, in September 2009, to allocate, within a Long-Term Incentive Plan n°12, a mix of conditional stock options and of performance shares and to decide that the number of exercisable options and the number of performance shares to be finally delivered will be entirely conditional upon the level of the Group's operating margin for fiscal year 2011/12. It confirmed the Company's granting policy after having reviewed the analysis of the Plan performed by an external consultant and the characteristics of these grants as well as the list of beneficiaries.

The Committee also recommended to the Board to allocate to the Chairman and Chief Executive Officer within this Plan, only conditional stock options and confirmed that his allocation complies with the corporate governance principles previously decided by the Board of Directors in May 2009. The Committee also reviewed and approved the proposed grants of conditional stock options and free performance shares to other members of the Executive Committee. The Committee acknowledges that this Plan was made pursuant to the authorization of a shareholders' meeting held before 4 December 2008 (e.g. the 26 June 2007 shareholders' meeting).

In October 2009, the Committee examined the succession plans for all the Executive Committee members and for the 180 most important positions within the Group.

In March 2010, according to its previous practices, the Committee prepared the annual assessment of the Chairman and Chief Executive Officer's performance and discussed it with the Directors outside the Chairman and Chief Executive Officer's presence.

The Nominations and Remuneration Committee reported to the Board on its work and recommendations, regarding all these matters.

Limitations on the Chairman and Chief Executive Officer's powers

The Board of Directors, held on 26 June 2007, voted, at the time of the renewal of Mr Patrick Kron's functions, for combining the roles of Chairman of the Board of Directors and Chief Executive Officer of the Company without any further limitations of power other than those provided by the law or by the Board Internal Rules.

The Board considered that it does not view separating the roles as appropriate or necessary to improve the management of the Group or the functioning of the Board, and that combining the functions has demonstrated full efficiency particularly in front of critical situation faced by the Group which required reactivity of the Board, and did not prevent maintaining an efficient functioning of the Board with collegial decision-making on each important matter for the Group.

The Internal Rules of the Board as lastly amended on 18 March 2009, indicate that the Board of Directors' prior approval is required for:

- any operation that is not part of the Group's announced strategy or that could significantly affect it;
- any operation that could materially modify the financial structure or results of the Group;
- any acquisition or divestiture insofar as the amount exceeds €250 million, any decision to set up partnership or joint company where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion;
- organic growth investments in an amount higher than €250 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy.

It also indicates that the Board of Directors examines and approves the annual budget and the medium-term plan.

Compensation of Executive and Non-Executive Directors ("mandataires sociaux")

ALSTOM's Executive and Non-Executive Directors are its twelve members of the Board. The Chairman and Chief Executive Officer, is the only Executive Director of ALSTOM.

The information presented below also constitute the elements of the Board of Directors' report to the Shareholders' Meeting referred to in Article L. 225-102-1 (related to remuneration of Executive and Non-Executive Directors) and in Article L. 225-185 of the French Commercial Code (related to retention obligations applicable to stock options and performance shares).

The principles and rules set by the Board of Directors for the determination of Executive and Non-Executive Directors' compensation and benefits of any kind are as set out below.

REMUNERATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The remuneration of the Chairman and Chief Executive Officer is fixed by the Board of Directors upon the Nominations and Remuneration Committee's proposal and comprised of a fixed part and of a variable part linked to the performance of the Company. The remuneration policy and all the components of the Chairman and Chief Executive Officer's remuneration including supplemental retirement scheme, are reviewed annually by the Nominations and Remuneration Committee and the Board of Directors on the basis of an analysis prepared by an external consultant.

Annual remuneration

The amount of the fixed part of the Chairman and Chief Executive Officer's remuneration and the range of his variable remuneration remained unchanged for three years between 1 April 2006 and 31 March 2009, *i.e.* until the end of fiscal year 2008/09.

Upon the Nominations and Remuneration Committee's proposal, the Board of Directors in May 2009 fixed the Chairman and Chief Executive Officer's fixed salary over the three-year period 2009-2012 and decided a 3% increase per year, resulting in the following amounts:

- 2009/10: €1,065,000;
- 2010/11: €1,100,000;
- 2011/12: €1,130,000.

The variable part of the remuneration varies along with the achievement of objectives for the fiscal year predetermined by the Board of Directors upon proposal of the Nominations and Remuneration Committee. These objectives are comprised of Group's performance objectives and specific qualitative objectives linked to the achievement of personal objectives. The achievement of these objectives and the amount of the variable part of the remuneration are then determined by the Board of Directors which approves the accounts for the fiscal year, upon the Nominations and Remuneration Committee's proposal after the evaluation of the Chairman and Chief Executive Officer's performance.

Since fiscal year 2004/05, the objectives set are, on one side, the Group's financial objectives – free cash flow, operational margin, and level of margin in the backlog ⁽¹⁾ – and on the other hand, the specific objectives linked to the actions plan and to the priorities for the fiscal year. For 2010/11, the Group's financial objectives will cover free cash flow, operational margin, and gross margin (both in absolute value and as a percentage) on orders received.

In case the set objectives are met, the variable remuneration represents 100% of the annual base salary, with the amount of the variable part linked to financial objectives representing 60% of the annual base salary and the variable part linked to the specific objectives representing 40% of the annual base salary.

The amount of the variable part linked to financial objectives can vary between 0% and 120% and the amount of the variable part linked to specific objectives between 0% and 40%, depending on results achieved. Hence, the variable salary's range is between 0% and 160% of the annual base salary. However, the Board reserves the right to adjust upwards or downwards the results of the calculation of this variable part within the above mentioned range, based on its global evaluation of the performance achieved.

The Chairman and Chief Executive Officer benefits from a Company's car representing a benefit in kind of €5,794 per year and, as other employees in France beyond a certain level of compensation, from supplemental medical, death and disability coverage, which costs are partly borne by the Company.

Annual fixed and variable remuneration in respect of fiscal year 2009/10

For fiscal year 2009/10, the fixed gross salary paid to the Chairman and Chief Executive Officer amounted to €1,065,000.

His variable gross salary was €1,000,000 that is 94% of his fixed gross salary compared to a variable remuneration "target" of 100% (remuneration paid when the results are strictly in line with the objectives set). The variable part linked to the financial objectives was fixed at 54% by the Board of Directors within the range 0-120% (compared to 60% if the results achieved have been strictly in line with the objectives set). The part corresponding to the specific objectives was fixed at 40% in the 0-40% range.

For the previous fiscal year, his variable gross salary was €1,300,000 corresponding to 125.75% of his fixed gross salary for the said fiscal year. The variable part linked to the financial objectives was fixed at 85.75% within the range 0-120% and the part corresponding to the specific objectives was fixed at 40%.

Allocation of conditional stock options and/or performance shares

The Chairman and Chief Executive Officer receives conditional stock subscription options and/or performance shares within each long term incentive plan decided in principle annually by the Board of Directors in September. The level of allocation determined by the Board of Directors pursuant to the proposal made by the Nominations and Remuneration Committee takes into account all of the elements of the Chairman and Chief Executive Officer's remuneration and market practices.

Within the framework of these plans, which combine since fiscal year 2007/08, allocations of conditional stock options and of performance shares, the ratio of allocated stock options over the total number of stock options and performance shares increases as one's hierarchical position in the Company increases. Consequently, the Chairman and Chief Executive Officer received in 2007 and 2008 a larger percentage of stock options than performance shares as compared with other plan beneficiaries. In September 2009, the Board decided that the Chairman and Chief Executive Officer's allocation will be exclusively comprised of conditional stock options.

(1) The level of margin in the backlog is a key internal indicator related to the Group's profitability. It is defined as the difference between the expected sales and costs of projects in the backlog divided by the expected sales of projects in the backlog.

The characteristics of the allocations made to the Chairman and Chief Executive Officer comply with the recommendations of the AFEP-MEDEF Code:

- Frequency: Annual allocation usually carried out in September.
- No discount: Yes (stock options).
- Performance requirements: Yes (since fiscal year 2006/07, all of the options or shares are allocated subject to the satisfaction of Group performance conditions as of the third fiscal year following the grant date).
- Limits applicable to the allocation/purchase requirement: Yes, since fiscal year 2009/10 (see hereafter).
- Holding requirement: Yes (see below).
- Use of hedging instruments prohibited: Yes.
- Periods during which the exercise of options with sale of shares is prohibited: Yes.

The general characteristics of the conditional stock options and performance shares allocated to the Chairman and Chief Executive Officer are identical to those offered in all other allocations made by the plan. To these general characteristics shall be added, the specific limitations or obligations fixed by the Board of Directors in compliance with the applicable regulations and recommendations of the AFEP-MEDEF Code on the remuneration of Executive Directors. These general characteristics appear on pages 190 to 192 of the Registration Document for the 2009/10 fiscal year filed with the AMF.

Pursuant to the recommendations of the AFEP-MEDEF Code, the Board of Directors on 4 May 2009 decided to apply the following principles to allocations for the Chairman and Chief Executive Officer granted as from fiscal year 2009/10:

- the IFRS 2 value of the allocation shall be capped at one year of fixed and targeted variable remuneration, the latter of which corresponds to the remuneration obtained when accomplishments are strictly compliant with set objectives;
- the allocation shall not exceed neither 1% of the overall amount authorised by the shareholders' meeting, nor 5% of the total amount allocated under an annual plan (calculated, as the case may be, according to a stock options equivalency in the event of a combined allocation of stock options and performance shares);
- in consideration of any new allocation of performance shares, the Chairman and Chief Executive Officer must undertake the acquisition of a number of shares equivalent to 25% of the performance shares delivered.

In accordance with the law and the AFEP-MEDEF Code, since 2007 the Board of Directors sets, for each allocation, the number of shares that the Chairman and Chief Executive Officer must hold until he no longer exercises his duties. The Board of Directors has, in addition, extended this holding requirement by making it applicable to all of the members of the Executive Committee.

Within the framework of the 2007, 2008 and 2009 plans (called LTI No. 10, LTI No. 11 and LTI No. 12 respectively), the Chairman and Chief Executive Officer shall comply with a requirement to hold shares resulting from the exercise of stock options and/or final allocation of

free shares until the expiry of his duties. Such requirement bears on a number of shares corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of stock options and on the effective date of allocation of the free shares. This requirement is not capped based on a certain level of shareholding being reached.

Moreover, rules of conduct applicable within the Group in case inside information is held, prevent any sale of shares, during 30 calendar days before Alstom's first six-months and annual results are disclosed to the public (the period being reduced to 15 calendar days with respect to quarterly results) and up to the second trading day included after the date when this information has been disclosed to the public, and, in any case, when inside information is held until the second trading day after the date when this information has been disclosed to the public. During period where trading is not prohibited, these internal rules prescribed to consult the Group's legal counsel in case of doubt on the ability to trade prior to any such transaction. It has not been considered appropriate to prohibit during these periods, the sole exercise of stock options as the acquisition of the shares is made at a price which has been predetermined on the grant date and the shares are not sold.

In accordance with the AFEP-MEDEF Code, the Chairman and Chief Executive Officer has committed himself to refraining from using hedging instruments, for his entire term in office, to cover the risks associated with the stock options or performance shares allocated to him. To the Company's knowledge, no hedging instrument is in place.

Allocation in respect of fiscal year 2009/10

The allocation received by the Chairman and Chief Executive Officer under the 2009 plan decided by the Board of Directors on 21 September 2009, acting within the framework of the authorization granted by the general assembly of 26 June 2007, bears on 80,000 conditional stock options (number identical to the 2008 Plan). It represents 2.7% of the total allocation of the plan (calculated according to a stock option equivalency, where one performance share is considered equivalent to four stock options). It also represents 0.02% of the share capital as of the grant date and 0.6% of the overall amount authorised by the shareholders' meeting dated 26 June 2007, which amounts to 5% of the capital. No performance share was allocated to him (against 6,000 in 2008 plan). See also table 4 hereafter.

Supplemental retirement scheme

The Chairman and Chief Executive Officer also benefits from the supplemental collective retirement scheme implemented in 2004, and taken into account in the determination of his overall compensation. This scheme is composed of a defined contribution plan and a defined benefit plan.

The defined benefit plan covers all persons exercising functions within the Group in France whose base annual remuneration exceeds eight times the annual French social security ceiling. The rights under the plan are vested only if the beneficiary retires from the Company and

after claiming his or her retirement rights. Even though the plan does not set any minimum seniority requirement to be met in order to benefit from it, the plan remains compliant with the intention behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority, and only represent each year a limited percentage of the compensation corresponding at maximum to a rate of 1.2% per year on a capped amount. The pension is determined by multiplying the replacement ratio based on the seniority by the fraction of the annual reference remuneration (*i.e.* the average of the last three fixed and variable annual remunerations) that exceeds eight times the annual French social security ceiling (€276,960 for the 2010 calendar year). The annual reference remuneration is capped at €2 million. Since 1 January, 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC supplemental retirement scheme. As such, given his seniority within the Group, the Chairman and Chief Executive Officer could, when he retires, claim a replacement ratio of between 13% and 20% of this salary portion.

The defined benefit obligation for the defined benefits plan is equal to €4,120,243 as at 31 March 2010, including statutory retirement indemnities for retirement and an amount of €897,694 of taxes applicable to supplemental retirement schemes as increased since 1 January 2010.

The defined contribution plan complements the defined benefit plan. The rights are acquired annually and cannot exceed 16% of four times the annual ceiling of French social security. The amount of contributions paid by Alstom within the defined contribution plan, was €22,007 for fiscal year 2009/10.

Severance payment and other benefits arising upon the termination of the mandate

At its meeting dated 4 May 2009, the Board of Directors acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment as well as to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, Chairman and Chief Executive Officer, concern (i) the entitlement to the additional collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan from which benefit all persons exercising functions within the Group in France, the base annual remuneration of which exceeds eight times the French Social Security cap, above mentioned, as well as (ii) the upholding, in the event of termination of his mandate as initiated by either the Company or himself, of only the rights to exercise the stock options and the rights to the delivery of the performance shares, that will have been definitively vested as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

These commitments as amended and authorised by the Board of Directors during its 4 May 2009 meeting have been approved by the shareholders' meeting held on 23 June 2009.

Table for monitoring the implementation of the AFEP-MEDEF Code with respect to the remuneration of Executive Directors

	Employment contract		Additional retirement pension scheme		Indemnities or benefits owed or that could be owed due to termination or a change in work duties		Indemnities associated with a non compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive Directors								
Patrick Kron Chairman and Chief Executive Officer Term of office began in: 2003 Term of office ends in: 2011		X	X (see above)			X (see above)		X

DIRECTORS' FEES PAID TO THE DIRECTORS

The Directors do not receive any compensation other than an attendance allowance ("Directors' fees"). Since 1 April 2005, the Chairman of the Board of Directors waived his Directors' fees.

The Ordinary and Extraordinary Shareholders' Meeting of 26 June 2007 fixed at €650,000 the maximum annual amount of Directors' fees, which can be distributed among the members of the Board of Directors. Given the important increase in the number of Board and Committees' meetings and the proposed increase in the number of Directors comprising the Board (see Composition of the Board), it will also be proposed to the Ordinary and Extraordinary Shareholders' meeting convened on 22 June 2010 to increase this maximum amount to €900,000.

The Board of Directors sets the terms of granting the Directors' fees upon the Nominations and Remuneration Committee's proposal. The principles set in the Internal Rules of the Board is that the Directors'

fees are made of a fixed part and of a variable part for attending the meetings of the Board or of the Committees and that the Chairmen of the Committees are paid an additional fixed fee. Half of the fixed and variable parts are paid in the fiscal year concerned, while the balance is paid the following fiscal year.

According to the terms of granting modified as from fiscal year 2008/09, the Directors' fees were made of a fixed part worth €22,500 paid to each Director. Each Chairman of the Audit Committee and of the Nominations and Remuneration Committee receive an additional amount of respectively €15,000 and €10,000 per year. In addition, each Director is paid €3,000 for attending the meetings of the Board or of the Committees of which she or he is a member.

Based on these terms, the total Directors' fees in respect of fiscal year 2009/10 are €629,500 (€538,500 for the last fiscal year), representing approximately 97% of the maximum annual amount authorised. Half of the fixed and variable parts were paid in fiscal year 2009/10, while the balance was paid in fiscal year 2010/11.

SUMMARY TABLES OF THE REMUNERATIONS OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS PURSUANT TO AFEP-MEDEF RECOMMENDATIONS AND TO THE AMF RECOMMENDATIONS DATED 22 DECEMBER 2008

The whole gross compensation and benefits of any kind paid (or due) by the Company and the companies controlled by the Company to the Executive and Non-Executive Directors pursuant to Article L. 233-16 of the French Commercial Code as requested by article L. 225-102-1 of the French Commercial Code are contained in the tables 2 and 3 below:

Table 1

Summary table of the compensation, conditional stock options and performance shares accruing to each Executive Director

Patrick Kron Chairman and Chief Executive Officer	Fiscal year 2007/08 (in €)	Fiscal year 2008/09 (in €)	Fiscal year 2009/10 (in €)
Compensation due in respect of the fiscal year (<i>detailed in table 2</i>)	2,540,794	2,340,794	2,070,794
Valuation of the conditional stock options awarded during the fiscal year ⁽¹⁾ (<i>detailed in table 4</i>)	1,679,000	1,220,000	822,400
Valuation of the performance shares awarded during the fiscal year ⁽¹⁾ (<i>detailed in table 6</i>)	105,000	343,860	0
Total	4,324,794	3,904,654	2,893,194

(1) The stock options and performance shares are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 22 of the consolidated financial statements as of 31 March 2010).

This table offers a summary of the elements of remuneration of Patrick Kron, who is the only Executive Director, as exposed in the following tables.

Table 2

Summary table of the compensation of each Executive Director

	Amounts for fiscal year 2007/08 (in €)		Amounts for fiscal year 2008/09 (in €)		Amounts for fiscal year 2009/10 (in €)	
	Due in respect of the fiscal year	Paid in during the fiscal year	Due in respect of the fiscal year	Paid in during the fiscal year	Due in respect of the fiscal year	Paid in during the fiscal year
Patrick Kron Chairman and Chief Executive Officer						
- Fixed gross compensation	1,035,000	1,035,000	1,035,000	1,035,000	1,065,000	1,065,000
- Variable gross compensation ⁽¹⁾	1,500,000	1,430,000	1,300,000	1,500,000	1,000,000	1,300,000
- Extraordinary gross compensation	-	-	-	-	-	-
- Directors' fees ⁽²⁾	-	-	-	-	-	-
- Fringe benefits ⁽³⁾	5,794	5,794	5,794	5,794	5,794	5,794
Total	2,540,794	2,470,794	2,340,794	2,540,794	2,070,794	2,370,794

(1) The variable salary in respect of a fiscal year is paid on the following fiscal year. The criteria according to which the variable remuneration was calculated and the terms and conditions for setting the amount are described on page 168 above.

(2) Since 1 April 2005, the Chairman and Chief Executive Officer waived his Directors' fees.

(3) Company car.

Table 3

Non-Executive Director's fees table ⁽¹⁾

Non-Executive Directors	Fiscal year 2008/09		Fiscal year 2009/10	
	Amounts due in respect of the fiscal year (in €)	Amounts paid during the fiscal year (in €)	Amounts due in respect of the fiscal year (in €)	Amounts paid during the fiscal year (in €)
Jean-Paul Béchat	61,500	54,500	73,500	67,500
Candace Beinecke	49,500	45,000	52,500	49,500
Olivier Bouygues	49,500	42,500	55,500	49,500
Georges Chodron de Courcel	40,500	39,000	52,500	46,500
Pascal Colombani	46,500	42,000	55,500	49,500
Jean-Martin Folz	43,500	42,000	55,500	49,500
Gérard Hauser	49,500	45,000	55,500	49,500
James W. Leng	61,500	52,000	65,500	62,000
Klaus Mangold	43,500	40,000	52,500	43,500
Olivier Poupart-Lafarge ⁽²⁾	-	18,750	-	-
Alan Thomson	46,500	42,000	58,500	52,500
Bouygues ⁽³⁾	46,500	23,250	52,500	49,500
Total	538,500	486,000	629,500	569,000

(1) The Non-Executive Directors receive only attendance fees as remuneration.

(2) Directorship expired on 18 March 2008.

(3) Director appointed on 18 March 2008 to replace Mr Olivier Poupart-Lafarge and whose permanent representative is Mr Philippe Marien.

Half of the Director's fees distributed among the Non-Executive Directors are paid during the fiscal year (fees in respect of the first half of the fiscal year) and the remaining part during the following fiscal year (fees in respect of the second half of the fiscal year).

Table 4

Stock options awarded during the fiscal year 2009/10 to each Executive Director by the Company and by the Group

Options awarded to each Executive Director by the issuer or by the Group (nominative list)	Number and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements ⁽¹⁾ (in €)	Number of options awarded during the fiscal year	Exercise price (in €)	Exercise period
Patrick Kron Chairman and Chief Executive Officer	LTI No. 12 awarded on 21 September 2009	Conditional subscription options	882,400 or 9% of the accounting charge	80,000	49.98	21/09/2012 until 21/09/2017 (both dates included)

(1) The stock options are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 22 of the consolidated financial statements as of 31 March 2010).

(2) Exercise price without discount.

All stock options of LTI Plan No. 12 are subject to performance condition: 100% of the options will be exercisable subject to the achievement of a Group's operating margin for the 2011/12 fiscal year that is equal to or higher than 9%. If the Group's operating margin for the 2011/12 fiscal year is between 8.5% (included) and 9% (excluded), 80% of the options will be exercisable, it being specified that this percentage is reduced to 60% if the Group's operating margin is between 7.5% (included) and 8.5% (excluded), and to 40% if the Group's operating margin is between 6.5% (included) and 7.5% (excluded). No options will be exercisable if the operating margin is less than 6.5%.

Table 5

Stock options exercised during fiscal year 2009/10 by each Executive Director

Options exercised by the Executive Directors (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price (in €)	Award year
Patrick Kron Chairman and Chief Executive Officer	None	-	-	-

The summary of the total number of stock options held by Mr Patrick Kron as of the end of the fiscal year 2009/10 is the following:

	Number of options	Unit exercise price (in €)	Maturity date of options
Plan 2003 No. 6 ⁽¹⁾	58,292	77.20	6 January 2011
Plan 2006 No. 9 ⁽¹⁾	240,000 ⁽²⁾	37.33	27 September 2016
Plan 2007 No. 10 (LTI No. 10) ⁽¹⁾	115,000 ⁽³⁾	67.50	24 September 2017
Plan 2008 No. 11 (LTI No. 11)	80,000 ⁽³⁾	66.47	22 September 2018
Plan 2009 No. 12 (LTI No. 12)	80,000 ⁽³⁾	49.98	20 September 2017

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008.

(2) 144,000 options were conditional (condition completed as of 31 March 2008).

(3) 100% of the options are subject to Group's performance conditions and a portion of the shares subscribed as a result of these options are subject to a holding requirement until the expiry of Mr Patrick Kron's duties.

The summary of all stock options plans appears on pages 193 and 194 of the Registration Document for the 2009/10 fiscal year filed with the AMF.

Table 6

Performance shares awarded during the fiscal year 2009/10 to each Executive Director by the Company or the Group

Performance shares awarded during the fiscal year to each Executive Director by the Company or the Group (nominative list)	Number and date of the plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method used for the consolidated financial statements (in €)	Acquisition date	Availability date
Patrick Kron Chairman and Chief Executive Officer	-	None	-	-	-

The summary of the number of rights held by Mr Patrick Kron as of the end of the fiscal year 2009/10 entitling him to a free allocation of performance shares is the following:

Plans	Number of performance shares	Unit valuation (in €) ⁽³⁾	Final attribution date of the shares
2007 Plan (LTI No. 10) ⁽¹⁾⁽²⁾	2,000	52.50	On the fifth business day following the date of publication of the consolidated accounts for fiscal year 2009/10
2008 Plan (LTI No. 11) ⁽²⁾	6,000	57.31	On the fifth business day following the date of publication of the consolidated accounts for fiscal year 2010/11

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008.

(2) Entirely conditional allocation for which a portion of the shares delivered is subject to a holding requirement until the expiry of Mr Patrick Kron's duties.

(3) The performance shares are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 22 of the consolidated financial statements as of 31 March 2010).

The summary of all performance shares plans appears on pages 196 and 197 of the Registration Document for the 2009/10 fiscal year filed with the AMF.

Table 7

Performance shares that have become available during the fiscal year for each Executive Director

Performance shares that have become available for the Executive Directors (nominative list)	Number and date of the plan	Number of shares that have become available during the financial year	Acquisition terms	Delivery date
Patrick Kron Chairman and Chief Executive Officer	-	None	-	-

Participation at shareholders' meetings

Any shareholder has the right to participate at shareholders' meetings under the conditions set forth by law and in Article 15 of the Company's By-laws. The provisions of Article 15 of the By-laws appear on pages 247 and 248 of the Registration Document for the 2009/10 fiscal year filed with the AMF (*Autorité des marchés financiers*) and posted online on the Company's website.

Generally speaking, the members of the Board of Directors are present at shareholders' meetings.

Elements that could have an impact in the event of a tender offer

These elements of the Board of Directors' report to the Shareholders' Meeting set forth by Article L. 225-100-3 of the French Commercial Code appear on pages 263 and 264 of the Registration Document for the 2009/10 fiscal year filed with the AMF.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES' REPORT

As part of its operational activities, the ALSTOM Group is confronted by a number of risks both external and internal, as stated in the Risks Factors section of the Registration Document 2009/10 (see page 139) filed with the AMF.

It has therefore put in place an organisation, procedures and processes with the objective of identifying, quantifying and mitigating risks, and allocating resources to control risks in accordance with its business objectives both strategic and operational.

The present part of the report was prepared with the contributions from the Internal Audit and Internal Control Department, the Finance function including the Tenders & Projects Control Department, the Information Systems Department, the Human Resources Department, the Legal Department, the Ethics & Compliance Department, the Environmental, Health & Safety Department and the Sector Research & Development Departments.

Perimeter of internal control

The internal control system described herein covers the parent company ALSTOM and all its consolidated companies (the "Group" or "Alstom").

Internal control reference framework and objectives

REFERENCE FRAMEWORK

The Group has put in place a system of internal control procedures and evaluations initially based on control guidelines prepared by a recognised body, COSO (Committee of Sponsoring Organisations of the Treadway Commission). An analysis reconciling Alstom internal control and risk management framework policies contained in particular in Corporate Instructions, the Internal Control Manual, the Internal Control Questionnaire, the Reporting and Accounting Manual and the reference framework recommended by the AMF (*Autorité des marchés financiers*) was performed in fiscal year 2007/08.

The analysis included both the reference framework and the "Application guide for internal control procedures related to the accounting and financial information published by the issuers".

The analysis outcome shows that Alstom applies the "Reference framework" on internal control recommended by the AMF.

OBJECTIVES

The system of internal control put in place provides reasonable assurance that:

- the Group's internal rules and instructions including applicable laws and regulations are complied with at all times;
- information is complete, accurate and to the required quality, particularly financial information;
- operations are completed in an optimal manner and internal control processes are effective, particularly those concerning the safeguard of assets;
- achievement of business objectives are reached with identification and control of risk;
- the risk of fraud is minimised;
- controls, including controls over risks, are widely understood at all levels within the Group and appropriate actions are taken to mitigate and minimise these risks.

Internal control consists of five inter-related components, which have been implemented within the Group:

- control environment covering integrity, ethics, competencies, authorities, responsibilities and staff development;
- risk assessment including the identification, analysis and minimisation of relevant risks;
- control activities, namely policies and procedures that ensure that Management's instructions are applied;
- information and reporting: information must be identified, captured and communicated in a format and timeframe to enable the relevant persons to carry out their responsibilities; and
- monitoring, including internal check and internal control procedures as well as internal audit: a process that assesses the quality of the systems performance over time.

By essence, an internal control system cannot provide a guarantee that such risks have been totally eliminated. It must bring them down to an acceptable level.

Components of internal control

CONTROL ENVIRONMENT

Organisation

The Group has put in place a structured organisation which is responsible for defining the internal control requirements, writing the Internal Control Manual, producing and updating as required the Internal Control Questionnaire and monitoring globally the results. Where internal control weaknesses are identified, detailed action plans to correct the weaknesses in a timely manner are put in place with the support of the Sector Internal Control teams, and overseen by the central Internal Control team under the responsibility of the Vice President Internal Control.

A community of experts in internal control composed of the central and Sector Internal Control teams with relays in the reporting units ("unit") has been developed. This group communicates regularly to share good practices and drive the required change management.

Moreover, each Sector President defines the internal organisation of his Sector in a way that ensures efficiency and performance of the Businesses. Businesses are themselves composed of a certain number of units each headed by a Managing and Finance Director responsible and accountable for their affairs including the control environment.

In addition, a continuous improvement approach is taken with internal control regularly monitored at Business review meetings.

Corporate Instructions and Codes

The Group's control environment is governed by a series of Corporate instructions that constitute the body of internal rules (the "Corporate Instructions") and are posted on the Group's intranet website.

The Corporate Instructions deal with issues of importance throughout the Company and are mandatory for the whole Group, including Sectors, Businesses, units, countries and functions. Once a Corporate instruction is issued, all units must ensure that any pre-existing procedures, policies, directives or other communications at any level are revised to comply with the said Corporate Instruction.

These Corporate Instructions define detailed rules and procedures regarding various topics, including but not limited to implementation of delegations of authority, appointment of Directors within the Group, principles regarding litigation, other forms of dispute resolution, gifts and hospitality, political contributions, charitable contributions, sponsorship, communication with the media, issuance of press releases, Environment Health & Safety policy, security, crisis management, selection and payments to agents, consultants and representatives for business transactions, and prevention of insider

trading. The Corporate Instructions define the Group's management organisation as well as the responsibilities and organisation of the various functions within the Group. They also require compliance with the Group's Code of Ethics, Internal Control Manual and Reporting and Accounting Manual.

Since its listing on stock exchange the Group has implemented a Code of conduct for preventing insider dealing. This code defines the situations where concerned persons must refrain from making any transactions on the Group's shares. The Code, mainly revised in October 2006 and regularly updated, is applicable to all officers, managers and employees of Alstom. It is also available on the Group's intranet and sent to all new insiders of whom the Company keeps an updated list.

The Group has a **Code of Ethics** that applies to every employee within the Group.

The Code of Ethics was reviewed, updated and published in March 2010 and has been translated in 14 languages. Additional languages can be added upon request. Its distribution targets each employee and the Group aims also to issue it to the external stakeholders.

Directly rooted in the core values of the Group, *i.e.* **Trust, Team and Action**, the Code of Ethics provides official and mandatory guidelines on key principles and commitments that must be met by managers, by employees and by the Group as a whole every day. It is designed to promote honest and ethical conduct with all stakeholders: clients, suppliers and sub-contractors, competitors, shareholders, governments, regulatory authorities and the public. Every employee within the Group is accountable for respecting the principles and rules of the Code of Ethics.

The Code of Ethics prescribes fundamental rules of conduct, relating in particular to:

- full compliance with laws, regulations and requirements in all countries where the Group operates;
- prevention of corruption and prohibition of all unlawful payments and practices;
- fair and open competition and prohibition of agreements with competitors;
- internal control and disclosure of information, to ensure the quality and reliability of financial information.

The Code of Ethics prescribes essential rules of conduct with regards to the relationships with business partners, Alstom commitments as a socially responsible company, human resources policies and commitment in protecting the Group's assets.

Topics addressed include the way Alstom deals with customers, suppliers, sales consultants, governments, export and trade controls, money laundering, conflicts of interest, gifts and hospitality, political contributions, charitable contributions, sponsorship, protection of the environment, health and safety, security of employees, social relations,

equal opportunity and diversity, career management of employees, data privacy, confidential information, intellectual property, use of communication resources, insider dealing and communication with the media and investors.

In addition, the Code of Ethics details the Alert Procedure which allows any employee to report violations of prevention of corruption, competition and securities and accounting laws and regulations.

The Code of Ethics introduces the Alstom Integrity Programme, implemented and monitored throughout the Group under the responsibility of the SVP Ethics & Compliance.

The Code of Ethics refers to the Corporate Instructions, which treat in more detail the defined rules and procedures put in place to ensure the compliance with its fundamental principles and values.

The Code of Ethics is available on Alstom's website (www.alstom.com, section "About us").

Internal Control Manual & Reporting and Accounting Manual

The Internal Control Manual defines the requirements, instructions and practices necessary to create and maintain a satisfactory control environment and covers internal controls including those over financial reporting. The Internal Control Manual summarises the elements of internal control covering most of the business processes within the Group, is posted on Alstom's intranet site and is regularly updated.

The Internal Control Manual contains a number of principles that are mandatory and to be complied with at all times by all business units. These principles include notably:

- segregation of duties: internal check should be practiced at all times with one person required to check and approve the work of another. Separate people are required, where possible, to be responsible for initiating, authorising, recording, processing and reporting transactions, and are responsible for ensuring that recording is undertaken promptly and information is processed and reported in a timely manner. Documentation must exist to describe business processes and must be retained to confirm that amounts are promptly recorded at the correct amount in the appropriate accounts and in the proper accounting period;
- delegation of authorities, as the foundation of any system of internal control is to make sure, including at unit level, that responsibilities and authorities are defined and understood.

The management of the respective entity, unit, Business, Sector, country or Corporate is responsible for developing, implementing, operating and monitoring systems of internal control in compliance with the Internal Control Manual and for providing assurance that it has done so.

The Reporting and Accounting Manual defines the Group's policies and procedures regarding accounting and consolidation, definition of main financial indicators, reporting process and three-year plan, budget and forecasting processes.

Training

An extensive communication exercise has been undertaken to ensure that the requirements and basics of internal control are widely understood.

A community of senior finance personnel involved in internal control has been established in 2005, as part of the Internal Control initiative to implement a continuous improvement process. This community of practice (approximately a hundred members in 2010) intends to promote a culture change on internal control within the Group. The purpose is to create, capture and share information and knowledge on internal control within Sectors, Businesses and units and to enhance technical skills and capabilities of community members. Additionally, this community supports mission execution by solving problems, challenges, and reducing errors. This community enables its members to learn from one another and work in a way where continuous improvement and learning become commonplace. Tools have been put in place to support the activity of the community (regular meetings and conference calls, forum, good practice repository, etc.).

Internal control matters are also covered in the Chief Financial Officer's quarterly newsletters.

As part of the Internal Control project initiated in 2005, 1,200 persons were trained on internal control in 2005. A detailed training programme continues with 350 finance professionals and managers trained in the past two years and more than 3,400 people participated in the last Internal Control Self-Assessment exercise.

The training sessions on internal control are part of a continuous improvement initiative which involves Sectors, including the International Network and Corporate personnel. While the training programme on internal control has concentrated mainly on the finance community, an e-learning module specifically targeting the non finance community has been developed.

RISK ASSESSMENT & RISK MANAGEMENT PROCESS

Risk assessment

Since fiscal year 2006/07, a yearly risk assessment review is undertaken, as part of the annual budget and three-year plan process, to deepen the knowledge of risks of every nature within the Group and update a cartography of risks. A Sector-based approach has been defined and structured around a common methodology, allowing consistent risk assessment and allocation of resources to manage and monitor those risks.

The update of the cartography of risks and the main characteristics of the risk management system are presented every year to both the Audit Committee and the Board of Directors.

The risk assessment process allows the Group to take into consideration the impact that potential events may have on the achievement of business objectives. Such events are considered from two perspectives, likelihood and impact. Likelihood represents the possibility that a given event will occur and impact represents its effect. A combination of qualitative and quantitative methods is used in making the assessment.

Data from past events are used in making risk assessments as they provide a more objective basis than entirely subjective assessments. Detailed information on potential impact and likelihood of occurrence is checked and assessed. Potential events are assessed both individually and as part of a sequence or combination of events.

The interrelationship of likelihood and impact is integrated into the risk assessment process. Risk is also considered from a Group, Sector, or risk portfolio perspective.

Taken together, risks in different Businesses may exceed the sum of the individual risks or conversely risks may be offset across the Group or a Sector.

The time horizon used to assess the impact of risk is three years, which ensures that identified mitigation actions are embedded in the budget and three-year plan. Any major risks assessed outside the three-year period are kept under review.

The risk mapping exercise also allows to confirm that the appropriate insurance amounts have been subscribed with regards to the insurable risks (see "Insurance" in the Risks section of the Registration Document 2009/10 filed with the AMF).

Risk management

Sector and Corporate Management update this assessment as part of the budget and three-year plan process. Detailed documentation for each risk category is produced, highlighting the causes of the risks, potential consequences and the actions taken to mitigate them. Risk owners appropriately designated by the Sector and Corporate Management are responsible for monitoring the timely implementation of the action plans. Action plan status and results are reviewed and presented at each risk assessment exercise.

For each Sector, the risk assessment is approved by the management team under the control of the Sector President. Risk assessment for transverse Corporate activities is made by the relevant Senior Corporate officer. Group, Sector and Corporate risk maps are reviewed and approved by the Risk Committee under the chairmanship of the Chairman and Chief Executive Officer.

Each Sector President is responsible for the effective management of risks within his Sector. In addition, functional Vice Presidents (within finance, legal, human resources...) are responsible for managing risks pertaining to their own processes.

CONTROL ACTIVITIES

Control activities are the range of activities that are undertaken at every level of the Group to ensure that the Group's rules, policies and procedures are effectively carried out.

These control activities may embrace a variety of controls including checking the accuracy, completeness, authorisation, validation and recording of transactions or to ensure the duties are segregated among different people to reduce the risk of error or fraud.

INFORMATION AND REPORTING

Information accuracy and completeness is essential both to achieve business objectives and to report to all interested parties including external parties, in compliance with applicable securities laws and regulations. Internal control over financial reporting deals with internal control procedures in respect of the preparation and the processing of financial information. For financial information and reporting see section "Procedures for the production of the Group financial statements and other accounting and financial information".

MONITORING OF INTERNAL CONTROL

Unit Management has the responsibility of maintaining internal control at all times.

An internal control questionnaire (or "self-assessment questionnaire") has been developed which differentiates requirements to units based on their contribution to the Group's financial statements, using a risk-based approach and covering the complete Group perimeter. Units with the most contribution and/or risk must provide more information and answer more questions in the self-assessment questionnaire than those with less contribution or risk.

The self-assessment questionnaire also includes the key information system applications used in the production of financial information to help ensure the integrity of the process.

The self-assessment questionnaire is based on 13 cycles which include the general control environment, revenues, purchasing, human resources, capital expenditure, inventories, manufacturing, treasury, financial reporting, information systems & technologies, tax, legal, Environment Health & Safety (EHS).

The owner of each control activity within the cycle is required to answer questions relating to the relevant activity. Each answer is assessed and rated based on a maturity model which takes into account the levels of control and the completeness of the documentation. Detailed evidence is required to support answers given.

Where the results of the self-assessment questionnaire indicate that controls are not at the required level either in design, operation or documentation, corrective action plans are required to be put in place.

Each action plan should have an owner and a detailed timetable to complete the action and update the required control, which may include ensuring documentation is updated. The progress of action plans is regularly followed up. The self-assessment questionnaire results are approved by unit Management (Finance and Managing Directors) and are subject to review both by quality reviewers at Sector level and by Internal Audit. They are presented twice annually to the Audit Committee. Good practices identified during this self-assessment process are promoted.

Main actors of internal control and risk management

MAIN ACTORS OF INTERNAL CONTROL

Senior Management

The Chairman and Chief Executive Officer is responsible for the internal control and risk management systems and for ensuring that internal control and risk management procedures are designed and operated effectively within the Group. Management at all levels is responsible for developing, operating and monitoring the systems of internal control and for providing necessary assurance that it has done so.

Audit Committee

The Audit Committee reviews and evaluates twice a year the internal control procedures including those relating to financial information, contributing to the preparation of the financial statements of the Group. A review and evaluation of the cartography of risk, including risk assessment and risk management is also made.

Within the Audit Committee, the scope of planned internal audit activities is reviewed in advance and the Internal Audit Department develops a four-year plan and determines the allocation of resources taking account of the perceived risk.

The Audit Committee then provides a detailed report to the Board of Directors.

For more information regarding the Audit Committee, see the first part Corporate Governance report.

Disclosure Committees

The Chairman and Chief Executive Officer and the Chief Financial Officer have established Disclosure Committees at Corporate and Sector levels in order to assist them in evaluating the effectiveness of the Group's disclosure controls and procedures that are designed to ensure that material financial and other information required to be disclosed is recorded, processed, summarised and reported on a timely basis and that appropriate information is communicated to Management including the Chairman and Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding such disclosure.

The Corporate Disclosure Committee is composed of the Chief Financial Officer, the General Counsel, the Vice President Internal Control, the Group Controller, the Vice President Tenders & Projects Control, and a member of each of the Sector Managements.

Each Sector has established its own Disclosure Committee, which reports to the Corporate Disclosure Committee as to the results of its review of the disclosure controls and procedures, and on its evaluation of the effectiveness within its Sector.

The Group Corporate Disclosure Committee met twice during fiscal year 2009/10 under the Chairmanship of the Chief Financial Officer. The consolidated financial statements for the fiscal year ended 31 March 2009 and the Management discussion and analysis and other financial information disclosed in the Annual Report were reviewed. The interim consolidated financial statements for the 6 months period to 30 September 2009 were reviewed. Reports from the Sector Disclosure Committees were received at each meeting.

In the reviews of the consolidated financial statements the Committee considered the disclosures made to determine and confirm their relevance, accuracy, completeness and presentations.

Finance Function

The Finance function controls Business, operations and projects to optimise the Group's profitability and cash generation whilst providing internal and external stakeholders with reliable information including financial information.

The Finance function defines the Group's principles and financial policies in terms of tenders and projects control, funding, treasury, internal control, accounting, tax and management control, designs and leads key financial processes (three-year plan, budget, Business reviews), as well as reporting tools to determine and appraise Sectors' performance and analyses the Group's performance and produces the consolidated financial statements.

More specifically, the Accounting and Management Control Department:

- defines the formats, indicators, processes and timing for three-year plans, budgets and forecasts, analyses the Group's actual and forecasted performance and manages the Corporate budget;
- is responsible for designing and issuing the relevant accounting procedures, ensuring that they are in compliance with accounting principles and policies, and producing consolidated and parent company financial statements, as well as financial information for external stakeholders. In particular, the Department:
- specifies the Group's accounting principles and procedures in compliance with IFRS;
- provides Sectors with instructions on accounting principles;
- controls and investigates data consistency and compliance with the Group's accounting principles.

The Tax Department defines the overall tax policy and planning for the Group and ensures proper compliance with regard to tax returns and payments.

Internal Audit Department

The Vice President Internal Audit, who is in charge of a 28-member department, reports to the Chairman and Chief Executive Officer and works in close cooperation with the Chief Financial Officer and the General Counsel. In 2009, competencies in information systems and the headcount of the second office in Kuala Lumpur (Malaysia) have been reinforced. Since 2008, the Internal Control function is under the supervision of the Internal Audit Director to increase synergies between internal control and internal audit.

The main role of the Internal Audit Department is to advise the Chairman and Chief Executive Officer and the Audit Committee on the adequacy and effectiveness of the internal control system in all phases of the Group's business.

The Internal Audit Department operates in accordance with the terms of an Internal Audit Charter approved by the Audit Committee and has authority to examine any and all aspects of operations.

In particular, the Internal Audit Department evaluates controls that promote:

- compliance with applicable laws and with internal policies and procedures;
- physical safeguarding of assets including risk identification;
- availability, reliability, integrity, confidentiality of information and reporting;
- efficiency of Business processes, functions, and activities.

Internal Audit may participate in specific assignments such as acquisition and disposal operations, information system implementation, assistance mission or investigations.

An additional role is to recommend improvement in Group's procedures and whenever possible promote good practices.

The Internal Audit Department takes into account the cartography of risks and risk profiles in assessing its audit programmes.

The effectiveness and adequacy of internal controls and compliance with accounting policies and procedures are reviewed regularly by the Internal Audit Department. After each internal audit, a report is issued setting out the audit findings and recommendations. The Internal Audit Department reviews on each mission the results of the self-assessment questionnaire and supporting evidential files and includes comments on the status in its report. Copies of the report are given to the Managing Director and the Finance Director of the audited units and to the Group Management.

The results are also summarised in an annual internal audit report, which is presented to the Audit Committee on the overall results of the internal audits as well as on any other matter which affects internal control. This report provides the basis for the Audit Committee to review the effectiveness of the Internal Audit Department work.

Management must take adequate actions within a reasonable time-frame to correct deficiencies reported by the Internal Audit Department and to respond in a timely and appropriate manner to findings and recommendations of both Internal Audit Department and of the Independent Auditors regarding internal control and policies and procedures within the Group.

Internal Audit holds bi-annual working sessions with the Independent Auditors in order to share on their respective audit results.

ALSTOM Internal Audit was awarded IFACI certification in October 2007 which was successfully renewed in October 2009. IFACI is the French branch of the international Institute of Internal Auditors (IIA). This is the result of a long process launched at the end of 2005 with an external review of Internal Audit performance. The certification demonstrates that ALSTOM Internal Audit is compliant with the IIA standards, including independence and objectivity, proficiency and due professional care, quality assurance and improvement programme, nature of work, communication of results.

Internal Control Department

The Internal Control function at Group level is responsible for promoting and coordinating all actions and projects aiming at defining the Group's requirements in terms of internal control, and updating the Internal Control Manual and Internal Control Questionnaire. It is also in charge of following the global results of the self-assessment campaigns, the main deficiencies identified in the Group's internal control and their respective action plans.

The Group Internal Control department is relayed in each Sector by a team of professionals in internal control under the responsibility of a Sector Internal Control Director who reports to the Senior Vice President Finance of his/her Sector. These Sector teams have also their own relays in countries or units.

The Sector Internal Control teams assist unit and business management in implementing internal control rules and instructions, remediate deficiencies, and improve in general the internal control level. They closely follow the results of the self-assessment campaigns, participate to the major projects of their respective Sector (such as the implementation of a new information system) in order to bring in their expertise, and propose various initiatives to address internal control challenges specific to their Sector.

The Group and Sector Internal Control Directors formally meet every month and an agenda is predefined to discuss the internal control issues identified, follow the on-going actions, share good practices, define areas for improvement, and maintain in general a high level of communication and collaboration between the Sectors. These meetings are systematically minuted.

Ethics & Compliance Department

Ethics and Compliance stands as a top priority for Alstom, and the Department has the responsibility of the Alstom Integrity Programme aiming at implementing the culture of integrity as well as the application of all the rules in relation to Business Ethics and Personal Integrity.

The main role of Ethics & Compliance at Group and Sector level is to:

- promote and explain Alstom's culture of integrity ensuring that the highest standards of integrity and ethics are applied throughout the Group;
- ensure compliance with international and national laws and regulations, and with Alstom policies;
- prevent all illegal activities and unlawful payments;
- control the process of qualification of consultants proposed by the Sectors in relation to the development of business and sales, and validate their appointment after due diligence;
- implement all necessary policies. In particular, the Ethics & Compliance Department regularly issues detailed guidelines on specific topics;
- monitor the performance of the Alstom Integrity Programme and related activities on a continuous basis.

The Ethics & Compliance Department comprises 17 people. Ethics & Compliance has full authority and independence through its double reporting to the SVP International Network and to the General Counsel to define and control the rules, procedures and guidelines in terms of ethics and compliance applicable in business transactions and operations. Moreover, the SVP Ethics & Compliance has a direct link with the Chairman of the Audit Committee.

In particular, the reporting to International Network gives the opportunity to benefit from the support of the 50 Country Presidents in charge of Governance in their respective countries.

In addition to the SVP Ethics & Compliance, the Ethics & Compliance Department comprises a Compliance Officer in charge of the Alstom Integrity Programme Development, a Compliance Officer in charge of the Due Diligence, a Compliance Officer in charge of Audit & Control and a Compliance Officer in charge of Projects.

The Sector Compliance Officers in charge of the application of the Ethics & Compliance policy in their sectors report directly to the SVP Ethics & Compliance with a functional reporting to the respective Sector General Counsel. A Compliance Officer is also appointed in Brazil, China, India and the USA.

The Sector Compliance Process Managers, dealing with the process in relation to the qualification of sales and marketing consultants, report operationally to the Sectors with a functional reporting to their respective Sector Compliance Officer.

Ethics & Compliance liaises regularly with Alstom Corporate functions in particular Legal, Finance, Internal Audit, Human Resources and Communication to better promote Alstom ethical principles throughout the whole organisation.

During fiscal year 2009/10, approximately 1,000 employees in position to deal with sales matters have been trained on ethics and compliance, bringing the total population trained worldwide to approximately 3,300 people since 2006. In addition, 1,150 employees selected by the Sectors and Corporate have also completed the e-learning modules on both Anti-Corruption and Competition Law during the past fiscal year.

As a further step, to ensure that all Managers and Professionals in the Group understand and adhere to the principles expressed in the Code of Ethics, a new e-learning module called e-Ethics has been deployed since 8 March 2010, in all countries and in eight languages. The completion of the module is mandatory for all 35,000 Managers & Professionals.

Information Systems function

The organisation of the Group's Information Systems significantly changed during the 2009/10 fiscal year. A global organisation has been set up focusing on standardisation and rationalisation of solutions and services, and an optimisation of Information Technology costs.

The new Shared Services Centre, IT SSC, is today fully operational. It is based on two distinct structures:

- "Global Information Technology Operations" is in charge of the management of the world wide Information Technology infrastructure, workplaces, data centers and telephony;
- "Application Solutions Centre" is responsible of the supply, support and maintenance of the Group applications, cost optimisation by application, and standardisation of services related to the management of these applications.

The Shared Services Centre covers now more than 60 countries, compared to 15 a year ago.

The Information Systems organisation of the Transport and Power Sectors has been also changed in order to better fit the business expectations and reinforce collaboration with the Information Technology Shared Services Centre.

The Information Systems & Technology community pools now Information Systems functions of Sectors, Corporate and the Information Technology Shared Services Centre. The action plans which are based on priorities defined for the fiscal year have released concrete returns:

- a reinforcement of governance by the re-definition of principles, processes and Group rules in terms of Information Systems, and communication of these rules in the Information Systems & Technology e-book section;
- a reduction in Information Systems complexity within the Group (transversal applications deployment, networks migration to a worldwide unique supplier, tools standardisation, etc.);
- a worldwide coverage of Information Technology Solution and Service delivery;
- cost optimisation (objective achieved and in line with the transformation programme initiated two years ago, which defined a running cost reduction by user of 20% on three years);

- a reinforcement of the Group's capacity to manage risks linked to Information Systems, due to:
 - a global and coordinated management of the Information Systems & Technology function,
 - the contribution within the Information Systems Central team, of specific functions to better coordinate risk management and project management,
 - a team dedicated to the control of the compliance of information systems in the Sectors and at Group's level, follow up remediation plans, integrate internal controls in the new systems and new applications and to reinforce Information Systems control and security.

Important projects are in progress, like the implementation of a single integrated system (SAP) in most of the Power sites, solutions implementation (still SAP) in Transport Sector, actions to improve Information Systems security, and a plan to reinforce the compliance of information systems with internal control standards.

MANAGEMENT OF SPECIFIC RISKS

Risks in relation to contracts

Corporate Risk Committee

The Corporate Risk Committee is chaired by the Chairman and Chief Executive Officer and aims to report on the main project risks both at tender stage and during execution, as well as internal audit results and other specific matters.

The Corporate Risk Committee is composed of the Chairman and Chief Executive Officer, the Sectors' Presidents, the Chief Financial Officer, the General Counsel, the Vice President Tenders and Projects Control, the Vice President Internal Audit, the Senior Vice President International Network and the Senior Vice President Project and Export Finance, and meets on a monthly basis in order to:

- highlight risks essentially from major tenders reviewed in the preceding month and exceeding €50 million or deviating from defined criteria. The tenders reviewed by the Tenders and Projects Control Department are required to be approved by the Chairman and Chief Executive Officer or the Chief Financial Officer before the bid date;
- be briefed on the project reviews particularly those attended by the Tenders and Projects Control Department during the preceding month;
- review matters reported by Internal Audit and/or the International Network Department; and
- be briefed on specific concerns and topics (e.g. cartography of risk) which may arise from time to time and have an impact on the Sectors activities.

Sector procedures

In a similar way, each Sector has established risk review procedures, which are consistent with the Group's principles. In particular, the relevant Sector's Management must be advised:

- of important changes occurring after tender submission regarding tender assumptions and of the related impact on the assessment of relevant risks;

- of material changes within project execution which could impinge significantly on the project result.

The Sector risk review procedures on tenders include a checklist of major risk elements to be systematically addressed. These elements include in particular, but are not limited to: customer profile, project contractual organisation and partnership, supplier/subcontracting risk, technical & technology risk, costs solidity, project schedule, contract terms & conditions, payment security, bank guarantees, foreign exchange exposure, country risk, tax aspects, bid financials (selling price, margins, risks & opportunities, provisions, project cash profile, etc.). Any deviation to the Group's principles is highlighted and challenged. The implementation of the procedures and the formalisation of the review and approvals are supported in each Sector by a specific reporting and validation tool.

In addition, the Internal Control Manual specifies that project reviews held within the Sectors must be minuted and held every three months for contracts which could have a major effect on the relevant unit's financial performance, or every six months in other circumstances.

Risks in relation to sales and marketing consultants

Ethics & Compliance Department

The Company Rules and Procedures for dealing with sales and marketing consultants have been continuously strengthened since 2000. As part of its ongoing actions to apply the highest standards in the area of Ethics & Compliance, the Group called on "Ethic Intelligence International" to audit and validate its rules and procedures governing relations with sales and marketing consultants and agents. The audit was conducted between September 2008 and March 2009 by the Swiss audit company, SGS, and a conclusion report was issued by a pool of international recognised experts. The audit concluded that the quality of Alstom compliance policy and the quality of its implementation correspond to international best practices. As a consequence of this positive review, the Group was awarded a certificate on 12 March 2009, granted for two years.

Risks in relation to financial markets

Corporate funding & treasury

The Funding and Treasury Department defines rules and procedures regarding cash management, currency risk hedging, as well as bonds and guarantees. In addition, it manages the related risks (market, liquidity, foreign exchange and interest rate), the relationships with subsidiaries, the cash pooling structure and the netting process.

The central organisation facilitates the financial risk management as all financial transactions are performed or at least supervised by the Corporate front-office, reported in a dedicated reporting tool, and under the control of a strictly independent middle office. The Funding and Treasury Department is solely entitled to raise loans and invest cash surplus except when local regulations do not permit it. In such cases, the involvement and approval from the Funding and Treasury Department remain mandatory before any commitment. It has also defined a detailed list of authorised banks which the units are allowed

to deal with. For further information regarding the management of financial risk, see Note 26 to the consolidated financial statements for the fiscal year ended 31 March 2010.

Corporate Pension Committee

Pensions and other employee benefits are governed and monitored by the Corporate Pension Committee which is composed of the Corporate Treasury, Consolidation and Compensation & Benefits functions, according to the following principles:

- participation of a Corporate officer to the Board of Trustees and/or Investment Committees;
- assets/liabilities management approach so that only risks necessary to cover Alstom's liabilities are taken;
- simplicity in the investment strategy to ensure visibility on the portfolio risk;
- systematic support from an external investment advisor in main countries;
- quarterly meetings of the Corporate Pension Committee to monitor the schemes' evolution.

Legal risks

Legal function

The Legal Function is responsible for monitoring and mitigating risks arising out of the activities of the Group, as well participating in the Group's efforts to ensure full compliance with applicable laws and the Alstom Code of Ethics. Legal is comprised of Sector Legal Departments, Country Counsels and the Corporate Legal Department.

Sector Legal Departments are headed by a Sector General Counsel, who reports functionally to the Group General Counsel and operationally to his Sector President. The Sector Legal Departments are responsible for handling legal matters for their Sector. They are in particular involved in the negotiation of contracts, from tendering to signature. They also participate in contract management, including legal training for contract managers, management of legal risks and legal support throughout the project execution. Legal support during execution involves preparing and negotiating contract modifications, preparing and negotiating customer, co-contractor and subcontractor claims, such as for extra time and costs, providing legal support in disputes resolution and negotiations with insurers. Contract management manuals have been implemented in the Sectors. The main risks in relation to contract performance are presented in the Risks Factors section of the Annual Report/Registration Document 2008/09 filed with the AMF.

The Country Counsels, appointed in several countries where the Group is present, provide legal support to one or more Sectors and are responsible for corporate law matters in their country. The Country Counsels report functionally to the Group General Counsel, operationally to their Country President, and as appropriate to the Sector General Counsels.

The Corporate Legal Department is headed by the Group General Counsel, reporting to the Chief Executive Officer. The Corporate

Legal Department provides legal assistance to the Board of Directors and senior management, to other corporate functions, Sectors and Countries, as appropriate, in dispute resolution, acquisitions and disposals of businesses, finance and stock market law, insurance, intellectual property, competition law, sourcing and criminal law.

The Corporate Legal Department handles major disputes affecting the whole Group, compliance matters involving criminal investigations and legal issues arising out of disposals not connected to a Sector (e.g. former Marine division). It monitors the Group exposure reporting relating to disputes. All Group legal entities must submit a report on being notified of a dispute or the commencement of a litigation and on becoming aware that a third party is likely to commence a dispute or claim. In addition, the Sector General Counsels and Country Counsels submit an annual report concerning the status of all potential or pending law suits. The Corporate Legal Department is responsible for analysing and compiling the Group Annual Litigation Report, which is submitted annually to the Corporate Disclosure Committee, the Audit Committee and the Group Statutory Auditors every year. The major legal risks and disputes are presented respectively in the Risks Factors section and Note 29.B to the Consolidated Financial Statements of the Annual Report/Registration Document 2008/09 filed with the AMF.

Legal provides at all levels of the Group (Sector, Country, Corporate) training on the management of legal risks to a wide and varied group of communities within the Group, such as Project Managers, Contract Managers, operational and functional Managers and Directors and Officers of the Group subsidiaries.

Risks in relation to environment, health and safety (EHS)

EHS Department

The Corporate EHS Department is responsible for defining the global risk management policy regarding EHS, coordinating and following EHS actions and programmes through the Group. It is supported in its mission by a network of EHS managers at country, Business and Sector levels.

A global policy covering the management of EHS risks at an individual operating unit level has been put in place, to achieve a high level of performance including strict compliance of local norms and regulations. This global policy is designed and co-ordinated at Corporate level and is adapted and implemented locally. Independent specialists on risk analysis carry out the annual audit programme of Alstom manufacturing sites around the world. In addition to this, and in order to spread the Group EHS risk control system, an internal assessors accreditation programme is in place since 2008 with 63 assessors as of end of March 2010. Both internal and external auditors support the operating units in the creation of specific action and improvement plans.

The completion of the action plans is measured and followed up through a monthly Corporate reporting process.

Through the programme, the Group seeks primarily to:

- develop products and services that have an acceptable impact on the environment along the product life cycle from manufacturing, product use to end of useful life;
- evaluate the environmental impact of new industrial processes prior to their implementation, as well as the discontinuation of existing processes or the disposal of existing sites;
- improve technology in order to reduce the consumption of energy and natural resources and to minimise waste and pollution; and
- promote the application of the Group environmental management principles to its sub-contractors and suppliers.

Additional EHS programmes are implemented at each of the operating units. Such programmes cover health and safety issues, both at the design stage of the workplace and product equipment through to their implementation and use, as well as Accident & Occupational Illness Prevention programmes.

The Assets & Business Interruption Management programmes are designed to minimise exposure to loss or damage to the Group's assets and to ensure business continuity. This includes exposure to fire, breakdown, and natural catastrophes, as well as theft or deliberate damage.

The EHS coordination guarantees the consistency of the prevention programmes at a central level. The EHS performance indicators are gathered on a monthly basis by a reporting system covering all the Business and operational centres in order to guide the risk management approach.

During fiscal year 2009/10, 148 EHS audits were carried out, 62% by the accredited internal assessors and 38% by external auditors. All these evaluations have been reviewed by the local Managing Directors in order to validate the suggested areas of improvement.

Risks in relation to the design and use of complex technology

Corporate procedure

The management of risks related to the design and use of complex technology is governed by the Corporate instruction "Design for Quality" (DFQ). This instruction defines how ALSTOM manages development of goods and services, especially the mandatory gate reviews to be held along each development phase from technology to product development and contract execution.

Each Sector has developed and implemented its own procedures and organisation to manage the R&D process in compliance with the Corporate instruction.

Sector procedures

Transport Design for Quality Procedure, completed with a set of checklists, define the detailed process, control milestones, actors' responsibilities, indicators and records to be implemented by each Product Line for technology development, product development and contracts.

Power Technology Development Quality manual (TDQ) and Product Development Quality manual (PDQ) derive from the Design for Quality procedure and define similarly the processes, control milestones, roles and responsibilities, tools and practices to be implemented by each Business. A dedicated tool supports the review and approval of technology risks included in offers and contracts.

Sector organisations

The different development processes are all stage-gated with gate reviews starting at the initiation of the developments until the feedback of the customer.

In Transport Sector, the Technology Approval Board (TAB) validates new technologies to be employed in the development of a product/system. The Technology Approval Board is chaired by the Transport Technical Advisor and is composed of the Transport R&D Controller, The Transport Market Product & Strategy Vice President and the Transport R&D Director. It is attended by the R&D Program Manager and Platform Director involved. The closing of the technology phase by the Technology Approval Board is mandatory before entering the product development phase.

The Development Review Board (DRB) governs up-stream product development for Platforms and Subsystems, ensuring that product/system developments meet quality/cost/delivery performances. It also ensures that product/system development is in line with the Design for Quality process. The Development Review Board is chaired by the Product Line Vice President involved, and is composed of the Finance Controller, the Market Product & Strategy representative, and the Transport R&D Director. It is attended by the R&D Program Manager and Platform Director involved.

All gate reviews of the technology and product phases are validated by the Technology Approval Board and the Development Review Board. Gate reviews during contract development are validated by Business Excellence, the Transport Quality organisation. A Gate Review Dashboard allows to monitor the progress of the gate reviews through a centralized tool.

In Power Sector, gate reviews for technology, product and contract developments are the responsibility of Steering Committees under the chairmanship of the Business and Product Line management responsible for the product and involving the relevant functions. The transfer of a new technology into a product development is subject to a formal Release Gate Review (RGR) that must occur before the Product Concept Gate Review. The completion of the stages of development that could make a new product available for offer in the market is also controlled by a formal RGR.

Gate reviews during contract execution are organised at Business and Sector level. The review process is ruled by a directive which specifies the minimum requirements. The Power Technology function is responsible for deploying and implementing processes to make sure that R&D programs are executed timely and within budget and that

appropriate reporting is done. This is measured on the Technology Balanced Score Card. The Technology function has launched in 2009 a standardisation of the technical risk management and reporting, allowing an aggregation of the technical risks for the Power Sector.

An R&D Investment Board is in charge to ensure that Power development portfolio is reviewed and controlled. This Board is chaired by the Sector President, co-chaired by the Power Technology SVP and composed of the Business Heads.

Procedures for the production of the Group financial statements and other accounting and financial information

The accounts of reporting units are prepared in accordance with the Group's accounting policies.

The data is then adjusted, where necessary, to produce the local statutory and tax accounts. An integrated consolidation software is used for both management reporting purposes and also to produce the Group financial statements. The new 2008 release of the consolidation software further facilitates the reconciliation between contract data and financial reporting.

The main reporting processes facilitate consolidation of financial data to produce the consolidated financial statements and forecast data, as well as regular management information.

ACCOUNTING STANDARDS

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements comply with accounting policies as detailed in Note 3 of the consolidated financial statements at 31 March 2010.

ACCOUNTS CLOSING PROCESS

The reporting units produce monthly statements which are used to determine the Group's monthly operating income, cash flow and balance sheet.

ROLE OF THE GROUP'S ACCOUNTING AND MANAGEMENT CONTROL DEPARTMENT

The list of entities to be accounted for by the equity or proportionate methods or fully consolidated is drawn up by the Group's Accounting and Management Control Department. This Department also checks the quality of the reporting packages submitted by the units, focusing primarily on inter-company eliminations, and the accounting treatment of non-recurring transactions for the period, and movements between the opening and closing balance sheet used to prepare the statement of cash flows and reconciliations between legal entities and reporting entities.

The Department also checks the results of procedures, including foreign exchange, inter-company eliminations, transfers to minority interests and recognition of the effects of changes in scope of consolidation.

The Group's consolidated financial statements are also analysed in detail, to understand and check the main contributions by Sectors, Businesses or subsidiaries, as well as the transactions reflected in the accounts.

Key control points include the preparation and validation of the statement of changes in shareholder's equity and the statement of cash flows.

FINANCIAL INFORMATION AND REPORTING

The Group's rules and procedures in relation to financial reporting and accounting are set out in the Internal Control Manual and the Reporting and Accounting Manual.

Application and compliance with these principles, rules and procedures are under the direct responsibility of each unit Finance Director. All Finance Directors report directly to the financial officers of the relevant Business and Sector and ultimately to the Group Chief Financial Officer.

Unit Finance Directors must ensure that information provided via the Group accounting and reporting information system covering the complete Group perimeter fully reflects required disclosures, the results of the period and the financial position at the end of the period in question and they must send a written confirmation thereof.

More precisely, each reporting unit must send to the Group Consolidation Department an annual self-assessment return, along with a checklist, which must be individually signed off by the responsible Finance Director and Managing Director. This checklist covers in particular, but is not limited to, cash and bank reconciliations, project reviews, provision movements, inter-company balances, hedging instruments, bonds and guarantees and significant accounting estimates and entries.

In addition, a checklist must also be signed off by each Sector Senior Vice President Finance.

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

For more information regarding the use of estimates and critical accounting policies, see Note 3.B to the consolidated financial statements for the fiscal year ended 31 March 2010.

Estimates of future cash flows reflect Management's current best estimate of the probable outflow of financial resources that will be required to settle contractual obligations. The estimates are therefore subject to change, due to changes in circumstances surrounding the execution of contracts.

Management regularly reviews the effectiveness of internal control over financial reporting, in particular to ensure the timeliness and accuracy of accounting for transactions and assets in circulation, it verifies that transactions have been recorded consistently, in accordance with IFRS as applied by the Group and as set out in the Reporting and Accounting Manual.

Paris, 3 May 2010

The Chairman of the Board of Directors

| Executive Committee

COMPOSITION AS OF 3 MAY 2010

The Executive Committee is composed of the following persons:

PATRICK KRON

Chairman of the Board and Chief Executive Officer

PHILIPPE JOUBERT

Executive Vice President; President, Power Sector

PHILIPPE MELLIER

Executive Vice President; President, Transport Sector

PATRICK DUBERT

Senior Vice President, Human Resources

HENRI POUPART-LAFARGE

Chief Financial Officer

The Executive Committee met 11 times during the fiscal year.

It has been announced that Mr Henri Poupart-Lafarge will be appointed as of 17 May 2010 Executive Vice President and President of the new sector that will regroup the electricity transmission activities at the closing of the Areva T&D acquisition. Mr Henri Poupart-Lafarge will remain a member of the Executive Committee. Mr Nicolas Tissot will be appointed as Chief Financial Officer and member of the Executive Committee as of the same date. Therefore, as from 17 May 2010, the Executive Committee will be composed of the following persons:

PATRICK KRON

Chairman of the Board and Chief Executive Officer

PHILIPPE JOUBERT

Executive Vice President; President, Power Sector

PHILIPPE MELLIER

Executive Vice President; President, Transport Sector

HENRI POUPART-LAFARGE

Executive Vice President; President of the new Sector regrouping the electricity transmission activities

PATRICK DUBERT

Senior Vice President, Human Resources

NICOLAS TISSOT

Chief Financial Officer

COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The compensation of the Executive Committee members, excluding the Chairman and Chief Executive Officer, is decided annually by the Chairman and Chief Executive Officer and reviewed by the Nominations and Remuneration Committee. It consists of a fixed component and a variable component tied to the realisation of performance objectives determined at the beginning of the fiscal year.

For fiscal year 2009/10, the variable compensation is tied on the one hand, to the realisation of Group objectives related to free cash flow, operational margin and the level of margin in the backlog and also to the same objectives related to their only Sector for Sectors' Presidents, and on the other hand, to the realisation of specific objectives for each Sector or function. These specific objectives refer to the programmes of priority actions included in the budgets and strategic plans, and are evaluated by the Nominations and Remuneration Committee. If the set objectives are met, the financial objectives represent 30% or 36% depending on the members concerned and the specific objectives 20% or 24% of the annual base salary. The financial objectives can vary in a 0-60% or 0-72% range, and the specific objectives can vary in a 0-20% or 0-24% range, depending on performance. Therefore, the variable salary varies in a 0-80% or 0-96% range of the annual fixed salary depending on the members of the Executive Committee.

Total compensation packages are tied to both the Company's financial performance and individual and team contributions. They are based on best practices within the industry, compensation surveys and advice from specialised international counsels.

The overall amount of the gross compensation due to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer's remuneration detailed on pages 167 and 168, by the Company and the companies controlled by the Company within the meaning of Article L. 233-16 of the French Commercial Code in respect of fiscal year 2009/10 amounted to €3,890,000. The fixed component represents €2,385,000 (four members of the Executive Committee concerned as of 31 March 2010, excluding the Chairman and Chief Executive Officer) and the variable component linked to the results of fiscal year 2009/10 represents €1,505,000 (four members of the Executive Committee concerned as of 31 March 2010, excluding the Chairman and Chief Executive Officer).

The total corresponding amount paid in respect of fiscal year 2008/09 to the members of the Executive Committee (four members of the Executive Committee concerned as of 31 March 2009, excluding the Chairman and Chief Executive Officer) was €3,690,000. The total corresponding amount paid in respect of fiscal year 2007/08 to the members of the Executive Committee (five members of the Executive Committee concerned as of 31 March 2008, excluding the Chairman and Chief Executive Officer) was €4,316,400.

The members of the Executive Committee benefit from supplementary retirement schemes (defined contribution plan and defined benefit plan) in the countries where they are based.

The total amount of the defined benefit obligation as of 31 March 2010 for the members of the Executive Committee (except for the Chairman and Chief Executive Officer) is €4,275,886 including the legal retirement indemnities plus an amount of €404,819 corresponding to taxes applicable to supplemental retirement schemes as increased since 1 January 2010.

The total amount of contributions paid by the Group, within the defined contribution plan, was €88,028 for the fiscal year 2009/10 (excluding the Chairman and Chief Executive Officer).

There are no amounts set aside or accrued to provide specific benefits to members of the Executive Committee (including the Chairman and Chief Executive Officer) other than amounts to provide pension or similar benefits.

Independent Auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of ALSTOM

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

Year ended 31 March 2010

To the Shareholders,

In our capacity as Statutory Auditors of ALSTOM, and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 March 2010.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you our observation on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk

management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures notably consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our procedures, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, 4 May 2010

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT

Olivier Lotz

MAZARS

Thierry Colin

Interests of the officers and employees in the share capital

STOCK OPTIONS AND PERFORMANCE SHARE PLANS

Granting policy

Generally every year, the Company sets up a stock options plan in France and outside France within the framework of the authorisation granted by the General Shareholders' Meeting.

The Board of Directors grants stock options plans upon the proposal of the Nominations and Remuneration Committee, which reviews all terms of these plans, including the granting criteria. The awards are made with a regular frequency, at the end of September each year.

Through the Long-term Incentive Plans that were put in place starting in the 2007/08 fiscal year, the Board of Directors wanted to combine the allocation of stock options with the free allocation of shares and subject the exercise of all stock options and the delivery of all shares to identical performance conditions and attendance requirements (please refer to the characteristics of these plans, as set forth in subsequent pages).

The respective proportions of stock options and performance shares allocated vary according to beneficiaries' level of responsibility, it being specified that the proportion of stock options increases as responsibility levels increase. With respect to the lowest hierarchical positions, only performance shares were allocated in this way within the framework of LTI Plan No. 12 offered during the fiscal year, on 21 September 2009.

Beneficiaries of stock options and performance shares are generally selected among the executives of profit centres, functional executives, country presidents, managers of large projects and, more generally, holders of key salaried positions in the Company and its subsidiaries, which have made a significant contribution to the Company's results.

During fiscal year 2009/10, these beneficiaries represent approximately 1,360 people (approximately 1,430 people in 2008/09) corresponding to 2% of total Group's employees (same rate since 2004).

Apart from the members of the Executive Committee, the choice of beneficiaries and the number of options and performance shares granted are based on the level of responsibilities and job performance of each person. Individual grants of members of the Executive

Committee are based on the level of responsibilities and are in line with market practice. Their grants are made within the plan put in place annually; the characteristics of the options and/or performance shares granted to members of the Executive Committee are similar to those of all the other grants.

As such, the long term incentive plan ("LTI No. 12") 2009 granted during fiscal year 2009/10 bears on a total amount of conditional stock options (871,350 stock options granted) and free performance shares (522,220 allocation rights granted) corresponding to 0.30% and 0.18%, respectively, of the share capital as of the grant date totalling 0.50% of the share capital.

The long term incentive plan ("LTI No. 11") of 23 September 2008 bears on a total amount of conditional stock options (754,300 stock options granted) and free performance shares (445,655 allocation rights granted) corresponding to 0.27% and 0.16%, respectively, of the share capital as of the grant date and a total of 0.43% of the share capital.

The policy followed by the Company consists in defining the allocations in term of percentage of capital granted rather than in number of shares, which leads to a decrease in the number of options and performance shares granted when the share price is increasing and conversely.

Executive Committee's members (including the Chairman and Chief Executive Officer) received in 2009, 217,000 conditional stock options and 16,000 free performance shares representing 16.7% of the total number of options and free performance shares granted. In 2009, the Chairman and Chief Executive Officer only received conditional stock options.

For information on the allocation to the Chairman and Chief Executive Officer, see section Compensation of Executive and Non-Executive Directors of the Chairman's report (see pages 168 and 169).

The Company reserves the right to set up new plans in the future combining allotment of stock options and free shares, for amounts based on the level of responsibilities and job performance of the beneficiaries. As done in the past, the Company may continue to make the exercise of all or part of the future grants conditional to the achievement of performance conditions linked to the Group's financial objectives.

Main characteristics of the stock options

- Frequency: Annual allocation in September of each year.
- No discount: Yes.
- Term of the options: 10 years (reduced to 8 years for the LTI plan No. 12).
- Exercise deferral: 3 years.
- Shares can be sold: At expiration of a 4-year period for French residents (3-year period for non French residents).
- Performance conditions: Yes (since fiscal year 2006/07, all options are granted subject to Group performance conditions to be met as of the third fiscal year ended following the grant date).
- Holding requirement: Yes, for the members of the Executive Committee since fiscal year 2007/08 (see below).

For each plan, the options' subscription price, determined by the Board when the Board of Directors grants the options, has no discount. It corresponds to the average price of the shares during the twenty trading days preceding the day when the Board of Directors grants the options.

The option life of the plans was ten years and has been reduced to eight years for the LTI plan No. 12 granted on 21 September 2009. The options are generally exercisable at the expiry of a vesting period of three years as from the grant date. In France, as per current tax law, beneficiaries shall also keep the shares subscribed up until the expiry of a four-year period following the grant date of the plan.

Since 2004, over the six plans set up, five plans make the exercise of all or part of the options conditional to the achievements of Group's financial objectives (plans No. 7, 9, 10, 11 and 12). Since 2006, all the options granted are conditional (plans No. 9, 10, 11 and 12). These internal performance conditions are set forth in the table below. It was not considered appropriate to add to this internal performance criteria, an external criteria based on the performance of the Group compared to those of its competitors in the absence of directly comparable competitors.

Under the plan granted during fiscal year 2009/10 (LTI plan No. 12 of 21 September 2009), 100% of the options will be exercisable subject to the achievement of a Group's operating margin for the 2011/12 fiscal year that is higher than or equal to 9%. If the Group's operating margin for the 2011/12 fiscal year is between 8.5% (included) and 9% (excluded), 80% of the options will be exercisable, it being specified that this percentage is reduced to 60% if the operating margin is between 7.5% (included) and 8.5% (excluded) and to 40% if the operating margin is between 6.5% (included) and 7.5% (excluded) and that no options will be exercisable if the operating margin is less than 6.5%.

The exercise of options is also subject to the beneficiary's presence within the Group, with some exceptions. Plans No. 6, 7, 8 and 9 allowed an early exercise before the expiry of the three-year vesting period in certain circumstances of change of control, among which in case of a public offering to buy and/or exchange the Company's shares.

Main characteristics of the performance shares

- Frequency: Annual allocation in September of each year.
- Performance requirement: Yes, the final allocation of all shares is contingent upon the satisfaction of Group performance requirements as of the third fiscal year ended following the grant date.
- Final allocation: Once in full at expiration of a 3-year term for French residents and of a 4-year term for non French residents.
- Holding requirement: 2 years for French residents.
- Specific holding requirement for members of the Executive Committee: Yes since fiscal year 2007/08 (see below).

Generally speaking, the shares are allocated following an acquisition period of three years following the date upon which the Board of Directors allocated the shares in France or four years outside of France, subject to satisfying performance requirements linked to the Company.

The definitive allocation of the performance shares to beneficiaries within the LTI Plans granted since 2007, is subject to the same conditions associated with the Group's performance at the end of a three-year period as the exercise of the conditional stock options. The definitive allocation is also subject to conditions associated with the executive's presence within the Group, save in exceptional cases as provided for in the plan.

As such, the LTI plan No. 12 granted on 21 September 2009 renders the effective allocation in the future of 100% of the shares subject to the achievement of a Group's operating margin for the 2011/12 fiscal year that is equal to or higher than 9%. If the Group's operating margin for the 2011/12 fiscal year is between 8.5% (included) and 9% (excluded), 80% of the shares will be effectively allocated, it being specified that this percentage is reduced to 60% if the operating margin is between 7.5% (included) and 8.5% (excluded) and to 40% if the operating margin is between 6.5% (included) and 7.5% (excluded) and that no shares will be allocated if the operating margin is less than 6.5%.

These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

While subject to these set conditions being satisfied, the definitive allocation of shares can occur (with the exception of the occurrence of an early definitive allocation) following an acquisition period ending, for beneficiaries residing in France, on the day the Group's consolidated financial results for the 2011/12 fiscal year are published and, for the beneficiaries who do not reside in France, four years following the date upon which the Board of Directors allocated the shares, subject to the beneficiaries' presence within the Group, save in exceptional cases as provided for in the plan.

Requirement to hold the shares applicable to members of the Executive Committee – Rules of conduct

Pursuant to legislation currently in force, the Board of Directors set the rules for holding shares applicable to the Chairman and Chief Executive Officer within the framework of the 2007, 2008 and 2009 plans (LTI No. 10, LTI No. 11 and LTI No. 12). These rules were also extended to the other members of the Executive Committee.

Therefore, for the entire period of time during which they perform their duties, the members of the Executive Committee must hold, in registered form, a number of shares resulting from the exercise of options and the free allocation granted within these plans and corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of options and on the effective date of allocation of the performance shares.

Moreover, rules of conduct applicable within the Group in case inside information is held, prevent any sale of shares during periods preceding the approval of the Group's results and more generally when inside information is held (see page 159).

Summary of the main characteristics of the stock options plans granted

The total number of options that can be exercised according to the outstanding plans (subject to achievement of the performance conditions) corresponds to 2.70% of the share capital as of 31 March 2010. However, the Group considers that based on the elements of the last Group's three year plan, the performance conditions of Plan LTI No. 11 should not be reached (See Note 22 to the consolidated financial statements for fiscal year 2009/10). Therefore, this percentage would be reduced to 2.45%.

The main characteristics of all stocks option plans implemented by the Company and outstanding are summarised below. No other company of the Group has implemented stocks option plans giving right to the Company's shares.

	Plan No. 6	Plan No. 7 (conditional options)	Plan No. 8	Plan No. 9 (conditional options)	Plan No. 10 included in plan LTI No. 10 (conditional options)	Plan No. 11 included in plan LTI No. 11 (conditional options)	Plan No. 12 included in plan LTI No. 12 (conditional options)
Date of shareholders' meeting	24 July 2001	9 July 2004	9 July 2004	9 July 2004	26 June 2007	26 June 2007	26 June 2007
Date of Board meeting	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007	23 Sept. 2008	21 Sept. 2009
Initial exercise price ⁽¹⁾	€240	€17.20	€35.75	€74.66	€135	€66.47	€49.98
Adjusted exercise price ^{(2) (3)}	€77.20	€8.60	€17.88	€37.33	€67.50	-	-
Beginning of stock options exercise period	7 Jan. 2004	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	25 Sept. 2010	23 Sept. 2011	21 Sept. 2012
Expiry date	6 Jan. 2011	16 Sept. 2014	26 Sept. 2015	27 Sept. 2016	24 Sept. 2017	22 Sept. 2018	20 Sept. 2017
Number of beneficiaries	5	1,007	1,030	1,053	1,196	411	436
Total number of options (adjusted if any) ^{(2) (3)}	94,828	5,566,000	2,803,000	3,367,500	1,697,200	754,300	871,350
Total number of exercised options	5,000	4,330,875	1,352,755	416,177	1,000	0	0
Total number of cancelled options ^{(2) (3)}	17,102	591,000	137,000	228,750	103,200	22,955	2,450
Number of remaining options to be exercised as of 31 March 2010 ^{(2) (3)}	72,726	644,125	1,313,245	2,722,573	1,593,000	731,345	868,900
Percentage of capital as of 31 March 2010 that may be created	0.024%	0.219%	0.446%	0.926%	0.542%	0.248%	0.295%
Number of shares that may be subscribed by members of the Executive Committee ^{(2) (3) (4)}	72,726	125,000	180,000	525,000	298,000	197,500	217,000
of which number of shares that may be subscribed by Mr Patrick Kron as of 31 March 2010	58,292	-	-	240,000	115,000	80,000	80,000

(1) Subscription price without discount corresponding to the average opening price of the shares during the 20 trading days preceding the day on which the options were granted by the Board. For plans No. 6 and 7, the initial exercise prices have been multiplied by 40 to take account of the Company's share consolidation of 3 August 2005.

(2) Option plans No. 6 have been adjusted in accordance with French law as a result of the consummation of transactions that had an impact on the share capital in 2002, 2003 and August 2004.

(3) Option plans No. 6 and 7 have been adjusted to consider the Company's share consolidation of 3 August 2005: a new share with a nominal value of €14 for 40 old shares with a nominal value of €0.35. Then option plans No. 6, 7, 8, 9 and 10 have been adjusted to take into account the two-for-one split in the par value from €14 to €7 as of 7 July 2008.

(4) Refers to members of the Executive Committee as of 31 March 2010 and not to members as of the grand date.

	Plan No. 6	Plan No. 7 (conditional options)	Plan No. 8	Plan No. 9 (conditional options)	Plan No. 10 included in plan LTI No. 10 (conditional options)	Plan No. 11 included in plan LTI No. 11 (conditional options)	Plan No. 12 included in plan LTI No. 12 (conditional options)
Terms of exercise/ Performance conditions ⁽⁵⁾	<ul style="list-style-type: none"> • 1/3 of options can be exercised from 07/01/2004. • 2/3 of options can be exercised from 07/01/2005. • All options can be exercised from 07/01/2006. 	<ul style="list-style-type: none"> • 100% of options can be exercised from 17/09/2007, upon the following conditions being met: the exercise of 50% of options granted was conditional to 2 targets being met at the 2005/06 financial year closing; the targets have been met: a positive free cash flow of the Group and a Group operating margin above or equal to 5% as per IFRS rules. 	<ul style="list-style-type: none"> • 100% of options can be exercised from 27/09/2008. 	<ul style="list-style-type: none"> • 100% of options can be exercised from 28/09/2009 if the 2007/08 Group operating margin (the "2007/08 Margin") is equal or above 7.5%. • 80% of options can be exercised if the 2007/08 Margin is between 7% (included) and 7.5% (excluded). • 40% of options can be exercised if the 2007/08 Margin is below 7%. <p>Performance condition met: 100% of the options exercisable since 28/09/2009.</p>	<ul style="list-style-type: none"> • 100% of options can be exercised from 25/09/2010 if the 2009/10 Group operating margin (the "2009/10 Margin") is equal or above 8.5%. • 80% of options can be exercised if the 2009/10 Margin is between 8% (included) and 8.5% (excluded). • 40% of options can be exercised if the 2009/10 Margin is between 7.5% (included) and 8% (excluded) • No option can be exercised if the 2009/10 Margin is below 7.5%. <p>Performance condition met: 100% of the options exercisable as from 25/09/2010</p>	<ul style="list-style-type: none"> • 100% of options can be exercised from 23/09/2011 if the 2010/11 Group operating margin (the "2010/11 Margin") is equal or above 10%. • 80% of options can be exercised if the 2010/11 Margin is between 9.5% (included) and 10% (excluded). • 40% of options can be exercised if the 2010/11 Margin is between 9% (included) and 9.5% (excluded). • No option can be exercised if the 2010/11 Margin is below 9%. 	<ul style="list-style-type: none"> • 100% of options can be exercised from 21/09/2012 if the 2011/12 Group operating margin (the "2011/12 Margin") is equal or above 9%. • 80% of options can be exercised if the 2011/12 Margin is between 8.5% (included) and 9% (excluded). • 60% of options can be exercised if the 2011/12 Margin is between 7.5% (included) and 8.5% (excluded). • 40% of options can be exercised if the 2011/12 Margin is between 6.5% (included) and 7.5% (excluded). • No option can be exercised if the 2011/12 Margin is below 6.5%.

(5) The exercise is also subject to employment condition within the Group unless exception.

Plans n°3 and 5, granted in 2001 and 2005 respectively, expired during fiscal year 2009/10. No option was exercised under these plans.

Conditional stock options granted to ALSTOM's Executive and Non-Executive Directors ("mandataires sociaux") during fiscal year 2009/10 and options exercised by them

The total number of options granted during fiscal year 2009/10 under plan No. 12 to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the only Executive Director ("dirigeant mandataire social") of the Company is indicated in the section of the Chairman's report related to the compensation of Executive and Non-Executive Directors (see page 169). No options were exercised by him during such fiscal year.

The Company has granted no options to any other Directors during fiscal year 2009/10 or under plans previously implemented by the Company.

Conditional stock options granted during fiscal year 2009/10 to the ten employees who are not ALSTOM's Executive or Non-Executive Directors and who received the largest number of options

A total of 195,500 conditional options was granted to the ten employees who received the greatest numbers of options (other than "mandataires sociaux") under stock options plan No. 12.

Stock options exercised during fiscal year 2009/10 by the ten employees who are not ALSTOM's Executive or Non-Executive Directors and who exercised the largest number of options

	Number of shares subscribed ⁽¹⁾	Average share price ⁽¹⁾ (in €)
Total number of options exercised during the fiscal year by the ten first employees who are not Executive or Non-Executive Directors and who exercised the largest number of options	151,137	19.88

(1) Relates to exercise of options of plan No. 7, No. 8 and No. 9. Figures have been adjusted to consider the two-for-one stock split as of 7 July 2008.

Summary of the main characteristics of the free performance share allocation plans granted

The total number of performance shares that can be delivered according to the performance share plans outstanding during fiscal year 2009/10 and not already finally delivered corresponds (subject to achievement of the performance conditions) to 0.36% of the share capital as of 31 March 2010. However, the Group considers that based on the elements of the last Group's three year plan, the performance conditions of Plan LTI n°11 should not be reached (See Note 22 to the consolidated financial statements for fiscal year 2009/10). Therefore, this percentage would be reduced to 0.22%.

	2006 Plan (performance shares)	2007 Plan (LTI No. 10) (performance shares)	2008 Plan (LTI No. 11) (performance shares)	2009 Plan (LTI No. 12) (performance shares)
Date of shareholders' meeting	12 July 2005	26 June 2007	26 June 2007	26 June 2007
Date of Board meeting	16 November 2005/16 May 2006/ 18 March 2008	26 September 2007	23 September 2008	21 September 2009
Initial number of beneficiaries	57,305 people of whom 47,038 beneficiaries of shares and 10,267 beneficiaries of the cash equivalent to be paid on 16 March 2010.	1,289 beneficiaries	1,431 beneficiaries	1,360 beneficiaries
Initial number of rights entitling their holders to an allocation of shares ⁽¹⁾	1,128,912 shares	252,000 shares	445,655 shares	522,220 shares
Number of remaining rights as of 31 March 2010 entitling their holders to an allocation of shares ⁽¹⁾	109,776 shares	234,320 shares	428,796 shares	514,100 shares
Final delivery of the shares (subject to performance conditions) ⁽¹⁾	<ul style="list-style-type: none"> • 19 May 2008 for 926,808 shares. • 20 May 2010 for 109,776 shares. 	<ul style="list-style-type: none"> • On 11 May 2010, 101,760 shares were allocated to beneficiaries of French companies. • For beneficiaries of companies outside France: 26 September 2011. 	<ul style="list-style-type: none"> • For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2010/11 (e.g. May 2011). • For beneficiaries of companies outside France: 24 September 2012. 	<ul style="list-style-type: none"> • For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2011/12 (e.g. May 2012). • For beneficiaries of companies outside France: 23 September 2013.
Percentage of capital that may be created (calculated on the capital as of 31 March 2010)	-	0.04%	0.14%	0.17%
Number of shares that may be delivered to members of the Executive Committee ^{(1) (2)}	120 shares ⁽³⁾	12,000 shares ⁽³⁾	22,000 shares	16,000 shares

(1) Plans 2006 and 2007 have been adjusted to consider the two-for-one stock split as of 7 July 2008.

(2) Refers to the Executive Committee as of 31 March 2010.

(3) These shares were delivered in May 2010.

	2006 Plan (performance shares)	2007 Plan (LTI No. 10) (performance shares)	2008 Plan (LTI No. 11) (performance shares)	2009 Plan (LTI No. 12) (performance shares)
Performance conditions ⁽⁴⁾	Allocation implemented after two main targets were met by the end of the 2005/06 fiscal year: a 5% operating margin (as per IFRS rules) and a positive free cash flow.	<ul style="list-style-type: none"> • 100% of the shares delivered if the 2009/10 Group operating margin (the "2009/10 Margin") is equal to or above 8.5%. • 80% of the shares delivered if the 2009/10 Margin is between 8% (included) and 8.5% (excluded). • 40% of the shares delivered if the 2009/10 Margin is between 7.5% (included) and 8% (excluded). • No shares delivered if the 2009/10 Margin is below 7.5%. Performance condition met: 100% of the shares to be delivered.	<ul style="list-style-type: none"> • 100% of the shares delivered if the 2010/11 Group operating margin (the "2010/11 Margin") is equal to or above 10%. • 80% of the shares delivered if the 2010/11 Margin is between 9.5% (included) and 10% (excluded). • 40% of the shares delivered if the 2010/11 Margin is between 9% (included) and 9.5% (excluded). • No shares delivered if the 2010/11 Margin is below 9%. 	<ul style="list-style-type: none"> • 100% of the shares delivered if the 2011/12 Group operating margin (the "2011/12 Margin") is equal or above 9%. • 80% of the shares delivered if the 2011/12 Margin is between 8.5% (included) and 9% (excluded). • 60% of the shares delivered if the 2011/12 Margin is between 7.5% (included) and 8.5% (excluded). • 40% of the shares delivered if the 2011/12 Margin is between 6.5% (included) and 7.5% (excluded). • No shares delivered if the 2011/12 Margin is below 6.5%.
Shares retention period	For shares finally delivered on 19 May 2008: 2 years (shares can be sold as from 20 May 2010). For shares delivered on 20 May 2010: N/A (unless exception set forth by the plan).	2 years, except for shares to be delivered on 26 September 2011 unless exception set forth by the plan ⁽⁵⁾ .	2 years, except for shares to be delivered on 24 September 2012 unless exception set forth by the plan ⁽⁵⁾ .	2 years, except for shares to be delivered on 23 September 2013 unless exception set forth by the plan ⁽⁵⁾ .

(4) Final allocations are also contingent upon attendance requirements within the Group unless an exception is made within the plan.

(5) A specific holding requirement applies to the all members of the Executive Committee (see page 192).

PLAN 2006

The free performance shares plan granted in 2006 ("Awards for All") was decided in 2006 to reward the collective efforts which allowed the Group to recover. It consisted in the final allocation, at the end of a two-years period, of twelve shares to each and every employee of the Group with at least 6 months seniority at the attribution date, which was subject to the condition that two main targets were met by the end of the 2005/06 fiscal year: a 5% operational margin (as per IFRS rules) and a positive free cash flow.

The terms and conditions initially set by the Board allowed for the effective delivery of the shares on 19 May 2008 after an acquisition period of two years followed by a two-year holding period of the shares. The Board also decided in those countries where the assignment of free shares would be hard or impossible, to pay the equivalent in cash of these twelve shares to the employees.

During the 2007/08 fiscal year, the Board of Directors carried out the decision of the shareholders' meeting dated 26 June 2007 to offer employee beneficiaries of the non-French subsidiaries in certain countries the option of opting for a two to four year extension of the acquisition period with no subsequent holding period of the shares (with the exception of the case in which the beneficiary is a French resident or subject to a French social security regime as of the grant date).

As such, depending on the countries, the shares have been effectively delivered either on 19 May 2008 after the initial two-year acquisition period (followed by a two-year holding period of the shares), or on 20 May 2010 after a four-year acquisition period followed by no holding period, to the beneficiaries still part of the Alstom Group at the end of these acquisition periods.

Free allocation of shares to ALSTOM's Executive and Non-Executive Directors ("mandataires sociaux") during fiscal year 2009/10

No performance share was allocated to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the sole Executive Director ("Mandataire social dirigeant") of the Company under Plan LTI No. 12. The Company has granted no performance share to any other Non-Executive Directors during fiscal year 2009/10 or under Plans previously implemented by the Company.

Free shares allocated during fiscal year 2009/10 to the ten employees who are not ALSTOM's Executive or Non-Executive Directors and who received the largest number of free shares

A total of 23,680 performance shares was granted to the ten employees who received the greatest numbers of conditional free shares (other than "mandataires sociaux") under Plan LTI No. 12.

A total of 150 free shares was granted by the Board of Directors held on 4 May 2009 under the "Alstom Sharing 2009" offering referred to below, to the ten employees who received the greatest numbers of free shares (other than "mandataires sociaux") under this offering (maximum allocation capped at 15 shares per subscriber).

FREE SHARES PLANS FOR THE SUBSCRIBERS OUTSIDE FRANCE TO "ALSTOM SHARING" OFFERS

Within the employee share purchase schemes called "Alstom Sharing 2007" and "Alstom Sharing 2009" reserved for Group employees and former employees participating in the Group's savings plan in 19 and 22 countries respectively including France, implemented during the fiscal years 2007/08 and 2008/09, the Board of Directors decided that the employees outside France subscribing to the "structured" formula will receive, instead of the employer company match offered to the subscribers to this formula in France, shares allocated for free by ALSTOM. These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

Alstom Sharing 2007

After having acknowledged the completion of the capital increase reserved for members of the *plan d'épargne* Groupe Alstom (the "Alstom Group Savings Plan", or "PEG") and of the capital increase reserved for the Company "Sharing Plus" proposed within the framework of the

Alstom Sharing 2007 offering, the Board of Directors, acting pursuant to the powers granted to it by the shareholders' meeting held on 26 June 2007, decided on 18 March 2008 to carry out this free allocation, the principle of which was agreed to on 25 September 2007. The Board consequently, decided that a maximum number of 51,336 new shares of par value €14 each to be issued by the Company (or 102,672 shares of par value €7 each following the two-for-one split in the par value of the share dated 7 July 2008), would be allocated for free to subscribers of the "leverage" formula of the Alstom Sharing Plus 2007 offering in Australia, Belgium, Brazil, Canada, China, Germany, India, Italy, Malaysia, Mexico, The Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States, on the basis of one free share for each FCPE unit or share subscribed (depending on the case) by a given participant under the "leverage" formula, up to a maximum of four free shares per participant.

These free shares will be issued and delivered in one time to the participants on 1 July 2013, after the acquisition period ending on 30 June 2013 (unless early delivery events) provided that the employee is still part of the Alstom Group, save in exceptional cases as provided for in the plan. At that time, participants may sell the free shares freely, except for beneficiaries residing in France or subject to a French social security regime as of the date the shares are delivered. Indeed, following the acquisition period, these latter beneficiaries will be subject to a two-year period during which the shares cannot be sold.

Alstom Sharing 2009

Within the framework of the Alstom Sharing 2009 offering, after having acknowledged the completion of the capital increase reserved for members of the Alstom Group Savings Plan ("plan d'épargne groupe") and of the capital increase reserved for Sharing Plus, the Board of Directors, acting pursuant to the powers granted to it by the shareholders' meeting dated 26 June 2007, decided on 4 May 2009 to carry out the free allocation, the principle of which had been decided on 23 September 2008. Consequently, the Board of Directors decided that a maximum amount of 137,817 new shares to be issued by the Company of par value €7 each would be allocated for free to subscribers of the offering known as Two for One 2009 residing outside of France in Australia, Belgium, Brazil, Canada, the Czech Republic, China, Germany, India, Indonesia, Italy, Malaysia, Mexico, the Netherlands, Poland, Portugal, Romania, Spain, Sweden, Switzerland, the United Kingdom, and the United States within the proportions set by the terms of the offering and up to the limit of a maximum amount of 15 free shares per participant.

These free shares will be issued and delivered to the participants in one time on 1 July 2014, after the acquisition period ending on 30 June 2014 (unless early delivery events) provided that the employee is still part of the Alstom Group, save in exceptional cases as provided for in the plan. At that time, participants may sell the free shares freely, except for beneficiaries residing in France or subject to a French social security regime as of the date the shares are delivered. Indeed, following the acquisition period, these latter beneficiaries will be subject to a two-year period during which the shares cannot be sold.

Summary of the characteristics of the outstanding free share allocation plans carried out within the framework of the “Alstom Sharing” offerings

	Alstom Sharing 2007 Plan	Alstom Sharing 2009 Plan
Date of shareholders' meeting	26 June 2007	26 June 2007
Date of Board meeting	26 September 2007 – 18 March 2008	23 September 2008 – 4 May 2009
Initial number of beneficiaries	13,400 beneficiaries exclusively outside France	11,068 beneficiaries exclusively outside France
Initial number of rights entitling their holders to an allocation of shares ⁽¹⁾	102,672 shares	137,817 shares
Number of remaining rights as of 31 March 2010 entitling their holders to an allocation of shares	96,522 shares	135,960 shares
Issue and final delivery of the shares	1 July 2013	1 July 2014
Percentage of capital as of 31 March 2010 that may be created	0.03%	0.05%
Number of shares that may be delivered to members of the Executive Committee ^{(1) (2)}	8 shares	-
Performance conditions	N/A	N/A
Shares retention period	N/A (unless exception set forth by the plan)	N/A (unless exception set forth by the plan)

(1) Alstom Sharing 2007 Plan has been adjusted to consider the two-for-one stock split as of 7 July 2008.

(2) Refers to members of the Executive Committee as of 31 March 2010.

The total maximum number of shares that can be delivered according to the two outstanding “Alstom Sharing” share plans corresponds to 0.08% of the share capital as of 31 March 2010.

EMPLOYEE PROFIT-SHARING

Profit sharing

All the French subsidiaries of the Group to which the French law of 7 November 1990 applies have entered into employee profit sharing agreements. The amounts paid in respect of the French statutory employee profit sharing agreements over the last three years are as follows:

Fiscal year ended 31 March (in € million)	2007	2008	2009
Statutory employee profit sharing agreements	12.5	17.5	15.5

Specific profit sharing

As of today, more than 98% of employees in the Group's French subsidiaries benefit from a specific profit sharing plan (“accord d'intéressement”). The amounts paid in respect of fiscal year 2009/10 are not yet known to date, because they depend on a series of criteria defined in profit sharing plans applicable for each subsidiary, the final result of which are known within six months as from the end of fiscal year, *i.e.* 30 September of each year.

The amounts paid in respect of specific profit sharing plans for the past three fiscal years are as follows:

Fiscal year ended 31 March (in € million)	2007	2008	2009
Specific employee profit sharing plans	25.5	36.9	30.4

Employee savings plan and retirement savings plan

Today, Alstom's French employees can invest their savings resulting from profit-sharing, specific profit-sharing, or voluntary savings in the Group Savings Plan not invested in the Company securities or in a "PERCO" collective savings and retirement plan. This latter plan receives an employer matching contribution from the Company in the maximum amount of €500 for €1,500 contributed over the year. In 2009, the French employees contributed €12.3 million in the Group Savings Plan and €5.3 million in the PERCO savings plan. These contributions to the PERCO triggered an employer matching contribution of €1.2 million paid by Alstom.

Employee shareholdings within the Group savings plan

Within the Group Savings Plan, employee savings can also be invested in the Company securities.

Since its initial public offering and first listing, the Company implemented four share capital increases reserved for the employees participating in the Group Savings Plan. For the first one realised concurrently with the first listing in 1998, a total of 2,941,869 shares were issued at a price of FRF167 per share (corresponding, after the share consolidation of 3 August 2005, to the equivalent of 73,546 new shares issued at the price of €1,018.36 per share).

In August 2000, a capital increase reserved for employees of the Company and its subsidiaries participating in the Group Savings Plan was approved for fiscal year 2000/01. As a result of this share capital increase, 1,689,056 new shares, with a nominal value of €6 per share, were issued at €24 per share (*i.e.*, after stock split, 84,452 new shares at €480 per share). These two operations have been directly subscribed by the employees.

In November 2004, a new capital increase was offered to the Company's employees (as well as to its former employees) in eight countries including France. Around 13,000 employees have subscribed this capital increase through a mutual fund in France and directly in the other countries. The capital increase brought in the subscription of 49,814,644 shares at a nominal value of €0.35 each and issued at €0.35 per share (equivalent to, after the par value split, 2,490,732 new shares at a price of €7 per share); the shares were offered with an employer matching contribution (for employees only) of €0.135 per old share with a maximum amount of €810 per subscriber.

Alstom Sharing 2007

During fiscal year 2007/08, a new employee share purchase scheme called "Alstom Sharing 2007" reserved for Group employees (and former employees) with three months' seniority was offered in 19 countries including France. A total of 1 million shares were offered

under both a formula known as "leverage" formula and a "classic" formula and this offering for the subscription of shares was conducted within the framework of the Group Savings Plan (hereinafter referred to as the "PEG").

Approximately 32% of the Group's eligible permanent employees (or approximately 18,800 employees) have subscribed to this capital increase, either through direct shareholding or *via* a *fonds commun de placement d'entreprise* (French employee shareholding vehicle, or "FCPE"), depending on the countries. The capital increase brought in the subscription of 350,012 shares with a par value of €14 each (or 700,024 shares of par value €7 each following the two-for-one par value split), corresponding to a capital increase par value amount of €4,900,168 and issued at a price of €113.93 per share (or €56.97 following the par value split) which includes a 20% discount relative to the average of the first prices of the ALSTOM share during the twenty trading days preceding the fixing of the price.

The shares or FCPE units subscribed will remain locked up to 30 June 2013, with the exception of the occurrence of early exit events.

In France, the employees subscribing to the "leverage" formula benefited from an employer matching contribution in an amount corresponding to the amount of their own personal contribution, which was limited to the subscription of four shares at the subscription price (or eight shares of par value €7 each following the split).

Outside of France, this employer matching contribution has been replaced by shares allocated for free by the Board of Directors in its meeting of 18 March 2008 (see page 198 on this free allocation of shares).

Within the framework of the "leverage" formula, the leverage mechanism offered by the partner bank in certain cases took the form of an allocation of Stock Appreciation Rights (SARs) by the employer. Consequently, the transaction gave rise to a capital increase reserved for Sharing Plus, a company held by the credit institution participating in the offering, at the Company's request, for the implementation of the "leverage" formula in certain countries outside of France. This capital increase bears on the subscription of 256,808 shares of a par value of €14 each, issued at the unit price of €113.93, and representing a par value capital increase amount of €3,595,312 (corresponding to an amount of 513,616 shares at a price of €56.97 each following the par value split).

Alstom Sharing 2009

During fiscal year 2008/09, a new employee share purchase scheme called "Alstom Sharing 2009" reserved for Group employees (and former employees) with three months' seniority was offered within the PEG in 22 countries including France through an offer called "Two for One 2009" and a "classic" offer. Approximately 28% of the Group's eligible permanent employees (or approximately 18,400 employees) have subscribed to this capital increase.

The capital increase brought in the subscription of 743,606 shares with a par value of €7 each, corresponding to a capital increase par value amount of €5,205,242 (*i.e.* 0.26% of the share capital as of 31 March 2009) and issued at a price of €30.84 per share, which includes a 20% discount relative to the average of the first prices of the ALSTOM share during the twenty trading days preceding the fixing of the price. The shares or FCPE units subscribed will remain locked up to 30 June 2014, with the exception of the occurrence of early exit events.

In addition, outside of France, the employer matching contribution offered within the framework of the “Two for One 2009” offering was replaced by a free allocation of shares implemented by the Board of Directors held on 4 May 2009 (see page 198 for information on this free allocation).

The transaction also gave rise to a capital increase reserved for Sharing Plus, a company held by the credit institution participating

in the offering at the Company’s request for the implementation of the protection of the subscriber’s personal contribution in the “Two for One 2009” offer, in certain countries outside of France which took the form of an allocation of Stock Protection Rights by the employer. This capital increase bears on the subscription of 348,505 shares of a par value of €7 each, issued at the unit price of €30.84, and representing a par value capital increase amount of €2,439,535.

These capital increases were completed on 30 April 2009. The new shares issued on such date will give rise to the dividend in respect fiscal year 2009/10.

As of 31 March 2010, the Group’s employees and former employees hold approximately 1.45% of the Company’s share capital, either directly or through a fund (“FCPE”).

SUMMARY OF THE OPERATIONS OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS OR PEOPLE MENTIONED IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE ON THE SECURITIES OF THE COMPANY PERFORMED DURING FISCAL YEAR 2009/10

The following transactions have been declared to the AMF by the persons concerned:

Notifying person	Financial instrument	Type of operation	Number of operations	Amount of operations
Patrick Kron , Chairman and Chief Executive Officer	Shares	Sale	3	€4,037,575.00
Philippe Mellier , Member of the Executive Committee, President of Transport Sector	Shares	Subscription	1	€120,400.00
	Shares	Sale	1	€693,000.00
G�rard Hauser , Director	Shares	Acquisition	2	€31,311.00
Alan Thomson , Director	Shares	Acquisition	1	€23,972.45
Bouygues SA , Director	Shares	New shares received as a part of capital increase in remuneration of a contribution in kind	1	€217,478,800.00

| **Related-party agreements** and commitments

See the Independent Auditors' special report to the Shareholders' Meeting convened on 22 June 2010 (page 135).

| Independent **Auditors**

INDEPENDENT AUDITORS

PricewaterhouseCoopers Audit

represented by Mr Olivier Lotz
63, rue de Villiers
92200 Neuilly-sur-Seine

Mazars SA

represented by Mr Thierry Colin
61, rue Henri Regnault
92400 Courbevoie

The Independent Auditors were appointed by the Ordinary General Meeting held on 23 June 2009 for six fiscal years expiring when the Ordinary General Meeting will be called to review the accounts for fiscal year 2014/15.

DEPUTY AUDITORS

Mr Yves Nicolas

Deputy Auditor of PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine

Mr Patrick de Cambourg

Deputy Auditor of Mazars SA
61, rue Henri Regnault
92400 Courbevoie

The Independent Auditors were appointed by the Ordinary General Meeting held on 23 June 2009 for six fiscal years expiring when the Ordinary General Meeting will be called to review the accounts for fiscal year 2014/15.

INDEPENDENT AUDITORS' FEES FOR FISCAL YEAR 2009/10

The Independent Auditors' fees for fiscal year 2009/10 are included under Note 31 to the consolidated financial statements for fiscal year 2009/10.

EXTERNAL AUDIT CHARTER

In March 2010, ALSTOM and its new Independent Auditors formalized, following the Audit Committee's approval, the new Audit charter applicable until 31 March 2015 when the current Independent Auditors' engagement comes to an end.

This charter defines the Group's external audit process under the various applicable laws and rules. By signing it, the parties officially commit themselves to respecting the said charter and to aiming for more transparency and efficiency.

The main rules defined apply to the following topics:

- principles on fee and assignment split between both auditing firms;
- work process between the two audit firms and relationship with ALSTOM, notably with the Internal Audit function;
- relationship between the Independent Auditors and the Audit Committee;
- defining the allocation principles of assignments accessory to the audit mandate;
- reminder of pre-approval procedure of these assignments and of pre-approved assignments;
- reminder of prohibited assignments.



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The section below includes information as per Article L. 225-102-1 of the French Commercial Code and the decree and order of 20 February and 30 April 2002 respectively. During fiscal year 2009/10, the Group continued to implement consolidated indicators for all its sites to assess the social and environmental impact of its operations. Certain indicators are not yet available on a consolidated basis or have been considered irrelevant with regard to the Group's diversified operations or due to difficulties in adopting standard definitions for all sites worldwide. In such cases, they have not been mentioned or have been limited in scope, which is then specified.

Sustainable development and Alstom Corporate Responsibility

All those involved in economic development are becoming increasingly aware of the challenges related to global population and economic growth. Today, the Group's customers and partners, along with government bodies and the general public, expect solutions that "meet the needs of current generation without compromising the ability of future generation to meet their own needs" (definition of sustainable development provided by the Brundtland Commission in 1987). Alstom strongly believes that Sustainable Development is crucial for a viable future and that the world community must step up in this challenge. Significant commitments are needed from all the countries, developed, advanced developing and emerging, to set the conditions for genuine sustainable development. Regarding Electricity and Transport that are key to global economic development and social progress, governments and businesses must work together to ensure that all countries have access to clean energy technologies and environmentally sound transportation. This can be achieved through the provision of innovative technologies; the strengthening of worldwide protection of intellectual property; and the work with developing countries to improve the infrastructures required for a sustainable economy.

ALSTOM CORPORATE RESPONSIBILITY

It is Alstom's Corporate Responsibility to contribute to this sustainable development and Alstom is accountable to its stakeholders for providing relevant solutions. These solutions optimise the use of natural resources and limit the emission of greenhouse gases and airborne pollutants with long-term effects on the environment, health and the world's climate.

The implementation of these solutions occurs at the local level and Alstom is by nature a local actor, providing a long-term commitment to local communities and striving to meet its responsibility as a leading multinational corporation wherever it operates.

Alstom Corporate Responsibility policy

Alstom's corporate responsibility policy aims to meet the environmental expectations of its stakeholders by managing the ecological, social and economic impacts of its operations, of the products and services development and of the products and on operation run by its customers, while taking into account economic development and social progress.

- Concerning the Environment, the aim is:
 - to offset the impact of Alstom activities on the environment and preserve health and safety both for the Group employees and the people working on sites;
 - to reduce the footprint of Alstom products and services;
 - to provide planet-conscious products, equipment, systems and solutions.
- Regarding Stakeholders, the aim is:
 - to commit to customer satisfaction while promoting an active partnership with the supply chain;
 - to take into account the expectations of Alstom partners and stakeholders while increasing involvement in the life of neighbouring local communities.
- Concerning Employees, the aim is:
 - to shape the Company of the future along with Alstom employees.

Alstom implements its corporate social responsibility (CSR) policy through a range of programmes combining the Group's general goals with more specific targets managed by Sectors while allowing ample scope for initiatives at the local level. This policy is outlined in subsections "Environmental information", "Social Information" and "Relations with stakeholders".

The Group's first priority lies in implementing its policy and ensuring compliance with the relevant standards across the full range of its operations.

In 2008, Alstom joined the Global Compact, designed to encourage companies to commit to a set of key values spanning human rights, labour standards, environmental protection and non-corrupt business practices. Alstom is actively involved in this network and promotes ten principles that summarise its key values.

Alstom commits to the Environment

To strengthen its commitment to the Environment, Alstom has teamed up with a number of leading bodies working to promote corporate involvement in overall Sustainable Development.

- In 2009, the Group joined the World Business Council for Sustainable Development (WBCSD), which comprises 190 international firms campaigning to promote the three pillars of sustainable development: economic growth, environmental balance and social progress.
- Alstom joined the United States Climate Action Partnership (USCAP), a group of businesses and leading environmental organisations that have come together to call on the Federal Government to rapidly enact strong national legislation to requiring significant reductions of greenhouse gas emissions. The USCAP has issued a landmark set of principles and recommendations to underscore the urgent need for a policy framework on climate change.
- Alstom is part of the Alliance for Clean Technology Innovation, advocating clean technology innovation and dissemination.
- Alstom is a member of the 3C (Combat Climate Change) Initiative, committed to establishing a roadmap for a low-emissions society.
- Alstom has signed the sustainable development charter drawn up by the International Association of Public Transport (UITP).

At the European level, Alstom promotes low carbon technologies and energy efficiency. During the fiscal year, Alstom has been very active in advocating the development of low carbon technologies, especially carbon capture and storage (CCS), in the European Union. Beyond its active participation in the European Technology Platform Zero Emission Fossil Fuel Power Plants (ZEP), Alstom with its industrial partners and non-governmental organisations (NGOs) contributed to the successful creation of a funding mechanism for large scale CCS demonstration projects, as well as the decision for funding of CCS demo projects in the European Economic Recovery Plan. Alstom plans to share its expertise in CO₂ capture in two of the large demonstration projects selected so far by the European Commission in Europe. Raising awareness of the huge potential of retrofitting existing power plants in order to increase their energy efficiency has been another important focus of Alstom's activity in Brussels.

Alstom has also been promoting the role of rail Transport in the EU's battle against climate change and in moving towards a low carbon economy. It has actively participated in the current European debate on the future of the Transport Sector and pushed for its decarbonisation through the setting of CO₂ reduction emission targets. Energy efficiency in the rail sector, in particular urban transport, has also been outlined.

In addition, Alstom has been working on the concept of "Smart City". In the light of increasing pressure to provide cities with effective solutions in energy efficiency and CO₂ reduction management, Alstom, worldwide leader in both urban transport and power generation infrastructures, has been working with urban planners to promote and enhance a realistic global approach to energy efficiency and low carbon emission. At the same time, it maintains a strict respect for quality of life and genuine understanding for the needs of customers and citizens.

Alstom became a Member of the "Fondation Nicolas Hulot", a French environmental non-governmental organisation. The partnership aims to share expertise on the environmental issues, in particular regarding the climate change, and to develop an awareness programme on sustainable development for employees.

POWER SECTOR: SUSTAINABLE DEVELOPMENT STRATEGY

While current generation must provide power to over one billion people who do not yet have access to electricity, future generations will need to deal with a booming population (expected to reach nine billion by 2050) and the resulting demand for electricity.

Alstom's strategy for low-carbon electricity generation

CO₂ is seen as one of the main greenhouse gases responsible for climate change, and more than 40% of the world's CO₂ emissions generated by fossil combustion come from electricity production. The past few years have witnessed a push from the international community to reduce greenhouse gas emissions, with the emergence of increasingly stringent regulations. Regularly held international conferences such as those in Rio de Janeiro in 1992, Kyoto in 1997, Bali in 2007, Poznan in December 2008 and Copenhagen in December 2009 enable step by step progress in the search for much-needed global solutions.

The Copenhagen summit held in December 2009 led to agreement on many of the points that Alstom has been advocating for some time:

- temperature: all countries recognise the need to limit the rise in global temperature to no more than 2°C;
- cuts in emissions by developed countries: countries are to register and implement their pledged 2020 targets;
- voluntary action by developing countries: countries are to register their proposed mitigation actions;
- financing for developing countries: new resources approaching \$30 billion for 2010-12 and \$100 billion per year by 2020;
- stronger international efforts on technology development.

Commitments are however still lacking in two crucial areas:

- binding emission targets for 2020 and 2050 consistent with containing the risk of a 2°C rise in temperature;
- progress towards global development of carbon markets.

Alstom is a major contributor to the climate change debate and firmly believes that the solution for the energy of the future will be based on a range of different approaches.

The first approach to the reduction in CO₂ emissions focuses on the technology mix. No single form of power generation will address the dual challenge of securing the supply of reliable and affordable power and of facilitating a rapid transformation to a low carbon system of power generation. Alstom is focusing on a wide technology portfolio to address the challenge:

- non CO₂-emitting solutions such as hydro, wind, nuclear power solutions, geothermal and tidal power generation;
- constant improvement of energy efficiency. Alstom offers a wide range of solutions with improved efficiency of power plants to reduce the use of fossil fuels;
- coal and gas solutions that limit greenhouse gas emissions e.g. through Carbon Capture and storage technologies and other environmental control systems that eliminate air-borne pollutants such as sulphur dioxide (SO₂), nitrogen oxides (NO_x) and heavy metals.

Strong leadership from regulators is required to establish a global regulatory framework in this area. Putting a price on greenhouse gases can act as an important driver, encouraging cost-effective abatement and the diffusion of low-carbon technologies. In the short term, carbon prices are unlikely to provide sufficient incentive for investment in cleaner technologies. Additional public funding will also be necessary over the next decade to help these technologies become a commercial reality.

LEADER IN CLEAN INTEGRATED SOLUTIONS

Hydropower

To date, Alstom has provided around 25% of the world's total installed hydropower capacity and has supplied over 400 GW of the total to date installed capacity from turbines and generators around the world. Alstom Hydro supplies the full range of equipment (turbines, generators, control systems, valves and penstocks), with an output of between 5 MW and 900 MW, for all head types, either for new facilities or for servicing and refurbishment needs for the existing installations.

Alstom constantly strives to satisfy all of its customers' needs, implementing innovative solutions to better meet operational requirements while making sure to keep reducing its ecological footprint. Breakthroughs include Alstom's exclusive double-stage pump turbines, which greatly improve efficiency at high-head plants while reducing civil-engineering costs. Another example: the development of variable-speed pump turbines, which provide extensive operating potential and meet specific grid needs in terms of flexibility.

Alstom Hydro offers new solutions to minimise the environmental impact of its equipments. One example is the water-based solutions developed for turbines to replace conventional oil-based technology, eliminating risk of river pollution. Other innovations include ventilation technology to increase the oxygen content of water downstream from dams.

Wind power

Alstom gained an important foothold in the wind-power market in 2007 with the acquisition of Ecotècnia. Since then, the subsidiary has benefited from the Group's international network and technological support to supply turbines with a power of up to 3 MW, for both local wind-power facilities and international operations.

Biomass combustion

Alstom provides power plants that allow up to 20% biomass co-combustion, making it possible to use renewable energy sources and limit the use of fossil fuels. Co-combustion technology can also be incorporated into retrofits of coal-fired power plants.

Geothermal power

Alstom also provides geothermal power technology. In January 2010, it announced a turnkey geothermal power plant contract in the Puebla State of Mexico. The plant should produce per year more than 400 GWh of reliable, cost-effective and clean electricity, enough to power 100,000 homes.

Tidal stream power

Tidal stream power is a technology under development. It refers to extracting electrical energy from currents of water generated by the gravitational pulls of the moon and the sun. Tidal stream turbines are governed by the same principles that apply to traditional wind turbines but take into account the fact that water is about 800 times denser than air. Therefore, a 5 knot (2.5 m/s) tidal current contains more power per m² than an 80 kph wind. The turbine is designed to minimise maintenance requirements. During its lifetime, it will generate electricity with zero greenhouse gas emissions, a modest footprint on the bottom of the ocean and negligible impact on marine life.

Tidal Stream energy products are developed in partnership with Clean Current Power Systems Incorporated, a private Canadian company that designs and licenses tidal energy technology with unprecedented efficiency. The Clean Current technology has been particularly designed to minimise risks of outage and maintenance after the equipment installation on the seabed. In addition, the Clean Current turbines are designed for equivalent efficiency in both directions, thereby maximising benefits from two-way tidal currents.

Environmental Control Systems

Alstom is a leading supplier of air quality control systems to electricity generation facilities and for other industrial applications. Alstom has developed a wide range of post-combustion solutions to address the capture of the traditional pollutants (SO₂, NO_x, heavy metals and particulates).

Alstom is continuously improving its technologies. For example, with the ageing of existing flue gas desulphurisation units (wet scrubbers) and newer regulations set to lower SO₂ emissions, during the past two years, Alstom has worked to find an attractive solution to increase the efficiency of existing wet scrubbers. The innovative solution increases the removal of SO₂ and reduced energy consumption in wet scrubbers. The first full scale pilot installation was made at the Lowman coal-fired station in Alabama, USA. Testing showed performance increases above 97.5% SO₂ removal efficiency. When considering upgrading, the innovation into existing wet scrubbers increases SO₂ removal by as much as 20-30% compared to the situation before upgrade.

Nuclear electricity

Alstom participates in the world nuclear renaissance, one of the solutions for providing CO₂ free energy and a quick ramp up of capacity. Alstom designs, manufactures and delivers state-of-the-art products and systems for the conventional islands of nuclear power plants. Alstom's nuclear power conversion solutions are based on its ARABELLE™ steam turbine technology. Thanks to its single-flow steam expansion, the ARABELLE™ architecture ensures improved performance with, notably, higher levels of efficiency. Alstom's portfolio covers all plants, both existing and new ones. It has provided around 30% of turbine islands for nuclear power plants in the world.

IMPROVING FOSSIL ENERGY EFFICIENCY

Coal discharges more CO₂ than any other energy source but will continue to be a major source of power due to its wide availability, ease of access, and low cost. Improving the efficiency of coal-fired facilities therefore has a direct impact on CO₂ emissions. Estimates suggest that a 2% gain in efficiency would cut CO₂ emissions by 5%.

With regard to new equipment, energy efficiency means in particular finding ways to handle increasingly high temperatures in the steam cycle. The next step for these advanced cycles is to reach temperatures of 700°C, which would bring energy efficiency to 50% by 2020. As such, CO₂ emissions would be reduced by over 40% compared with average global emissions from coal-fired plants currently in operation, which have an average energy efficiency below 35%.

For existing plants currently in use, which are expected to remain in operation for a long time, a broad range of services and retrofits enables Alstom to significantly improve plant efficiency and hence, reduce the carbon footprint. This means more power from the same amount of fuel, longer plant life and major savings, coupled with a significant reduction in CO₂ emissions.

Improving energy efficiency also means upgrading gas-fired power plants, with the objective of reaching an efficiency rate of 60%.

CO₂ CAPTURE

According to the International Energy Agency (IEA), carbon capture should achieve 20% of the greenhouse gas emission reductions required by 2050. As coal is by far the largest emitter of CO₂, and is

expected to be responsible for more than two third of the CO₂ emission for power generation in 2030, CCS technologies must be developed to address both existing and future capacities.

Alstom has pursued an intensive research and development programme over the past few years to meet the technological and economic challenges involved in capturing CO₂ from electricity production from fossil fuels. By 2015, Alstom expects to offer power plants the ability to capture up to 90% of CO₂ emissions, through the amine scrubbing and chilled ammonia processes. In addition, these processes also remove some of the remaining SO₂ and NO_x emissions.

To capture the CO₂ emitted by a power station burning fossil fuels, Alstom is primarily focusing on post-combustion and oxy-combustion technologies. These technologies have the advantage of being able to be used in existing power plants. Pilot plants in the USA, Sweden, Norway, Germany, Poland and Canada are now testing the latest Alstom technology. Alstom is ready to start a first large scale (200 MW) chilled ammonia process before the end of 2012.

ASSESSMENT OF CO₂ EMISSIONS REDUCTIONS FROM ALSTOM OFFERING

In 2009 Alstom Power launched a project to quantify the impact of Alstom's offerings to its customers in terms of CO₂ reductions. This quantification covers all projects delivered by Alstom Power and commissioned from 2002 onwards including new build, retrofit, upgrade, fuel switch and repowering solutions.

The used methodological framework is the "GHG Protocol" developed by the WRI/WBCSD and more specifically its "Guidelines for quantifying GHG reductions from grid-connected electricity projects".

Reductions are determined by comparing Alstom's project emissions with either of the two baselines: (1) In case a project aims at replacing or improving existing capacity with the displaced emissions from existing power plants and (2) in case if a project aims for an extension of capacity, with the avoided emissions from alternative options which could have been implemented in the grid of reference.

In order to fulfil the consistency principle of the GHG Protocol in assessing the CO₂ emissions reductions resulting from a large number of projects (over 1,000 projects for the 2002-2008 period), simplified methodologies are used in line with the GHG protocol guidelines. These simplified procedures are mostly derived from approved CDM methodologies. The assessment has been made project by project, in each case taking into account the specific characteristics of the project and the context (country, grid...) in which it is implemented.

PricewaterhouseCoopers Audit (PwC) as an independent audit firm will issue, according to the professional standards, an assurance report on the figures resulting from the quantified assessment of CO₂ emissions reductions prepared in accordance with Alstom's methodology. Alstom's methodology is based on GHG Protocol Principles and specific guidelines for grid-connected electricity projects.

In this context, PwC has already started carrying out some procedures as part of its engagement.

The assessment for the past and the future projects of the whole portfolio of Alstom Power projects will allow to get a comprehensive picture on how Alstom offering has already been a key enabler for the CO₂ abatement of its customers. This will allow Alstom Power to enhance its positioning by a well-anticipated adaptation of its products portfolio and offering in terms of solutions leading to economically viable CO₂ emissions reductions.

The first assessment will be published during the 3rd quarter of 2010.

Automation and Control Solutions for the Management of energy in Urban environment

Part of the new power generation capacity to be built in the future will rely on renewable energies. Solar panels, wind towers, large electrical batteries will become standard equipment in commercial and industrial buildings.

In order to sustain this development of renewable energies and as part of its Clean Power strategy, Alstom is introducing the Urban Power™ offering: Internet-based automation solutions allowing the optimal control and monitoring of high power energy sources. These information technology-based and electronic solutions allow an optimal use of renewable energies such as solar or wind power.

Such green Energy Management solutions rely on a dual energy/data management architecture, including an innovative data management infrastructure based on the Microsoft SERA architecture and a combination of applications dedicated to each type of generation and storage (batteries, compressed-air energy storage) units.

Alstom's innovative Urban Power™ solutions have been proposed to support a number of "Smart Cities" demonstration projects across the European Union.

TRANSPORT SECTOR: SUSTAINABLE DEVELOPMENT STRATEGY

By 2015, the number of cities in the world with a population in excess of one million will have increased from 300 to over 550 and around 350 million people will live in mega-cities of over 10 million inhabitants. At the same time, passenger rail traffic will significantly increase. Rail transport is seen as the most environment-friendly of the different available means of transportation, which account altogether for more than 20% of the world's CO₂ emissions. For this reason, environmental protection is crucial to the Transport Sector for its strategic development.

Rail transport equipment is more than simply a solution; it represents a strategic stake in efficiently transporting more people and goods while reducing road congestion and urban pollution. Worldwide sustainable mobility and environmental friendly transport modes have been identified as key challenges.

Therefore, Alstom Transport along with authorities, and public or private operators, is committed to offering and adapting its products and services portfolio in line with the requirements of sustainable development.

The worldwide economic situation, together with the need for mobility, will lead to investment in public transport infrastructures as a sustainable lever for the recovery programmes launched to lead economies out of the recession. Such investment will lead to direct job creation, eco-friendly links to all the different city hubs, social inclusion and inter-city links for stable employment.

More attractive passenger vehicles and improved interoperability will largely participate in the shift towards the rail sector. Alstom Transport considers accessibility of high importance, for example, in the context of an ageing population with reduced mobility. In more general terms, the rail transport offering should meet citizen needs in terms of quality, efficiency, availability, safety and security.

Although rail transport is already considered as a sustainable and environment-friendly mode of transport, it has to become even more efficient and sustainable in the future.

Eco-design

More robust and standardised calculations of CO₂ impact of rail transport sector are being developed and will increasingly become mandatory as part of the action plans implemented by cities or countries to counter climate change.

The life cycle of a train represents an investment in the future covering a significant period of about 30 years. Alstom integrates environmental parameters into its trains at the design stage with a view to achieving sustainable mobility. This process consists of controlling and reducing the impact that products have on the environment at every stage of their life cycle, from manufacturing to recycling. As an example, the operating period of a 30 meter length CITADIS™ tramway represents 80% of the total greenhouse gas emitted during its life cycle. As a consequence, it is important to focus on energy consumption during the lifetime of sensitive spare part components.

Alstom pushes the boundaries of research at its "Eco-Design" Centre of Excellence, located in Valenciennes, France. As a result of this work, an eco-design policy was established in 2008, spanning the design of the products as well as their manufacturing processes.

Initial production now anticipates energy performance and the recovery of materials at various stages in a product's lifetime. The environmental impact of most products with regards to air, water and ground pollution, the consumption of raw materials, the produc-

tion of greenhouse gases, the destruction of the ozone layer and the production of hazardous waste are all assessed by the Environmental Information and Management Explorer (EIME™) software programme which Alstom helped develop. Significant parameters can therefore be calculated in order to monitor the environmental impact of Alstom Transport products.

By anticipating changes in the law, Alstom Transport is already planning the elimination of certain substances and materials that are harmful to the environment, such as hexavalent chromium used in treatment baths for the surface of brackets and electric components. Alstom Transport works on the European Commission regulation REACH (Registration Evaluation Authorisation of Chemicals) programme and is proactive in its design choices in order to eliminate all substances of very high concern (SVHC) from its products whenever substitution is feasible in terms of safety and availability of its systems.

Alstom Transport is also carrying out research on the use of biomaterials from renewable resources such as wood, hemp and wool as thermal and/or sound insulation in trains. The oils used in trains are now biodegradable. In that field, Alstom Transport is working with universities and suppliers in order to validate new uses of renewable materials. A bamboo floor is under test in the research and development programme.

Alstom Transport favours easily-recyclable materials such as aluminium, steel and copper. Riveting and bolting are preferred when assembling parts to facilitate end-of-life recycling. Of all the trains on the market, the CORADIA™ Duplex and CORADIA™ Continental models in service in the Stockholm area of Sweden are the ones which can be the most easily dismantled. METROPOLIS™ and CITADIS™ trams are now at least 85% recyclable, with levels of 95% achieved in the Hamburg metro. Stockholm's suburban CORADIA™ Lirex™ train holds the record for recyclability at 98%.

In the field of air quality inside the vehicles, measurements demonstrate that volatile organic compounds (VOCs) levels are far below the authorised limit value.

Trains to meet the needs of future generations

For several years, Alstom Transport has incorporated sociological factors into its product design to meet the needs of current and future generations.

Alstom engineers work on interior design to meet the needs of future generations. In line with Alstom's vision of sustainability, engineers are expected to design products to suit the users of tomorrow, particularly those who will be using Alstom trains in 30 years' time. For example, they have already planned and factored in changes in the morphology of passengers and on-board personnel such as the increased height of current and future generations. Those future constraints have been integrated into a higher ceiling and an appropriate axle load. AGV bodies have been widened to provide space for more comfortable seats.

Accessibility is one of the key levers in increasing the modal shift to the rail transport sector. It is also a tool of social integration. For Alstom Transport, the global target is to provide each person with proper access to any type of train in any configuration of the platforms.

Alstom has always focused on ensuring accessibility for the disabled and has integrated this concept into the core design of all its products. In 1987, the Grenoble tramway designed in conjunction with associations for the disabled and with government bodies, was the first vehicle to feature a low floor over 70% of its length. Alstom was also one of the signatories of France's National Accessibility Charter in December 2003. Alstom Transport aims to develop all sorts of devices such as passenger information systems or video systems that facilitate mobility for disabled people.

Trains designed to preserve their surroundings

Alstom Transport has fully integrated concerns related to the preservation of the world's heritage, including landscape and nature for the long term. It is committed to protecting the areas through which its trains run wherever possible, with the priority of reducing its footprint to an absolute minimum.

Alstom Transport developed the first diesel particulate filter for trains. The CORADIA™ Lint™ regional train, in use in Germany's Frankfurt region, has a particle emission rate of under 0.025g/kWh and is the first diesel train in the world to be fitted with a filter reducing soot particle emissions by 95%. This gives Alstom a head start in applying the 1999 European Union Directive on particle emissions (1999/30/EU) setting European standards for soot particle emissions in all Member States by 2012.

With its range of conventional CITADIS™ tramways, Alstom is the only manufacturer to develop a range of "wireless" solutions enabling tramways to be integrated harmoniously into their urban environments. APS (*Alimentation par le Sol*) ground-level power supply is a revolutionary electricity supply system, first used on the Bordeaux tramway but recently selected for use by the cities of Angers, Orleans, Reims and Dubai. Another solution lies in the use of onboard batteries that give tramways increased range and enable them to travel through protected urban areas without drawing on local power supplies. This technology was developed for rolling stock used on the Nice tramway in order to preserve the city's historic centre.

Optimal energy use

The need to protect the environment impacted by growing urbanisation requires a dramatic reduction in the use of energy. The train is the most competitive means of motorised transport in its field.

The high-speed train recently developed by Alstom Transport consumes, per passenger, the equivalent of only 0.4 litre of fuel per 100km, three times less than a bus (1.2 litre per 100km), six times

less than a car (2-3 litres per 100km) and 15 times less than an airplane (5-7 litres per 100km) (Source ADEME, ref CO₂/kWh with electricity generated in France).

Likewise, Alstom's new metro trains, such as the MF2000, which is gradually replacing the metro fleet in Paris, consume 30% less electricity than the previous generation.

This ongoing reduction in energy consumption is largely a result of efforts to lighten trains through the use of composite materials, improved traction systems and the articulated architecture of train sets. Alstom Transport has also reduced the weight (and energy consumption) of its metros and regional and high speed trains by 10-15%. The skill of Alstom's engineers allowed to reduce the weight of the AGV™, optimise carriage design to lighten metal parts, design an exterior skin only 2.5mm thick and introduce composite materials in the transoms linking the bogies to the carriages. As a result, the power-to-weight ratio of the AGV™ has been improved and the consumption of energy has been reduced.

As part of its bid to ensure optimal energy use, Alstom Transport is also working to offset energy loss wherever possible. Progress made in the area of traction enables most Alstom trains (metros, regional CORADIA™ trains, PRIMA™ locomotives, TGV⁽¹⁾ and AGV™) to recover power during braking. Their braking systems combine a rheostatic brake (which dissipates energy in the form of heat) with a power-recovery brake allowing energy generated during braking phases but not consumed by the train to be fed back into the power grid. The train's electronic management system allows CORADIA™ drivers to use the correct amount of power and thus control the train's energy consumption. Elsewhere, engines with permanent magnets used on the CITADIS™ and AGV™ provide improved efficiency.

To retain its competitive edge in environmental solutions, Alstom Transport is continuing its research efforts, particularly at its TGS Engineering System centre at Saint-Ouen, France, where research is carried out on projects such as the HESOP™ reversible station, which will enable almost all electrical energy recoverable from trains with regenerative braking systems to be fed back as direct current. Alstom Transport is also validating other rail solutions that use less energy, particularly units that can work in hybrid mode (energy provided by different types of engines) or dual mode (capacity to move both on electrified and non-electrified rail tracks). Depending on the outcome of current tests and on market demand, it is likely that some of these solutions, particularly hybrid shunting engines that reduce energy consumption by up to 40% compared with conventional solutions will be shortly on the market.

(1) TGV is a trademark registered by the SNCF.

External noise and Passenger comfort

The reduction of noise pollution is another environmental aspect in which Alstom Transport engineers are particularly active. Indeed, acoustic comfort is a key parameter in the design of Alstom Transport trains, even if legislation refers only to train crews. Increased speeds, use of lighter materials, and open space designs are the main reasons for increased noise. Special efforts are therefore made to reduce noise inside our products, taking into account acoustic comfort. Special developments have been carried out on high speed trains in order to design according to a final user perception and not only to fulfil regulatory noise requirements. In order to achieve acoustic comfort targets, special attention is given to disturbing noises such as rattles or whistles.

Alstom Transport products are designed to minimise noise pollution in accordance with the latest European legislation and international recommendations. Several research topics have been developed in recent years to optimise the acoustic radiation of the wheel-track interface either through the use of low noise wheels or by modifying the noise transfer path with absorbent skirts and geometrical barriers allowing a reduction of up to 2 decibels for exterior pass-by noise. Technologies applied to the prediction of countermeasures have been integrated into the preliminary stages of the design. Alstom Transport products like AGV™, PENDOLINO™, CITADIS™ Dualis™ and PRIMA™ II locomotive have benefited from these improvements, allowing for compliance with TSI (Technical Specification of Interoperability) levels.

In addition, Alstom Transport, as a global solution provider, has developed different techniques to minimise the ground vibration transmission through the use of high attenuation track systems implemented in ballasted tracks. Research on this topic is under way in order to achieve the same level of performance in non-ballasted tracks.

Environmental information

Alstom's main contribution to environmental protection lies in the technologies it offers. It also aims at offsetting the environmental impact of its activities.

MANAGEMENT SYSTEM

Roles and responsibilities in managing the environmental impact of Group activities

The Group defines the strategy, the global objectives and coordinates transversal programmes. The Sectors implement the Group policy and define their own priorities and action plans. The Environment, Health and Safety (EHS) units also launch specific action plans according to their local priorities. An EHS unit is an operational entity with common management of Environment, Health and Safety issues.

The EHS structure comprises a central team at Group level with EHS directors within the Sectors backed by a network of more than 300 EHS coordinators working within EHS units and/or production and project sites.

Alstom implements a decentralised approach, with each EHS unit in charge of assessing its own environmental performance, launching action plans to meet relevant targets, and reporting on its environmental data.

Environmental performance self-assessment

As part of the campaign to reduce its environmental footprint, the Group's 181 units are required to conduct a self-assessment of their environmental performance using a standard chart described in the "EHS Roadmap". This assessment covers a range of areas including environmental management, water, ground and air pollution, waste production and recycling, and site security. It also deals with health and occupational injury prevention (see the following section "Occupational Accident Prevention"). This allows the units to set their targets with a view to ensuring continuous improvement.

The EHS Roadmap is updated once a year based on the feedback of internal and external assessors as well as the EHS Community. The 2009 update focus for EHS management is on identification of environmental impacts and reporting on EHS performance and, for technical themes, on energy management, electrical safety, security and fire protection.

The sites are required to obtain a score of 3.5 or more on a scale from 1 (lack of awareness) to 5 (excellence). At 31 December 2009, 138 EHS units conducted self-evaluation based on relevant aspects of the roadmap.

The "EHS Roadmap" is also used for formal assessments conducted either by external consultants or by trained in-house specialists. 148 assessments took place over the 2009/10 fiscal year of which 40% were completed by external assessors. The Group aims to conduct full evaluations at all production sites every three years, with an update assessment every year.

A Group instruction was published this year to reinforce the deployment of self-assessments and formal assessments against the roadmap. New assessors have been trained and 63 internal assessors are now accredited. A new training course has been specifically designed to build internal skills on assessments of the security (fire and natural catastrophe) aspects. 30 professionals have been trained to date.

Reporting system

In 2009, Alstom redefined its Environment, Health & Safety Reporting System in order to improve the data quality and the efficiency of its process. The project called "EHS@Teranga" included the deployment of a new global platform based on the technology used for financial reporting which provides strong control and tracking features. The project reached more than 400 users around the world who were trained and ready to work with the new system in September 2009. This project contributes to the overall effort to focus on EHS objectives: Zero Severe Accident and Zero Environmental Impact.

In line with the previous system, the new system allows to assess safety and environmental performance on a monthly and quarterly basis. The indicators refer to the Global Reporting Initiative (GRI) and are specified in the Group's reporting manual, which is updated every year. The environmental reporting comprises 34 indicators and covers the permanent facilities. In 2009, reporting was enlarged to collect annual levels of air emissions of nitrogen oxides (NO_x), sulphur oxide (SO₂) and waterborne pollutants.

In terms of scope, the system currently covers an estimated 98% of employees with regards to safety information and some 90 to 95% with regards to environmental information depending on indicators. The number of EHS units rose from 158 to 181 over the past fiscal year for a closer monitoring. To address the quality of EHS data, the Group has decided to reinforce the control of its reporting process in two ways. Internal Audit teams monitor the EHS process and data during their site visits. And, for the first time, Alstom has

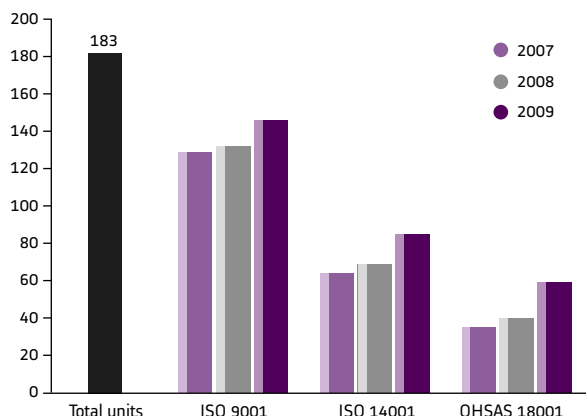
asked its independent Auditors to conduct an external verification of the key environmental indicators published in the Registration document. Their work focused on a selection of 14 indicators in the area of environment. A sample of 20 units averaging 44% coverage of environmental indicators was reviewed by PricewaterhouseCoopers' sustainable development specialists. The symbol * signifies the indicators covered by the review. The Review Report is available at the end of this section.

CERTIFICATION OF THE SITES

During the fiscal year 2009/10, Alstom set the following objective at Group level: all manufacturing units over 200 employees will be ISO 14001 certified by 2012.

At 31 December 2009, of the 181 Alstom EHS units, 145 qualified for ISO 9001 certification (quality), 85 for ISO 14001 certification (environment) and 61 for OHSAS 18001 certification (safety).

Certification of Units



Source: Alstom.

Both Alstom Transport and Power Sectors have made efforts to harmonise management systems and integrate activities under common certificates. For example, the Alstom Power Thermal Services units from 17 countries are now deploying the same Global Environmental Health and Safety Management System based on the Alstom EHS Roadmap and which is recognised by a single ISO14001 and OHSAS 18001 certificate.

Regarding the Group objective on certification: about 60% manufacturing units over 200 people are ISO 14001 certified at 31 December 2009.

In addition to the ISO and OHSAS certifications, some sites in Germany are also certified under EMAS (EU Eco-Management and Audit Scheme), a management tool to evaluate, report and improve the environmental performance.

REDUCING THE INTENSITY OF ENERGY USED AND GREENHOUSE GASES

Since April 2006, the Group has collected environmental data on energy consumption at each of its permanent facilities, excluding project sites. This information has allowed Alstom to measure its greenhouse gas (GHG) emission reduction in line with international targets, including those set by the European Union.

Alstom has implemented a protocol to assess GHG emissions according to the different sources, in accordance with the GHG Protocol of the World Business Council for Sustainable Development, the World Resources Institute and ISO 14064-1 requirements. The reporting tracks direct emissions from energy usage on a quarterly basis as well as indirect emissions from electricity and steam use in the permanent facilities.

Alstom publishes emissions data in the Carbon Disclosure Project survey, an initiative launched by a group of investors. Data covers both direct and indirect emissions, with the exception of emissions from project sites.

Energy Consumption

Energy consumption in permanent facilities

	Calendar year 2007	Calendar year 2008	Calendar year 2009
GWh of natural gas	579	780	653 *
GWh of butane, propane and other gases	22	23	28 *
GWh of heavy and fuel oil	53	88	31 *
GWh of steam/heat	123	138	133 *
GWh of electricity	574	612	615 *
GWh of coal & other fuels	-	71	23 *
Total energy consumption (GWh)	1,351	1,712	1,483 *

Source: Alstom.

* These indicators have been reviewed by PricewaterhouseCoopers.

Significant evolution of scope occurred between 2007 and 2008 with acquisition of businesses in Spain, Finland and China. This, coupled to higher production levels, is the reason for the increase of the consumption in 2008.

Main energy use for Alstom workshops include gas consumption for heating and cooling as well as electricity consumption for industrial processes and lighting. The test facilities in Birr and Windsor also use significant amount of fuels for tests.

Despite the long winter at the beginning of 2009, gas consumption has started to show some reductions due to the deployment of action plans on sites. Electricity consumption is stable due to increase in the activity levels compensated by significant efforts made to improve compressors optimization and compressed air networks.

Investments have also been made to replace equipment such as boilers that use fuel oil by new equipment consuming natural gas. Coal consumption is showing very significant reduction due to changes in industrial processes at the Wuhan facility as well as in Sizhou, with both Chinese units having ended coal usage in the course of the year.

CO₂ emissions from energy usage in permanent facilities

	Calendar year 2007	Calendar year 2008	Calendar year 2009
Direct CO ₂ emissions from natural gas, butane, propane, coal and oil consumption (ktons)	136	211	153 *
Indirect CO ₂ emissions from steam, heat and electricity consumption (ktons)	263	280	280 *
Total CO ₂ emissions (ktons)	399	491	433 *
Energy intensity (MWh per € million sales)	-	104.7	98.1 * ⁽¹⁾
Intensity of CO ₂ emissions (tons per € million sales)	-	30.0	28.4 ⁽¹⁾

Source: Alstom.

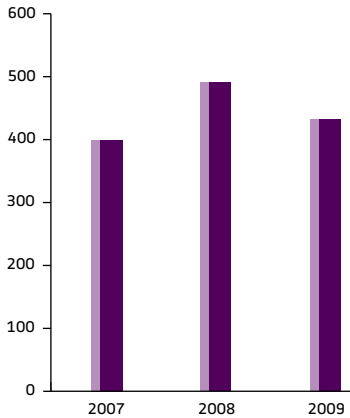
* These indicators have been reviewed by PricewaterhouseCoopers.

(1) For comparison purposes, and according to Alstom GHG protocol, energy intensity and CO₂ intensity are presented for 2009 over an equivalent perimeter as 2008.

Emissions have evolved in the same direction as consumptions. Direct emissions from gas and fuel oil have been significantly reduced, indirect emissions from electricity and steam are rather stable altogether.

Total CO₂ emissions show a good decrease despite the negative impact of tough weather conditions and reflect the positive impacts of action plans deployed.

Evolution of CO₂ emissions from stationary combustion sources in Alstom permanent facilities (ktons) in calendar year



Source: Alstom.

Emissions from company vehicles are not included in the graphs and charts above and have been estimated based on fuel consumptions more or less equivalent for gasoline and diesel oil. They amount to less than 20,000 tonnes * of CO₂ for 2009.

The Group also collects data for emissions of other gases falling under Kyoto Protocol (SF₆, PFCs and HFCs). For 2009, these emissions have been significantly reduced from about 5 ktons in 2008 to less than 3 ktons CO₂ equivalent, as a result of actions taken to reduce SF₆ usage.

Reducing the intensity of energy and greenhouse gases by 20% by 2015

Two years ago, the Group announced its objective to reduce the intensity of energy and greenhouse gases from its operations by 20% by 2015. The baseline is determined on the basis of 2006/07 data where available, 2007/08 data for the rest of installations and the first 12 months of activity for new units. The intensity of energy and greenhouse gas emissions is measured in terms of the amount of energy used and greenhouse gases produced in relation to sales. The Group has also defined specifications for energy assessments and submitted them to the French Environment and Energy Management Agency (ADEME).

Energy surveys have been completed at 40 sites, mainly manufacturing sites consuming more than 10 GWh per year. Most of these Alstom sites began implementing action plans in 2009, which is already leading to good results.

Actions have focused, for example, on raising staff awareness of the need to avoid wasting energy, the optimisation of compressed air networks and equipments, the reduction of heating demand by better integration of shift work planning, the optimisation of control systems and the deployment of energy-efficient lighting. Experience

* This indicator has been reviewed by PricewaterhouseCoopers.

from large units in the deployment of these good practices has been collected in order to establish a Handbook of Good Practices for Energy Conservation from which smaller units can benefit.

INTEGRATION OF ENERGY-SAVING FEATURES IN THE NEW BUILDINGS

Efforts have also been made with respect to the integration of energy-saving features in the design and renovation of major sites such as Wuhan Boilers in China, Massy in France, Chattanooga in the USA and Durgapur in India.

As an example of energy efficiency improvement and greenhouse gas reduction, the Wuhan Boiler facility in China has been moved to a new location. The Wuhan factory features an energy efficient, worker-friendly design that will considerably reduce the factory's environmental impact, lowering its CO₂ emissions by 6,000 tons each year as a result of architectural innovations such as low energy lighting, solar-powered water heaters, recyclable flooring and wood insulation panels, and geothermal heat exchangers that use the earth's constant subterranean temperature for warming and cooling purposes.

LIGHTING SYSTEM ACTION PLAN

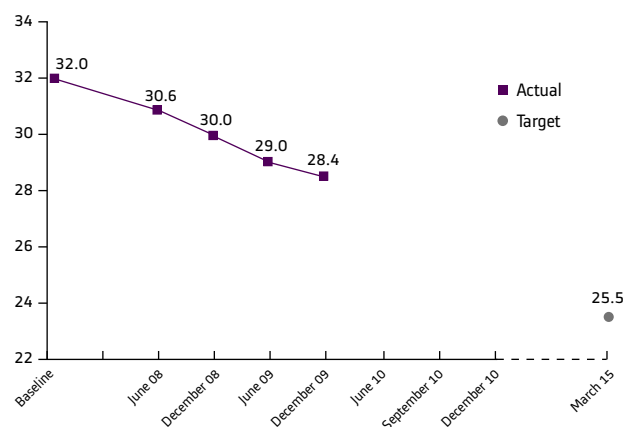
Alstom's Metro Traincare Centre in South London has replaced an obsolete 85 watt lighting system with 970 new 49 watt light fittings, controlled by strategically placed ambience sensors. The lux (light) levels within the operating areas were increased by more than 200% thanks to better placement of light fittings, improved reflective surfaces and better illuminicity of installed light fittings. The lower wattage has delivered a 42% saving in energy usage since installation in September 2009. In addition, ambience lighting has been phased, with 50% of lights turned off automatically from dawn to dusk, and all lights turned off during full sunshine. Over the course of a year, total savings are expected to be in the range of 50-70%.

VIRTUALISATION OF INFORMATION TECHNOLOGY SERVERS

Virtualisation is a technology that allows many small physical servers to be replaced by one larger physical server, to increase the utilisation of hardware resources. In addition to being more flexible and less costly, it results in a significant reduction of the electrical power used by the infrastructure. It is estimated that, in 2009, 19% of the servers in the world were running on virtual machines. Alstom is well ahead with already 52% of its servers being virtual. Compared to the same capacity under a physical infrastructure, the energy consumption is estimated to be reduced by 19,200 MWh, equivalent to 10,000 tons of CO₂ per year, and the savings to be about €12 million in energy and hardware. In terms of cost and carbon footprint, virtualisation helps Alstom to mitigate the impact of the structural increase in storage needs that all companies are facing.

Estimates suggest that Alstom has already succeeded in reducing the intensity of its CO₂ emissions by 11%.

CO₂ intensity (Tons CO₂/M€ sales) 12 rolling months up to December 2009



For comparison purposes, and according to Alstom GHG protocol, CO₂ intensity is presented for 2009 on a like for like basis with 2008.

In Switzerland, Alstom has also received a certificate from the Swiss Energy for the Economy Agency (AenEC) recognising that the Company is committed to protecting the climate, reducing emissions and using energy efficiently.

Quotas under the EU Emissions Trading Scheme

The Group is not currently operating power plants, with the exception of test facilities. To date, only two French sites are subject to emission quotas under the European Union (EU) Emissions Trading Scheme (ETS): Alstom Power TurboMachines which operates a heating facility used to supply all companies at the Belfort site (France) and the Reichshoffen site (France) operated by Alstom Transport. Allowances of approximately 13,856 metric tons are distributed each year to the two sites under the 2008-2012 French national allocation plan (*Plan National d'Affectation des Quotas*) for greenhouse-gas emissions. In compliance with regulations, these sites declare their emissions, which are then checked by an approved body and return the corresponding quotas.

Alstom's main test centre located in Birr (Switzerland) is also allowed to emit up to 36,000 metric tons of CO₂ per year between 2008 and 2012. The facility is used to test gas turbines in real-life conditions and the generated electricity is fed back into Switzerland's power grid.

OFFSETTING OTHER ENVIRONMENTAL IMPACTS

Water consumption

During fiscal year 2009/10, the Group announced its objective to reach a 20% reduction in water consumption for units located in areas affected by water restrictions by 2015, on the basis of the data collected in 2009.

Water consumption in permanent facilities

	Calendar year 2007	Calendar year 2008	Calendar year 2009
Cubic metres of public network	2,367,000	4,214,000	3,476,000
Cubic metres of ground water	1,591,000	1,700,000	1,722,000
Cubic metres of surface water	628,000	625,000	472,000
Total water consumption (in cubic metres)	4,586,000	6,539,000	5,670,000

Source: Alstom.

Significant evolution of scope occurred between 2007 and 2008 with acquisition of businesses in Spain, Finland and China. This, coupled to higher production levels, is the reason for the increase of the consumption in 2008.

Among the 181 units, around 20 units consume more than 75% of the water used within the Group in permanent facilities. The top consumers are located in China, India, France, UK, Poland, Italy and Brazil. A survey covering the major consumers has been launched in order to determine the areas most affected by drought and local restrictions by the authorities, identify existing good practices and

determine most significant opportunities for improvement. Results will be analysed in detail and communicated with associated action plans in the course of fiscal year 2010/11.

The most concerned sites have already implemented their own action plans resulting in a decrease of total water consumption by 12%.

By way of example, Durgapur, India (860 employees) was one of Alstom's largest water consuming sites total water consumption reached 967,000 m³ last year, including operations and township usage. Township usage refers to the supply of water to meet the needs of current and retired Alstom employees living near the work-site. It represents approximately four-fifths of the plant's total water consumption. To reduce overall water consumption, water is now metered both at the factory inlet and at the township. In addition, activities causing high water consumption have been identified and remedial measures put in place – such as recycling systems which have been installed in three hydraulic testing stations and cooling applications. Moreover, all heat exchangers have been equipped with water recycling systems. The results of this action plan will be calculated next year.

Another example is the Wuhan Boiler manufacturing facility in China, also one of Alstom's largest water consuming sites. A significant

reduction in water consumption has been achieved recently, from 120,000 m³ to around 80,000 m³ per month. This was mainly due to relocation of the factory to a new site, allowing the dismantling of the old coal fired boiler house, gas station and the forging site, all three of which consumed large volumes of water. Assessments are being carried out to incorporate the use of water recycling equipment for hydraulic testing. The previous site was more than 50 years old, and 30% of the water was lost due to leaks. The new site has been designed to reduce water consumption. Employees have been trained to be more water-conscious. The lessons learnt from the Wuhan experience are that underground piping systems need to be maintained regularly in order to prevent leakage.

Changes in industrial processes have also enabled significant reduction in water pumped from surface water at the Hydro manufacturing site in Brazil.

Waterborne discharges

Waterborne discharges in permanent facilities

Discharges	Calendar year 2008	Calendar year 2009
Chemical Oxygen Demand (kg)	198,000	176,000
Suspended Matters (kg)	113,000	68,000
Hydrocarbons (kg)	2,700	5,200
Metals (kg)	416	2,400

In 2008, data came from the environmental survey at manufacturing sites accounting for 80% of the Group's water consumption and monitoring water quality. They are now reported in the EHS reporting tool.

Source: Alstom.

The impact on the quality of the water discharged by the Group's production facilities are globally considered as relatively limited, although certain sites may at times be confronted with specific issues.

Significant evolution results largely from termination of coal usage and changes in processes at Sizhou and Wuhan in China.

Airborne emissions

NON-METHANOUS VOC EMISSIONS

During fiscal year 2009/10, Alstom has set an objective to reduce non-methanous volatile organic compounds (VOCs) emissions by 10% by 2015.

VOC emissions in permanent facilities

VOCs emissions	Calendar year 2008	Calendar year 2009
VOCs (metric tons)	680 ⁽¹⁾	685 *

* These indicators have been reviewed by PricewaterhouseCoopers.

(1) Figures 2008 revised by including Sizhou (China), Salzgitter (Germany) and Tianjin (China).

Initiatives are taken in order to reduce VOCs emission. As an example, Alstom Transport experts conducted in-depth research with suppliers and customers as part of the drive to standardise painting techniques in Europe. Efforts have made it possible to provide water-soluble paints for most of the rolling stock. Around 900 metric tons of paint are used every year. The new “fully water-based” or mixed paint systems cut annual tonnage by 200 metric tons, the equivalent of two-thirds of VOCs emissions inherent in paintwork operations. The new technology also improves working conditions and safety levels

for employees, who are far less exposed to solvents. The goal is to increase the overall use of these paints. For instance, Alstom Transport in Belfort, France, has shifted from solvent-based paints (SBP) to water-based paints (WBP) for locomotives. A comparative analysis shows that a diesel locomotive painted with only water based-paints emits 88% less VOCs than one painted with solvent-based paints. This initiative is being spread.

SO₂ AND NO_x EMISSIONS

SO₂ and NO_x emissions in permanent facilities

SO ₂ and NO _x emissions	Calendar year 2008	Calendar year 2009
SO ₂ (metric tons)	95	30
NO _x (metric tons)	194	162

In 2008, data came from the environmental survey at manufacturing sites accounting for 80% of the Group's energy consumption. They are now reported in the EHS reporting tool.

These emissions result mainly from the use of direct energy sources on sites: gas, oil and coal.

Waste management

Alstom has released figures on waste management over the Group perimeter since 2008. During fiscal year 2009/10, Alstom committed to reduce waste production and to set an objective at Group level on recycled waste: 80% of the total waste will be recycled by 2015.

To reach this objective, Alstom Sectors have to propose by July 2010 a roadmap to identify main actions and key milestones to meet these objectives.

Waste management in permanent facilities

	Calendar year 2008	Calendar year 2009
Waste production (metric tons)	112,000 ⁽¹⁾	115,000
Of which hazardous waste (metric tons)	9,000 ⁽¹⁾	8,000
Of which recycled waste (metric tons)	75,000 ⁽¹⁾	84,000
% of recycled waste	66%	72%

(1) Due to extensive review of figures, standardization of definitions of waste and recycled waste, 2008 figures have been reviewed.

Eliminating asbestos

Alstom does its utmost to comply with the latest health and safety regulations, particularly in terms of risks related to asbestos. An internal instruction in August 2006 reminded the complete ban on the use of asbestos in the Group and relevant documentation was drawn up to make this policy comply with local regulations in North America, Latin America, Europe, India and China in all production practices, including those used by suppliers.

In 2007, Alstom made further progresses with the introduction of a policy to eliminate asbestos from all buildings used by the Group worldwide, when reasonably achievable, including in countries where

such materials are not prohibited. The policy comprises several stages: the first stage requiring a full inventory of asbestos-containing materials at all manufacturing and service sites, and the presence of regularly updated asbestos documentation; the second stage bringing in an independent consulting firm to identify needs in terms of technical appraisals (detecting asbestos), estimating potential cost of removal and compiling short, medium and long term action plans.

Taking a step further in compliance with the no asbestos policy, one of the Alstom businesses has made further progress by starting a comprehensive “asbestos training program” across the supply chain to ensure that the use of asbestos is eliminated at the very beginning of the sourcing process. After the successful pilot in Baden, Switzerland,

this training is being rolled out worldwide. It has already been conducted in China, India, Malaysia, Switzerland, France and South Africa. This training is given to supply chain's quality auditors who inspect and audit suppliers. The course provides tools to recognise asbestos, questions to ask during inspections, and ways to refer potential problems. The ultimate goal is to reinforce the prevention and to qualify suppliers delivering asbestos-free equipment.

Examples of action plans to offset the environmental impact of operations

A number of action plans have already been implemented on a local level to offset the environmental impact of operations, including selective sorting, reduced paper consumption, waste collection, awareness campaigns for employees, etc.

The following are just a few examples of recent efforts to offset the environmental impact of Group activities.

The Alstom rotor factory in Birr, Switzerland, has again been certified in 2009 as a Swiss Business Nature Park by the Swiss Foundation for Nature and the Economy. The certificate is awarded to companies that use ecologically sound practices to manage their facilities. Over the past 10 years, biocides and fertilizers have all been phased out and exotic plants replaced by indigenous species. These bio solutions help preserve the eco system as part of the Alstom environmental responsibility.

Alstom in Hungary launched in 2009 a programme to increase the environmental awareness of employees and reduce the company's carbon footprint. As a first step, all offices will switch from regular to recycled paper, saving more than 120 trees, approximately 3,000 kWh of energy and about 230,000 litres of water, while reducing waste by about 20 cubic metres each year. Further initiatives, such as collecting used batteries, will follow later this year. In addition, the country is launching a communications programme to educate employees on how to save energy and water.

In the USA, at Chattanooga, Alstom demonstrated its leadership and environmental stewardship by voluntarily assessing the construction of new buildings and the re-design of already existing buildings in line with LEED (Leadership in Energy and Environmental Design model). LEED is an internationally recognised green building certification system providing third party verification that a building or community is designed and built using strategies aiming at improving performance across metrics such as energy savings, water efficiency, CO₂ emissions reduction, improved indoor environmental quality and stewardship of resources and sensitivity to their impacts. The Chattanooga site undergoing this certification process includes the construction of a Health Centre. The internal assessment team which includes two LEED certified architects have assigned a score of 44 out of 49 points and rated the whole campus in the Gold category. This assessment confirms that the site is well on track to get the certification process completed and has helped identify the metrics that need to be worked on to secure extra points. The third party

certification process will be done later by a network of ISO-compliant international certifying bodies and the whole process is expected to be completed by March, 2011. Once the certification process gets officially completed, Chattanooga will be the first Alstom site to have received such a certification.

RAISING EMPLOYEE AWARENESS ON ENVIRONMENTAL ISSUES

To raise the awareness on environmental issues is part of the Alstom Corporate Responsibility.

Several initiatives have been taken: the intranet website gives information on the demographic evolution, industrial production, natural resources consumption and their consequences on the environment; Alstom entered into a partnership with the Fondation Nicolas Hulot aiming at developing a Sustainable Development awareness programme; a series of "do's and do not's" regarding the protection of the environment has been designed for Alstom by the Chinese NGO "The Global Village Beijing" in China along with the USA-based NGO "The Nature Conservancy".

In 2009, several initiatives have been taken, using the international event in Copenhagen to explain the main environment issues related to CO₂ and the possible solutions. A dedicated blog also allowed the employees to follow the course of the negotiations.

Employees are encouraged to help make sites more environmentally friendly. In Saint-Ouen, France (2,100 employees), for instance, pro-active employees have set up a "Green Circle" (*Cercle Vert*) group which submits ideas on ways to improve operations such as a "green" guide, information on what happens to waste once it has been sorted and a study on car-pooling spanning a number of sites. All these initiatives carry the same logo across all site communications.

Alstom conducts actions to encourage its employees to use eco-friendly ways of transportation at local level. In Sweden, a specific action has been implemented in 2009 with objectives to reduce CO₂ emissions from travel and transport: 40% of all transportations should be by train, at least 50% of all rented cars should be EcoCars (the concept of EcoCars refers to flexible-fueled car, using the fuel E85, a mixture of up to 85% denatured fuel ethanol and gasoline or other hydrocarbon) and use of video and telephone conferences instead of travelling was recommended. The results of the 2009 review reveal that the number of rented EcoCars has increased by 70% compared to the previous year, 60% of all employees transports (calculated in km) were done with environment-friendly vehicles, such as trains and EcoCars. A distance of 950,000 km was covered by train. If the same distance had been covered by car (gasoline) the emissions would have been around 90 tons. Further improvements are planned in 2010, such as agreement with car suppliers to prioritize EcoCars as first choice. If all of the rented cars had been EcoCars, the business would have avoided 70 tons of CO₂ emission during 2009.

| Social information

WORKFORCE

The figures in the following tables include permanent and fixed-term contracts.

Group workforce at 31 March 2010

Breakdown by region

	Europe	North America	Central & South America	Asia/Pacific	Africa/Middle East	Total
Workforce	48,207	9,179	4,376	13,127	1,731	76,620
Long-term absentees (LTA)	862	74	118	62	4	1,120
% of total workforce	62.92%	11.98%	5.71%	17.13%	2.26%	

Breakdown by category (Including LTA)

	Europe	North America	Central & South America	Asia/Pacific	Africa/Middle East	Total	% of total workforce
Engineers & managers	22,257	4,112	1,573	5,692	523	34,157	43.93%
Other employees	26,812	5,141	2,921	7,497	1,212	43,583	56.06%

Breakdown by Sector in percentage (% of total workforce, including LTA)

	Europe	North America	Central & South America	Asia/Pacific	Africa/Middle East	% of total workforce
Power	35.28%	9.50%	3.21%	15.14%	1.10%	64.27%
Transport	25.99%	2.20%	2.43%	1.61%	1.07%	33.32%
Other	1.83%	0.18%	0.12%	0.20%	0.05%	2.40%

Breakdown by gender (% of total workforce by region, including LTA)

	Europe	North America	Central & South America	Asia/Pacific	Africa/Middle East	Total
Men	83.49%	86.08%	85.93%	84.13%	83.28%	84.04%
Women	16.51%	13.92%	14.07%	15.87%	16.72%	15.96%

Breakdown by type of contract (including LTA)

	Europe	North America	Central & South America	Asia/Pacific	Africa/Middle East	Total
Permanent contracts	45,947	7,322	4,257	10,522	810	68,858
Fixed-term contracts	3,122	1,931	237	2,667	925	8,882
Temporary workers	4,933	393	238	2,272	122	7,958
Interns	1,255	44	127	166	11	1,603

Workforce changes during 2008/09 fiscal year (including LTA)

	Europe	North America	Central & South America	Asia/Pacific	Africa/Middle East	Total
Hiring on permanent contracts	2,607	578	570	792	160	4,707
Hiring on fixed-term contracts	2,068	3,643	846	950	737	8,244
Resignations	730	164	113	614	45	1,666
Redundancies	507	573	321	280	0	1,681
Other departures *	2,180	565	495	1,252	65	4,557

* Not including disposals and acquisitions.

GROUP HUMAN RESOURCES POLICY

In addition to its standard missions, Alstom's Human Resources (HR) policy contributes to shaping the Group in relation to evolutions in the economic, social and technical environment.

Its standard missions include ensuring that retiring employees pass on their skills to others, integrating new comers and younger employees, dealing with a wide range of cultures and rewarding employees' contributions fairly. They also include new challenges such as evolutions in working practices, the development of network activities and the use of new communication technologies.

In addition, the Group must adapt its organisation to better match the customer expectations. It must improve its performance, effectively integrate newly acquired entities and significantly reinforce its presence in countries such as China, India, South Africa and Russia.

Finally, stakeholder expectations for a stronger involvement of the Group on corporate social responsibility subjects call for more detailed social reporting, increased transparency and behaviours that fully respect both people and the environment.

Alstom's HR policy contributes to these goals, and focuses on three main themes:

- developing corporate culture by sharing the Group's vision and values;
- preparing the resources that the Group will need in the future;
- increasing operational efficiency.

Current policies are summarised in a brochure updated in 2009 and issued to all Alstom managers. These policies cover all Group sites and are implemented in the same way, regardless of the site's location.

A survey was conducted in 20 countries in which Alstom employs over 600 people (France, Germany, the UK, Switzerland, Spain, Italy, Croatia, Romania, Poland, the Czech Republic, the US, Mexico, Brazil, Canada, China, Indonesia, Malaysia, India, Belgium and Sweden), representing 90% of Alstom's workforce. The survey provided data on remuneration by category and by gender along with information on training, employment of people with disabilities, employee representation, child labour and forced labour, life insurance coverage, freedom of association, discrimination and action to benefit local communities. The definitions used for each of these indicators are defined in correlation with the Global Reporting Initiative (GRI).

Sharing the vision and values

ALSTOM VALUES

Alstom's three values – Trust, Team and Action – contribute to bringing employees together around a common culture and enhancing their sense of belonging to the Group. They are referred to in the Group's Code of Ethics, which is distributed to all employees. They are further explained via an e-learning programme launched in March 2008 in seven languages and local communication actions tailored to different cultures.

RESPECTING ETHICAL GUIDELINES

Alstom's growth is based on a culture of integrity and uncompromising ethical principles covering employees, shareholders, customers, suppliers and sub-contractors, authorities, competitors and the public. The Code of Ethics was reviewed and updated in March 2010 and has been translated into 14 languages. Additional languages can be added upon request. Its distribution targets each employee. The Code of Ethics will also be issued for the Group's external stakeholders.

Directly rooted in the core values of the Group, *i.e.* Trust, Team and Action, the Code of Ethics provides official and mandatory guidelines on key principles and commitments that must be met by managers, by employees and by the Group as a whole every day. It is designed to promote honest and ethical conduct with all stakeholders. Every employee within the Group is accountable for respecting the principles and rules of the Code of Ethics.

The Code of Ethics includes an Alert Procedure which can be used by any employee if he or she has reason to suspect a violation of anti-corruption, competition and securities or accounting laws and regulations. The identity of people who exercise this right is kept confidential wherever possible by the regulations. In the USA, the Company provides "The Alstom US Business Conduct Hot Line" for this very purpose. This hotline guarantees anonymity. The alert procedure was reviewed in the most recent update of the Code of Ethics to facilitate its implementation.

In February 2010, four new guidelines dealing with gifts and hospitality, political contributions, charitable contributions and sponsorship were issued and communicated to employees.

The mission of the Ethics and Compliance department which has been given additional resources is to define and implement the Alstom Integrity Programme, in terms of content – the Code of Ethics, rules, guidelines and procedures – of implementation through appropriate training and communication actions, and of monitoring with the support of the Internal Control and Internal Audit departments when necessary.

To ensure that all Managers and Professionals in the Group understand and adhere to the principles expressed in the Code of Ethics, a new e-learning module called e-Ethics has been deployed since March 2010, in all countries and in 8 languages. The completion of the module is mandatory for all 35,000 Managers & Professionals.

In addition, to continuously improve and as part of its ongoing actions to apply the highest standards in the area of Ethics & Compliance, Alstom called on "Ethic Intelligence International", an independent body, to audit and validate its rules and procedures governing relations with sales and marketing consultants and agents. The audit was conducted between September 2008 and March 2009 by the Swiss audit company, SGS, and a conclusion report was issued by a pool of international recognised experts. The audit concluded that the quality

of Alstom compliance policy and the quality of its implementation correspond to international best practices. As a consequence of this positive review, the Group was awarded a certificate on 12 March 2009, valid for two years.

HUMAN RIGHTS

Alstom considers that the respect of human rights are an essential part of sustainable development. It has adopted policies incorporating human rights. It is Alstom's social policy to fully comply with the United Nations Universal Declaration of Human Rights and with the International Labour Organisation's Fundamental Conventions. In line with these principles, Alstom applies a human resources policy based on fair treatment and respect for individuals, their dignity, rights and individual liberties. The Group promotes all forms of dialogue with both individual employees and their representatives.

Alstom conducts an annual survey to ensure the absence of any incidents regarding child labour and forced labour, freedom of association or any kind of discrimination. The Environment, Health and Safety policy is deployed worldwide. Alstom considers that its primary social responsibility is to implement its human resources policy in the same way, wherever it operates in the world.

The charter that Alstom's suppliers and sub-contractors are requested to sign provides that the principles set out in the United Nations Universal Declaration of Human Rights are respected.

Alstom is a member of the Global Compact, promoting respect for human rights in its sphere of influence. During the fiscal year, Alstom participated in a Global Compact working group aiming at providing guidelines for investors and companies operating in conflict-affected and high risk areas. Alstom encourages its managers to involve themselves in their local Global Compact network.

As part of its corporate responsibility, the Group ensures that ethical practices are applied in employment, workplace, supply chain, communities and business conduct.

EQUAL OPPORTUNITY

Gender equality

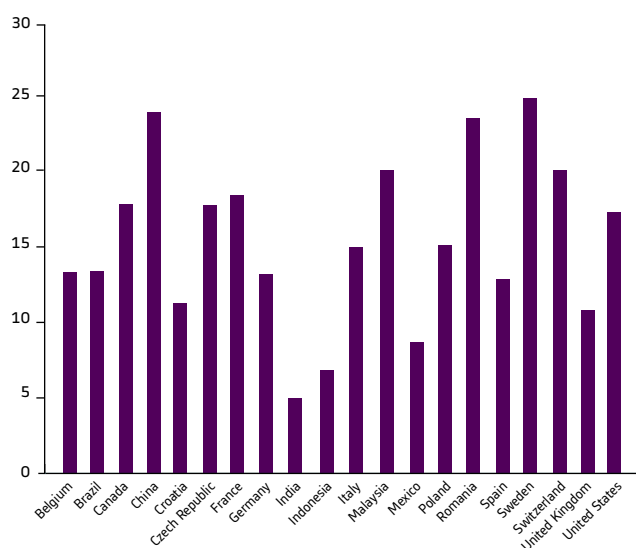
It is the Group's policy to promote equal opportunities for men and women on the basis of equal employment and qualifications. This principle is included in Alstom's Code of Ethics and in the Company's HR policy, "It's all about people".

In the past, Alstom businesses attracted a majority of male engineers. Today, Alstom attaches great importance to ensuring the better integration of women in its activities. Women currently represent 16% of the total workforce, with a slight increase compared to last year (16%). The percentage of women managers and professionals is 16.5%.

Women represent 7% of all executive management staff (1,200 people) as of 31 March 2010, compared to 6% in 2009 and 4% in 2006.

The proportion of women in headcount varies greatly between countries. Women represent 25% of headcount in Sweden, 24% in China and Romania, 20% in Malaysia and Switzerland, 18% in France, the Czech Republic and the USA, 17% in Canada, 15% in Poland and Italy, 13% in Belgium, Brazil, Germany and Spain, 11% in the UK and Croatia. The figures are around 8% in Mexico, 7% in Indonesia and 5% in India.

Percentage of women in headcount in 2009/10



Source: Alstom.

The Group has no specific targets for the percentage of women in its total workforce. However, it closely checks the evolution in these indicators and actively promotes diversity.

Alstom is also involved in promoting industry careers among female students in several countries in partnership with relevant associations. In the United States for example, it is a member and sponsor of the Society of Women Engineers (SWE). Founded in 1950, the SWE is a non-profit organisation that aims to advise and encourage female students considering a career in engineering. Alstom also supports members of the Society of Women in Engineering at the Missouri University of Science & Technology and sponsored a gathering to discuss the opportunities for women in engineering. In France, Alstom is a member of the association *Elles bougent*, a non-profit organisation that helps young female engineering students find out more about opportunities in industry. During this fiscal year, 66 Alstom "mentors", women engineers and managers working at Alstom, took part in round-table discussions and in site visits with women students to highlight business opportunities.

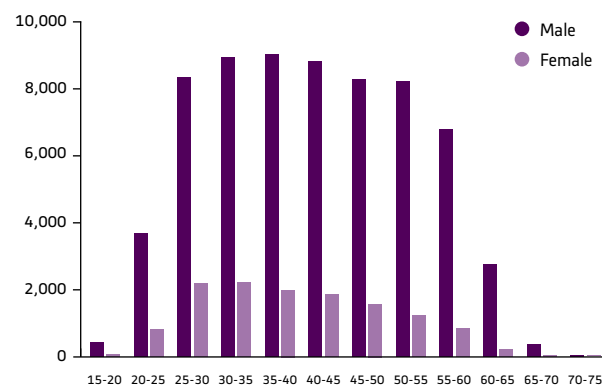
To better adapt to changes in society, Alstom Transport France signed a "Parenthood Charter" (*Charte de la parentalité*) in 2008, sponsored by the French Ministry of Employment, under which it commits to promoting the right balance between personal and professional lives for both men and women. It signed in July 2009 an agreement with the Unions on the balance between private and professional life. The agreement includes the possibility of working from home, the extension of maternity leave and special leave for family events. Each French site has been allocated a budget for financing day nurseries or participating in child care costs.

In La Courneuve, France, an inter-company day nursery has been created through the impetus of Alstom Power. The Company has developed a partnership with the local municipality to lead this project. People who work or live in the area can use the child-minding. This action is in line with Alstom's aim to help its employees achieve a better work-life balance. It also reflects its commitment to contribute to development in its local area.

In Switzerland, a network named WAVE (Women Adding Value to Engineering) provides a catalyst for the development and advancement of female professionals at Alstom. Its goals are to promote diversity, develop relationships to support professional growth and enhance employees' work-life balance. WAVE organises bi-monthly events such as workshops, lunch talks and informal meetings. It has 170 members from 20 different nationalities and from all the Power Businesses. The value to Alstom is the ability to attract potential candidates, to facilitate the professional development of members, to nurture professional relationships and to retain employees.

Alstom has conducted a survey in 20 countries representing 90% of the total headcount, in order to assess possible salary discrepancies between men and women. The results are difficult to interpret for a number of reasons, in particular because of the very limited number of women in certain categories and of differences in position and seniority.

Age pyramid by gender – March 2010



Source: Alstom

Employment of disabled people

Group subsidiaries are required to comply with country-specific legislations promoting the integration and employment of disabled people. In addition, the Alstom Code of Ethics strictly prohibits any discrimination on the basis of health or disability.

The following table shows the results of a survey conducted in 20 key countries, to measure the integration of people with disabilities in the total workforce. The data are significant only where local regulations set minimum quotas:

	Calendar year 2007	Calendar year 2008	Calendar year 2009
France	3.1%	3.4%	3.2%
Brazil	4.3%	4.8%	4.7%
Germany	5.7%	5.5%	5.4%
Italy	2.5%	2.4%	2.3%
Spain	0.2%	0.3%*	0.4%

* 2008 figure revised.

The Sectors also implement their own initiatives, often through contracts awarded to workshops and firms employing disabled people for certain supplies or services. For example, work clothes worn by Power employees in China have been made by the Hong Kong Factory for the Blind for several years.

In France, Alstom Transport which employs 8,700 people signed an agreement on 9 January 2009 (renewing the contract signed in 2006) that enabled it to make progress in this field, in particular in terms of the recruitment of disabled people. Since the signature of the agreement, 26 disabled people have been hired.

The Transport Sector has adopted an overall approach to ensure that its products are designed for greater accessibility to disabled people. In 1987, the Grenoble tramway designed in partnership with associations for the disabled and local representatives, was the first vehicle to provide low-floor access along 70% of its length. Since then, Alstom and its partners have explored a number of possibilities to improve tram access and movement between carriages, enhance comfort and safety, and make information more readily available.

Upward mobility

Diversity also implies the promotion of internal upward mobility, both social and professional, and the Group has introduced schemes in several countries to that end. In Argentina, for example, a training programme allows five employees aged between 29 and 55 to pursue their education to the equivalent of secondary-education qualifications, providing new career opportunities. In France, the *Promotion Cadre* programme is designed to provide access to management positions. During the last fiscal year, 86 employees benefited from 200 hours of training, a 20% increase compared to last year.

Facilitating access to employment

Promoting diversity means giving people a second chance and assisting those who face difficulties in accessing employment. Alstom supports programmes initiated by government and local associations to favour integration of people with such difficulties.

In Taubat , Brazil, Alstom launched the *Escola Formare Alstom* programme in March 2008, a programme monitored by the Brazilian organisation, IOCHPE. The school aims to facilitate the integration of 20 young people from underprivileged backgrounds between the ages of 16 and 17 by offering them one year's training in a professional environment. Training covers both technical and behavioural aspects. Over 100 Alstom employees volunteered to train the young people concerned. Eight of those trained in 2008 were recruited by the Group, four in 2009.

In La Courneuve, France, Alstom signed an agreement with the French government in 2007 to help young people from underprivileged neighbourhoods enter into employment, based on three types of support: providing information and promoting the Company's activities; encouraging active internship programmes; and improving access to employment for young people from these neighbourhoods. Alstom exceeded its targets by recruiting 50 young people, including 12 on apprenticeships, in the very first year. In 2009, the programme led to 38 new recruitments, including 14 apprenticeships.

In 2010, Alstom Transport France signed a partnership with "A future together" (*Un avenir ensemble*) linked to the *Grande Chancellerie de la L gion d'Honneur*. The organisation tries to give young students from underprivileged backgrounds a chance to access advanced studies and to build up a career path. Two of Alstom's female mentors, already involved in "Elles bougent", will become mentors in this project.

Promoting diversity

Alstom is fully aware of the strength that results from the large number of nationalities, cultures and approaches represented in its employees, and aims to offer each and every employee the same opportunities.

This policy is reflected in two indicators:

- the number of French senior executives declined from 52% in 2006 to 45% in 2008 and to 37% at 31 December 2009;
- the number of expatriates coming from Asia increased by 40% in 2008 and by 17% in 2009.

Specific action plans have been developed at the local levels. Alstom Transport France signed an agreement on diversity and equal opportunity with trade unions on 9 January 2009 to set up a Diversity and Equal Opportunity Committee which will monitor application of the agreement in France and set relevant targets. The agreement includes:

- a programme to raise awareness and coach management boards and senior executives on the challenges related to diversity;
- a recruitment policy designed to create more international teams, attract more women and employees over the age of 45, and encourage a wider diversity of profiles within the workforce.

The Diversity and Equal Opportunity Committee broadens its review of best practices on diversity to cover all areas in which Alstom Transport operates. The Committee held its first meeting on 29 October 2009, focusing on the internationalisation of teams and the increase of women in the Transport Sector.

In the USA, Alstom supports the Society of Hispanic Professional Engineers (SHPE) and the National Society of Black Engineers (NSBE), organisations which promote training and access to employment for young engineers from ethnic minorities. The Group has also set up partnerships with various online employment websites with a focus on promoting diversity.

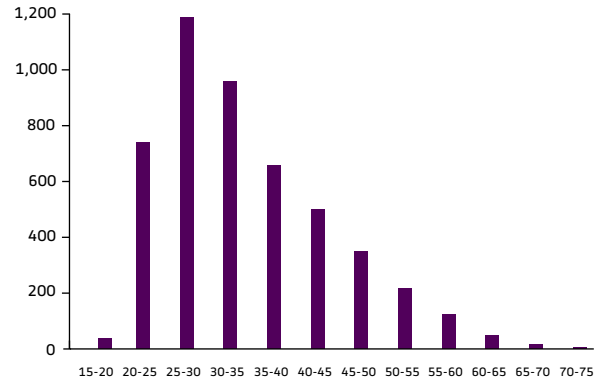
In June 2008, Alstom signed a two-year agreement with the International Association for the Exchange of Students for Technical Experience (IAESTE) to promote international exchange programmes involving students, universities and companies. This association facilitates the selection and recruitment of students as well as the processing of their applications, in particular visas, residence permits and accommodation.

Managing senior careers

The management of the career of senior employees in France is defined in an agreement signed at Group level in January 2006. An updated agreement was signed in February 2009. The agreement focuses primarily on anticipating the evolution of positions and on using all tools related to management planning of resources and skills such as the right to personal training plans and the development of internal mobility through greater awareness of job opportunities within the Group. It also sets out specific career-management measures for senior employees as well as solutions that facilitate external mobility for employees who could be redundant.

Age is obviously not a discrimination criterion. Over the last fiscal year, 590 people aged over 45 were hired, corresponding to 13% of the new permanent recruits.

Age pyramid of new hires 2009/10



Source: Alstom.

EMPLOYEE RELATIONS

Alstom promotes information sharing, consultation and negotiation of collective matters with employee representatives. This aspect of the Company's employee relations policy is covered in the Code of Ethics.

An internal survey, conducted in 20 countries in which Alstom employs over 600 people and representing 90% of Group headcount, showed that 72% of the Group's employees are covered by a national or intra-company collective bargaining agreement.

Alstom has signed many local agreements with employee representatives. In India, for example, seven agreements were signed on compensation and benefits, bonuses, setting up of welfare facilities, incentives on EHS improvement and compliance, promotion policies and canteen improvements. In other countries such as Mexico and Romania, agreements were signed dealing with issues such as work schedules, working hours, work conditions, social protection, permits for absence, saving funds, life insurance, transport, sports, EHS (Environment, Health and Safety), training and development. In Poland, bargaining agreements aimed to sound out the opinions of trade unions on salary negotiations, pension plans, the re-establishment of social funds as part of collective agreements, and create an environment of mutual cooperation in all issues addressed. In the USA, agreements signed dealt with salary benefits, job security and work conditions issues. In Spain, agreements were signed to optimise work-life balance, on pre-retirement plans, and on new production incentives for employees. In France, agreements focus on working conditions and adaptation to the new organisation.

Alstom Management works with the European Works Forum (EWF), and two working groups, one for the Power Sector and one for Transport. The Power working group focused on the merger between Power Systems and Power Service, and the consequences of the new organisation. The Transport working group explored the evolution of the organisation and its adaptation to workload level. As of Summer of 2009, the EWF has worked on the acquisition of Areva's Transmission and Distribution business. In 2009, eleven Select Committee meetings, three plenary sessions and six working group meetings were held. Alstom intends to facilitate such exchanges in order to benefit from the input of employee representatives on these subjects.

In November 2009, Alstom and Schneider Electric were selected for the joint acquisition of Areva's T&D activity as they had a credible project that would place T&D at the core of the strategy of the two Groups. As part of the acquisition, Alstom and Schneider Electric committed that there will be no site closures in Europe until early 2013, except for plans already underway, and no mass redundancy departures, except in the case of a significant downturn in overall economic conditions. To follow-up the integration process of T&D into the future Schneider Electric Energy Business Unit and the Alstom Transmission Sector and to maintain a high-quality social dialog, the "Temporary Instance for Dialog and Follow Up" has been set up. The relevant protocol was prepared in conjunction with the EMF (European Metalworkers Federation) and signed in March 2010 by Alstom, Areva and Schneider Electric and their respective works councils. The role of this body will be to enable the corporate managements and Employee representatives of the three companies to exchange all relevant information regarding the setting-up of the new entities and to address any potential difficulties that could emerge during this new and complex process. Two first meetings have already been held in March and April 2010.

In 2009, negotiations began at the European level to conclude an agreement on anticipating change. Those negotiations are still ongoing and two meetings have already been held with the European Metalworkers Federation.

Social dialogue also includes other types of exchanges with employees, such as information meetings and discussions arranged by managers. More broadly, Alstom encourages actions that foster a participation-oriented culture.

Resignation rate

Resignation rates for employees on permanent contracts in each region:

	% resignation Fiscal year 2007/08	% resignation Fiscal year 2008/09	% resignation Fiscal year 2009/10
Europe + Africa/Middle East	2.6%	2.46%	1.65%
Asia/Pacific	5.2%	7.20%	5.83%
Americas	4%	3.80%	2.39%
Total	3.3%	3.47%	2.41%

EMPLOYEE INVOLVEMENT

Employee motivation is also central to Alstom's policy and several actions have been taken to encourage employee involvement.

Sharing meetings

The Power Sector has launched the "Cafezinhos" initiative, a series of meetings between managers and their teams in order to explain business objectives, answer questions, and exchange views and suggestions for improvement. The meetings are part of a process that includes the development of action plans and communications on the achievements. In 2009/10, 130 Cafezinhos were held worldwide, bringing together over 1,000 participants.

Satisfaction surveys

The Power Sector conducts regular satisfaction surveys to better identify employees' expectations and assess their awareness of the challenges facing the Company. During this fiscal year, no such across the board survey was conducted, due to the merger of the two Sectors, Power Systems and Power Service. However, a specific survey involving 1,400 managers was conducted to obtain their feedback on the reorganisation. 70% of respondents provided positive feedback on the move. 33% saw many opportunities to improve customer relations and cost optimisation, and 21% raised concern about the human resources consequences of the re-organisation.

In the Alstom Hydro Power business, an employee motivation survey was launched in 2009, after a three year period during which 3,500 people were recruited. The survey involved the whole workforce, 7,000 people, 75% of whom responded. The survey led to the development of medium and long-term global and local action plans to address relevant human resources issues. The ultimate aim was to reinforce talent retention, strengthen Alstom's image as an employer of choice, and ensure that Alstom Hydro Power was an attractive place to work. Local action plans have been discussed with employees and middle management, leading to a wide range of different initiatives. In Canada, for instance, the action plan includes "Lunch and Learn" sessions during which managers present employees with a technical topic. Suggestion boxes, meeting rules, a medical centre and fitness centre have also been included. A new questionnaire will be launched in January 2011.

Resignation rates, which also reflect the general employment situation in each geographical area in which the Company operates, are one of the criteria used to determine the level of satisfaction of Group employees. The rates are closely monitored at both Sector and regional levels.

Innovation policy

Alstom Innovation Awards

In order to encourage creativity and collective projects within the Group, Alstom's Executive Committee has set up an "Innovation Board", comprising representatives from a range of functions. The Innovation Board intends to develop and implement action plans aimed at supporting relations with outside bodies (such as universities, research centres and start-ups), promoting the emergence and exchange of new ideas and practices within the Group, and increasing the visibility of innovative approaches.

In 2008, the Innovation Board launched the "Alstom Innovation Awards", an in-house competition designed to reward employees who have successfully developed and implemented innovative solutions. In 2009, over 750 Alstom employees took part in the competition, submitting 220 applications. A pre-selection committee rated the proposed innovations, and the Innovation Board reviewed the 44 leading innovations in making its final selection. Two simple criteria were used to assess innovations. "It is new" recognises that the innovation has introduced new components, technologies or processes that differ substantially from solutions used in the past. "It works" demonstrates that the innovation has delivered measurable results.

The 2009 jury selected the following innovations for the Alstom Innovation Awards:

- a new cleaning process for steam turbine components that increases quality control and improves turbine efficiency by creating excellent surface quality;
- a TRAINTRACER™ set of high value-added products, systems and services that enable operators and maintenance companies to rapidly and remotely transform train-borne data into valuable operational information;
- a new advanced gas turbine controller providing a consistent machine control system for heavy gas turbines;
- the HESOP™, which enables the recovery of braking energy at the substation level in power delivery and recovery modes. This optimises energy consumption for rail operators;
- a reduction in raw materials via a new manufacturing process.

Management of innovation

As part of Alstom's efforts to foster innovation through different initiatives such as "I move you", a newsletter dedicated to innovation and the Alstom Innovation Awards, the Innovation Management System (IMS) Community has been created. This community, gathering about 100 managers from both Transport and Power Sectors, enables the knowledge to flow through the organization so that people can make new connections between ideas and generate innovative products and services.

An illustration of this is The Seawater Flue Gas Desulfurization (SWFGD) Community the role of which is to ensure Alstom's global leadership position in this Product Line. Another example, Thermal Services Expertise Management programme, the objective of which is to better manage the technical capabilities by creating technology communities to gather and share expertise about its products. The aim is to identify specialists according to required capabilities who set up favourable environments for participation in this programme and to improve efficiency for problem-solving or decision making, thus better managing technical risks.

PROFIT SHARING

Alstom aims to develop profit-sharing schemes that allow employees to benefit from the results generated by their entities, wherever this is possible under local laws and regulations, and where it corresponds to employee expectations. In 11 countries where profit sharing schemes are in place (Brazil, Ireland, the USA, France, Chile, UK, Italy, China, Mexico, Finland and Poland) and making up 43% of the Group's permanent employees, €69 million were distributed. This amount was paid during the FY 2009/10 based on the FY 2008/09 Financial results.

All French subsidiaries concerned by the law of 7 November 1990 have entered into statutory employee-profit-sharing agreements (*accords de participation*). To date, 98% of French employees are covered by a specific profit-sharing plan (*accord d'intéressement*). For more information on statutory profit-sharing agreements and specific profit-sharing plans in France, see the section "Corporate Governance – Interests of Officers and Employees in the Share Capital – Employee Profit-Sharing".

EMPLOYEE SHAREHOLDING

Since its initial public offering and first listing, the Group has implemented five capital increases reserved for employees (June 1998, August 2000, November 2004, December 2007, February 2009) and a plan to allocate free shares to all employees in May 2006.

At 31 March 2010, current and former Group employees held 1.45% of Alstom share capital, either directly or through mutual funds. The Group aims to pursue this campaign to further promote employee shareholding.

For more information on the 2006 free shares plan and employee shareholding, please see the section "Corporate Governance – Interests of Officers and Employees in the Share Capital" and the section on "Additional Information – Information on Share Capital – Changes in Share Capital – Ownership of Alstom Shares".

Preparing resources for the future

Alstom is a high technology company that handles large-scale, complex projects over the long-term. The quality of its teams, their skills and their commitment to the Group are crucial to its overall success.

RECRUITMENT POLICY

Alstom employs about 76,600 people at 31 March 2010. It has recruited more than 4,700 permanent employees over fiscal year 2009/10. Its recruitment policy over the next fiscal year will depend on the evolution of order intake.

University relations

Presence on campuses

To better promote the Company among the student community, the Company has increased its presence within universities and on campuses. Although the recruitment of graduates decreased this year, the Company has strengthened its relationships with University in more than 35 countries. Opportunities were given to students to discover the Group activities, its environmental challenges and the career opportunities through site visits, workshops, case studies, round tables, company presentations and diverse collaborations with professors and students.

More than 10 countries launched an "Ambassadors Programme" or created a pool of Alstom volunteers who play a key role as the initial interface to a university or a candidate. Workshops were organised to help students to learn more about career paths, how to prepare and behave in recruitment interviews, for example in China and in France, etc.

Partnerships

In April 2008, Alstom signed a 5-year partnership agreement with Beijing's *École Centrale de Pékin* (ECPK). The decision is in line with Alstom's objective to promote Chinese engineers to positions involving management responsibilities. The Franco-Chinese training programme will help streamline induction and career development for engineers in China and in the 70 countries in which Alstom has operations. Alstom has also entered into a partnership with the Huazong University of Science and Technology (HUST) in Wuhan, where Alstom provides scholarships for 27 top students.

In 2009, four memoranda of understanding were signed with Indian engineering institutes during the year: the College of Engineering (COEP), Punjab Engineering College (PEC), the National Institute of Technology (NIT) in Surathkal and Maharaja Sayajirao University (MSU).

In order to promote the Power industry, Alstom sponsors events such as the country-wide Energy Saving and Emission Reducing Contest for university students in China or a competition held in Quebec in which 13 universities participated. The latter was aimed at the design and construction of an alternator driven by a water turbine. In Germany,

the Transport Sector organises each year an "Alstom Innovation Preis" to support young academics to develop forward looking innovations. This year, sustainability was the major topic and the students have to propose ideas around the train of the future. Prizes (€5,000 and €3,000) rewarded the winners.

Alstom UK contributed to government exchange programmes in partnership with both Chinese and Indian Governments. A 2-year programme, which includes a 6-month management skills programme, enabled 12 engineering graduates to work on a project for presentation to the project sponsors. Alstom UK has strengthened its relationships with major universities in Birmingham, Cranfield and Newcastle.

In France, Alstom Transport has participated in the Rail and Guided Systems Engineering Masters curriculum at the *École des Ponts et Chaussées* engineering school since its creation in 2008. Under the programme, nine Alstom internal trainers teach about 400 hours of course work each year.

Cooperation is underway between the Alstom Power in Elblag, Poland, and the Faculty of Foundry Engineering of the University of Science and Technology (AGH) in Krakow. The partnership agreement is aimed at promoting knowledge transfers in this field and includes shared process-related management and quality problem solving activities.

In the USA, Alstom Power Thermal Services is currently involved with the University of Central Florida (UCF) in an effort to work with third party companies to gain leverage for technology research. Alstom has been able to use the UCF Campus Laboratories and other resources to expand knowledge of gas turbines. In addition, employees teamed up with UCF professors and students on research and learning initiatives.

Identification of talent

Identifying talents at an early stage through partnerships with universities and individuals helps create a candidate pool for future recruitments.

In 2009, more than 110 young Europeans benefited from the VIE (*Volontariat International d'Entreprise*) programme for international development within Alstom in host countries such as China, Canada, Germany, the United States, Italy, and the United Arab Emirates. This opportunity to obtain hands on experience within the Group was taken up by more than 1,600 interns from within the Group.

The plan to increase apprenticeship numbers has been a success with more than 250 in France and 350 in Germany hired by the Group this year.

The number of applications sent to the Alstom website, www.careers.alstom.com, is an indicator of the Group's reputation. More than 85,000 candidates created an account in 2009, *versus* almost 60,000 in 2008.

Integrating new employees

Recruitment is followed by numerous actions to facilitate the integration of new employees into their units. In addition to the initial welcome, new employees are given their own “passport” to ensure that all steps in the integration are correctly implemented.

Alstom conducts an induction programme called Alstom Connection, which brings together newly hired employees to learn about the Group’s Values, hear from senior management, visit Alstom sites and network through an innovative approach known as “speed connecting”. This past year, activities have been systematically included in each of the events to raise the awareness of Alstom new comers regarding the corporate responsibility: Close to 100 trees were planted by participants in India, 700 toys wrapped as Christmas presents for underprivileged children in Brazil, and over 200 voluntary donations were presented to a school for migrant workers’ children in China. In 2009/10, Alstom University conducted 6 Alstom Connection events covering close to 500 employees in Germany, the USA, India, France, Brazil and China.

Initiatives are also implemented at the local level. In India, the “777 Programme” has helped identify problems that have emerged in the integration of new recruits. It provides an opportunity for employees to share their experiences in their first few days of joining through regular interactions with the Human Resources Department. The programme, launched in October 2008, has covered all of the 107 new permanent Alstom Power Thermal Systems employees at the Delhi Execution Centre. As part of the programme, employees undergo detailed orientation sessions on the business, support functions and internal processes. This in turn provides feedback in a process of continuous improvement.

CAREER DEVELOPMENT AND MOBILITY POLICY

Alstom wants to provide employees with maximum opportunities for personal growth through career development and internal mobility.

Annual performance interview

The policy aims to ensure that all of Alstom’s employees benefit from an annual performance interview, which includes setting of objectives and a clearly defined career development plan. As of 31 March 2010, more than 37,000 employees are covered by the new policy as compared to 23,000 people in 2009, an increase of 60%. Almost all managers, engineers and professionals are covered by the process, which is now being extended to the entire workforce. The objective is to cover more than 40,000 employees in fiscal year 2010/11.

To implement the programme, a dedicated 2-day training session was set up by Alstom University on “Performance and Talent Management” and is mandatory for all new managers. 320 managers participated in the programme this year.

An 8-hour e-learning module, which is mandatory for all new managers, was also launched this year. The module aims to provide managers with initial information on the behaviour and skills expected from managers.

In order to help assess employee performance, Alstom has a competency model that provides guidelines on the behaviour expected of line personnel, managers and senior executives according to twelve criteria such as the ability to motivate others, to innovate or to assess risks. The model also provides details on the technical skills required for different functions, such as finance, project management and engineering. This year, the competency model was extended to the Environment, Health and Safety function.

In order to organise the career path of its employees and to meet the needs of the businesses, Alstom works in several directions:

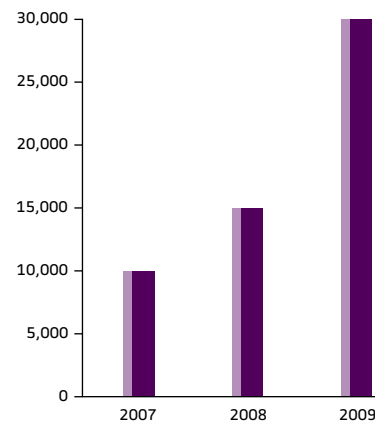
Professional community management

Alstom is a high technology industrial company, working on complex high-value-added projects and as such, it must ensure excellence in competency management. The development of key professional communities (project management, engineering, finance...) allows to have a better mapping of the competencies in a given field and of the main characteristics of the employees concerned. Furthermore, it allows to align competencies with the current and future business needs. A better knowledge of the professional community members facilitates career management and internal mobility across businesses. For example, the Technical Experts Community in Alstom Power identifies, within its five businesses, the senior experts, experts, principal engineers, across Research and Development and Engineering. This transversal analysis allows a close management of skills and business needs.

People reviews

People reviews are progressively deployed throughout the Group. 30,000 employees were concerned by this process over this fiscal year, which is double the number of the previous year. People reviews are organised by the Sectors and by key professional communities, and are consolidated at Group level.

Number of employees covered under People Review



Source : Alstom.

Internal mobility

In order to meet the skills needs of units and to satisfy employee career development expectations, Alstom encourages mobility within the Company through an in-house promotion policy and mobility charter.

Alstom favours internal promotion and has set a target to appoint at least 60% of its top managers through internal promotion. In 2009/10, it appointed more than 70% of its nominated top managers through internal promotion compared to 60% last year, thereby exceeding its stated target.

Specific career development programmes have been developed at the local level. In January 2009, Alstom Power launched a management development programme in Poland. The Development and Improvement of Qualifications programme (or *Power Lider*) aims to develop the managerial skills that are essential in being an effective leader, with special consideration given to leadership competences. The 2-year project kicked off with an assessment of competences using proven human resources tools such as 360 degree feedback and psychometric test. In total, the project provides 16 different training modules including leadership, motivating staff, negotiations, intercultural differences, change management, strategic management, finance for non-financial staff, and project management. A key aspect of this project is a cycle of training modules on all aspects of leadership.

At 31 March 2010, the *Power Lider* project has reached its halfway mark. 252 employees have participated in the training programme, including 56 women and 196 men. 51 participants were over the age of 50, and 60% of total training costs are covered by European Union grants.

TRAINING

Training policy

Alstom's training policy is designed and implemented by the Sectors and entities in line with both the skills and know-how needed for each activity and the individual development requirements of employees.

According to a survey that was conducted in 20 countries that account for more than 90% of the employees, 67% of the employees were trained during the 2009 calendar year. The average training hours per employee for the fiscal year turned out to be 21. The percentage for the total females to total trained employees was 18% and the percentage of total female trained to total female head count equalled 75%.

In the Alstom Power Sector, the Learning policy aims to foster competitiveness and the investments are concentrated on the following strategic priorities: the enhancement of leadership and management skills, the transfer of technical know-how and product knowledge, EHS and the increase of quality standards. The objective is to provide each employee with at least one learning action during 2010/11 fiscal year.

The training relies on 12 special training centres in Europe, Australia and the USA, with around 600 technical trainings offered on catalog and 52 trainers full time equivalent. The objective is to increase the number of internal trainers for a better efficiency. Programmes are regularly updated to take into account the large portfolio of installed power plants, based on both traditional and new technologies, as well as rapid changes in energy efficiency performance. In La Courneuve, France, A *Cap Savoir*[™] programme was set up to ensure that retiring employees passed on their know-how to others. The campaign has now been extended to cover both experienced technicians and new recruits, combining theory and practice on all aspects of power plant operation. Training programmes provided by these centres lead to officially recognised qualifications and represent a real asset for the Power activities. Three of the training centers are also open to customers, providing an opportunity to share expertise, discuss broader Alstom solutions and better understand customer's expectations.

Alstom University

In addition to training courses organised by the Sectors, the Group's own university, Alstom University, aims to design and conduct common training for all Group activities.

Alstom University currently offers 80 training courses in seven languages, ranging from management and leadership courses to reinforce the employee expertise in specific business areas such as sourcing, finance, project management, sales and human resources. Five regional campuses in Asia, Europe, India, Latin America and North America, along with the initial site at Group headquarters, facilitate access to this university for all Alstom employees.

During the fiscal year 2009/10, Alstom University trained some 6,300 Alstom employees in 430 training sessions. In addition to general training programmes, Alstom University has developed a range of functional courses designed by managers for their teams. Some of these courses are conducted or jointly run by Alstom employees.

Moreover, e-Learning programmes such as Sustainable Development in Sourcing were created and the Alstom Discovery Tour (a company orientation e-Learning programme for new employees) was redesigned to meet the changes in the organisation. A new interactive intranet was introduced to improve the University's online experience where participants can access modules, network with each other and downloadable learning resources such as podcasts and videos. New face to face training courses such as "From Creativity to Innovation and Excellence in Project Controlling" were also launched.

Alstom's "People Quest" is a 5 day cross-Sector event built around four leadership and management training courses. The participants learn from Senior management. They also participate in site visits, team building, networking and special workshop activities. Three sessions were organised over fiscal year 2009/10 in UK, India and China, for 230 employees.

ALSTOM COLLABORATIVE WAY

This past year, the Community Networks team has spent most of its time on providing guidance and support creation and development of Communities and collaboration activities. Alstom employees seem to be more and more mature with both technologies and value added by knowledge sharing opportunities.

Communities have gained significant management attention over the past year. Much of this attention has been by Sectors, Functions and Businesses seeking to find new ways to respond ever more quickly to the demands of Knowledge Management, and Innovation topics.

As part of its remit, Alstom University's Community Networks team developed further the Alstom Collaborative Way (ACW). ACW aims at harnessing the power of Communities to foster collaboration activities.

In the past three years, Alstom has adopted a wide range of knowledge related practices (knowledge transfer, critical knowledge mapping, transfer of technology, etc.) often starting with information and communication technology projects to facilitate knowledge flows.

After completion of the project phase of ACW, a Governance Board which set out the key policies and directives to promote collaboration has nominated an Operational Council composed of Sectors and Function representatives. This Council takes decisions in order to enhance collaboration activities deployment in a more efficient way in the Group.

During this first year, the ACW Operational council had six meetings to work on several operational topics such as: request and creation process, moderation rules when using ACW tools, content and activity guidelines, integrating cost of collaborative tools, roles and responsibilities, common messages and terminology across the sectors and the functions when talking about collaboration and community management.

Communities overcome boundaries to foster collaboration. This is one of the best way Alstom can keep pace with the rapid developments in technology, increasingly demanding customers and changes in the competitive environment through deregulation, social changes.

Generating new ideas for products and services by sharing perspectives and ideas. An illustration of this is The Seawater Flue Gas Desulfurization (SWFGD) Community which role is to ensure Alstom's global leadership position in this Product Line. Another example, Thermal Services Expertise Management programme, the objective of which is to better manage the technical capabilities by creating technology communities to gather and share expertise about its products. The aim is to identify specialists according to required capabilities, to set up favourable environments for participation to this programme and to improve efficiency for problem-solving or decision making thus better managing technical risks.

Communities are becoming more and more the focus of knowledge management initiatives within Alstom. They offer an informal mechanism for collaboration between businesses units, particularly when learning is the prime motivation. Although many of the principles and design elements of successful communities of practice are now understood, particular attention needs to be paid to building trust.

Figures – Alstom Collaborative Way tools usage

- Telepresence (Videoconferencing): 11 sites equipped, average 54 hours/month per site.
- Webconferencing: average 1,100 webmeeting and 3,400 participant per month.
- Document sharing system: 21 Document sharing spaces, 150,000 documents shared, 25,000 hits per day.
- Wikis: 75 wikis, average 360 visits per day, average 16,000 page-views per day.
- Blogs: average 2,500 visits per month, average 1,600 pageviews per day.

Increasing operational efficiency

COMPENSATION AND BENEFITS

Remuneration

Employee remuneration including benefit expenses represented 24% of group sales at 31 March 2010 or a total of €4,684 million, of which employer social charges amounted to €951 million. For more information refer to Note 28 in the consolidated financial statements (31 March 2010) on financial information.

Alstom' salary review policy is driven by:

- rewarding overall technical and behavioural performance and know-how;
- promoting, retaining and motivating key employees;
- ensuring consistency across sectors and countries, and competitiveness versus the other actors on the market.

Competencies are rewarded through the base salary, and performance is rewarded through variable pay. The short-term incentive aims to encourage employee involvement and contribution to the Group's performance; it rewards employees according to the achievement of both the Group's performance targets and individual objectives.

Life insurance

Alstom also aims to ensure that employees in all countries benefit from a life insurance and disability policy. A survey conducted in 20 countries representing 90% of the Group's total headcount shows that 97% of permanent employees have a life insurance policy in case of accidental death. In 78% of cases, this coverage is equivalent to at least one year's salary. This represents a 6% increase from last year in the number of employees covered by a scheme equivalent to at least one year's salary.

In countries such as Poland, employer contributions to insurance policies are considered as a taxable benefit, leading some employees to decline this offer.

OCCUPATIONAL ACCIDENT PREVENTION

The prevention of occupational injury has been a top priority for Alstom for many years. The Group defines the overall prevention strategy and coordinates top priority programmes to ensure work safety. The Sectors define priorities at their level together with action plans based on their own specificities, providing the Environmental, Health and Safety (EHS) units with full latitude to develop their own initiatives.

The EHS Governance structure has been built to ensure common targets, the sharing of best practices, and the involvement of employees across sector/business/functions. It does so by managing eight projects in parallel, all focused on prevention.

Health and Safety Management system

The Health and Safety management system is similar to the environmental management system described above and based on the "EHS Roadmap".

The health and safety management system is decentralised. EHS units are responsible for self-assessment and for the definition of action plans and objectives. At central level, reporting on health and safety enables to monitor the performance of EHS units.

The policy focuses on the involvement of hierarchies at all levels in promoting appropriate behaviour. Health and safety performance indicators are analysed by the Executive Committee on a monthly basis.

EHS units apply the EHS roadmap through self-assessment in order to monitor progress. To ensure self-assessments are carried out according to Alstom standards, 63 internal assessors are responsible for carrying out regular formal assessments. Assessments are also carried out by external consultants. 148 internal and external inspections took place in the 2009/10 fiscal year.

Health and Safety programmes

Due to the nature of the projects that Alstom undertakes in both manufacturing and construction, there is a major risk of severe injuries. Reducing the frequency of these injuries is a priority to ensure better protection of both Alstom employees and contractor staff.

To address this situation and to reach its objectives, Alstom launched the "Zero Severe Accident" programme in 2008. The programme involves a number of action plans designed to:

- better manage risks related to contractors' employees;
- update the self-assessment criteria;
- deploy a process to better analyse incidents in order to anticipate accidents;
- promote a health and safety culture in the workplace.

This programme is sponsored by Alstom's senior managers, ensuring its appropriate implementation.

Alstom has also tightened supervision of safety measures during work carried out by contractors and is progressively integrating safety criteria into its contractor selection process. Measures include requiring contractors to comply with specifications on the management of environmental, health and safety issues. These requirements are embedded in the Sustainable Development Charter signed between Alstom and its suppliers, and now implemented through a number of pilot schemes.

Specific programmes have been launch by the businesses.

The 5S programme

The Alstom Power Hydro "5S" programme began with an initial audit in early 2008 covering key productive areas of all units worldwide: Sort out, Set in order, Shine, Standardise and Sustain. The programme aims to eliminate waste in all its forms, that is any activity the customer is not prepared to pay for such as excess inventory, over-processing, transport, over-production, reworking and waiting. It is also aimed at changing behaviour and attitudes, and involving the workforce.

The audit tool – the 5S grid – is based on a set of questions for each S category, providing a rating out of 100. In Hydro Europe, initial scores in some areas were as low as 22%. Two years later, certain areas in manufacturing sites, for example, Grenoble, France, reached a very respectable 90%.

The programme is not only concerned with increasing efficiency but has also had a marked effect on safety. In Tracy, Canada, and Baroda, India, a very low Injury Frequency Rate has been maintained while in Tianjin, China, accidents have dropped by half, due in part to the implementation of the 5S programme.

EHS Communication Campaign targeting all the Group

To spread the message about health and safety, a communication campaign focused on maintaining a safe working environment was introduced in 2008. This campaign explaining EHS issues has been designed for Alstom employees and contractors in over 70 countries and it has helped build a strong EHS culture. It covers 16 topics such as leadership, hazardous substances, noise, fall prevention, scaffolding and waste management. A new topic is introduced each month.

Safety Awards

The Alstom/CTCI consortium's project "Taipei MRT Xinlu Line E&M System" in Taiwan was awarded the Golden Safety Award for 2009 by the Council of Labour Affairs on 4 December 2009. The Award is intended to encourage health and safety awareness for labourers working in public construction by providing a special recognition in particular to contractors that best exemplify and advance HSE management practices.

Health and Safety indicators

The reporting implemented since 2004 includes 26 health and safety indicators.

To address the quality of EHS data, the Group has decided to reinforce the control phase of the reporting process in two ways. The internal audit teams have a stronger look at the EHS process and data during their sites visits. For the first time, Alstom has asked its independent

Auditors to conduct an external verification of the key Health and Safety indicators published in the Registration document. Their work focused on a selection of four indicators in the area of occupational safety. A sample of 20 units averaging 26% coverage of Health and Safety indicators was reviewed by PricewaterhouseCoopers' sustainable development specialists. The symbol * indicates the indicators covered by the review. The Review Report is available at the end of this section.

	Perimeter of Fiscal year 2007/08	Perimeter of Fiscal year 2008/09	Perimeter of Fiscal year 2009/10
Number of fatal accidents of employees	2	5	1 *
Other fatal accidents linked with Alstom activities such as contractors	7	6	3 *
Frequency rate of workplace accidents related to Alstom activities (employees)	3.9	2.7	2.3 *
Severity rate of workplace accidents (employees)	0.14	0.09	0.07 *

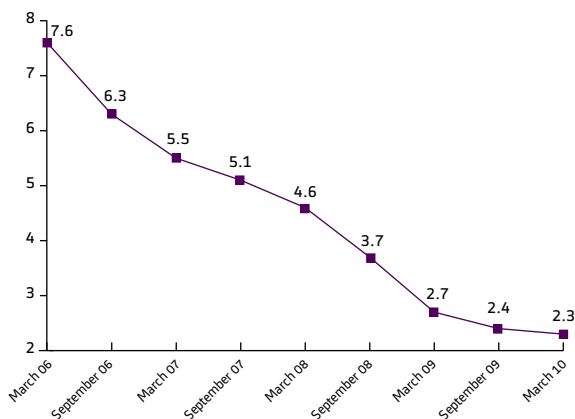
Source: Alstom.

* These indicators have been reviewed by PricewaterhouseCoopers.

EHS programmes have contributed to greatly reducing the number of work-related accidents, allowing Alstom to meet the Injury Frequency Rate target of 2.5 it initially set for December 2010 in February 2009. The Group has now targeted an Injury Frequency Rate (number of accidents with time lost to injury per million hours worked) below 1 by December 2015.

The following graph provides details of the evolution in the Injury Frequency Rate over four years.

Injury Frequency Rate 12 rolling months (Alstom Employees)

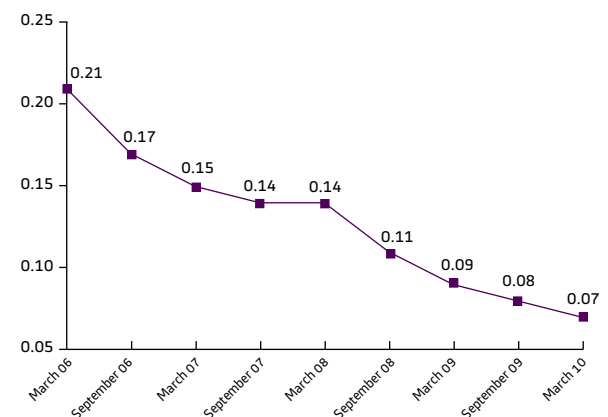


Source: Alstom.

Historical data before March 2008 have been revised to integrate performance of units acquired in 2007/08.

The figures also show the evolution of the Injury Severity Rate. The following graph shows the evolution in the Injury Severity Rate (number of days lost to injury per 1,000 hours worked) over four years:

Injury Severity Rate 12 rolling months (Alstom Employees)



Source: Alstom.

Health and Safety training

These encouraging results are partly due to significant training efforts. After a major training effort in 2008/09 organised by Alstom University which trained around 1,700 managers, 650 managers were trained during the fiscal year 2009/10.

The Sectors now focus on more specific EHS training programmes.

In the Transport Sector, a new Day to Day Risk Management programme focusing on EHS prevention has been developed and is starting to be deployed. The aim of the 2-day training session is to better explain and spread management methods and principles that are used to control high risk activities, based on activities where severe or potentially severe accidents/incidents have occurred in the past. The programme is also concerned with developing day-to-day management practices, with a specific focus on the management of deviations. This programme fully supports Alstom's Zero Severe Accident objective. Two specific "train the trainers" sessions were organised in 2009/10 to allow a roll out of the programme in the coming fiscal year.

The Alstom Power Thermal Systems business launched the EHS "All Together!" programme this year, teaching managers how to spot behaviours that create unsafe situations, rather than simply spotting hazards themselves. In the past, this business was able to improve safety performance through the use of safer equipment, methods and control measures. Unfortunately accidents are still occurring, mainly due to unsafe behaviours. This is a pilot programme for the Group, which is aimed at eradicating these kinds of accidents. 67 managers have already participated in the scheme.

LENGTH AND ORGANISATION OF WORKING TIME

Organisation of working time

Working practices at the Group's industrial, commercial and administrative sites vary greatly depending on the site, the type of activity, its geographical location and applicable local legislation. While meeting these constraints, each site also does its utmost to take into account the individual needs of employees in terms of the length and organisation of working times. The introduction of variable working hours has helped employees reconcile personal and working needs, and made it easier to adapt working times to public transport schedules.

Overtime

Overtime refers to hours worked beyond the legal limits set by relevant national legislation. The concept of overtime may vary from one country to the next and in some cases is not applicable. This somewhat mitigates the relevance of this benchmark as a consolidated indicator. Overtime is only applied in certain circumstances, for example, when required to meet production needs, offset employee availability issues, carry out emergency operations or conduct specific tasks.

Use of external employees

The number of temporary workers as a full-time equivalent (FTE) is 10% of the total workforce in the first quarter of 2010.

For the fiscal year 2009/10, contractors worked an estimated 130 million hours at Alstom sites and on construction sites, corresponding to the equivalent of 70,000 people on the basis of a 40-hour working week and 48 weeks/year. The increase of the number of contractors this year is due to the execution of the strong order intake in 2007 and 2008.

HR INFORMATION SYSTEM

The same employee information management system is used throughout the Company. The main processes of individual and collective management, such as objective/performance management and remuneration management, are included in this tool. It also ensures full deployment in the application of human resources policies throughout all sites and rationalises the different systems used in the Group. This is a useful tool for proper management of jobs, skills and competencies.

Employees are encouraged to use the tool directly, updating their personal data, experiences and competencies. 48,700 employees have already logged on to the system.

To boost the efficiency of human resources, shared services between different Sectors and entities have been set up at the local level, particularly with regard to payroll and personnel administration. The goal is to extend these shared services even further.

ABSENTEEISM

The absenteeism rate is calculated as: $\text{Number of absence days} / (\text{Number of absence days} \times 7.5 + \text{Number of hours worked}) \times 1,000$.

For the fiscal year 2009/10, the absenteeism rate is at 2.32, compared to 2.26 for 2008/09.

This rate reflects the number of absence days for 1,000 hours worked. Absence days include lost days from occupational accidents and illnesses but exclude authorised absences such as holidays, studies, maternity leave and personal events.

| Relationships with stakeholders

RELATIONSHIPS WITH CUSTOMERS

Alstom has put in place special procedures to better anticipate the needs of its customers.

In the Transport Sector, Alstom assesses the needs of customers and the market based on a number of different sources. The Company regularly schedules in-depth interviews with its customers with a view to documenting market trends and key growth drivers, and gaining feedback on their views of its products and services. The Group also carries out numerous satisfaction surveys (about 40 in 2008, 68 in 2009) and reviews the reasons why it wins or loses projects. All of this information is pooled with data from different regions for analysis and is subsequently incorporated into the "Customer Needs Review", which is used to fine-tune strategy and develop products and services.

Alstom builds a relation of trust with its customers, an approach that was recently rewarded when the Company was nominated "Best Managed Infrastructure Project Partner" by the Singapore Land Transport Authority for the Circle Line project.

In the Power Sector, initiatives are based on several different themes:

- A long-term initiative, launched in 2005, involving a comprehensive and regular follow-up of customer satisfaction. The Power Sector conducted an in-depth survey, helping draw up action plans and set targets. A second step took place in 2008 with an interim online survey targeting a double objective: determine customer satisfaction and mobilise Alstom operational teams on this topic. Almost 300 customers filled out the questionnaire, which was available in seven languages. The interim survey provided an opportunity to assess the evolution in customer satisfaction levels and fine-tune action plans to meet targets set for 2010. In 2011, the Sector will renew its global satisfaction survey to measure the evolution in levels over the past five years.
- To take into account its customers' needs above and beyond everyday dealings, the Power Sector has set up working groups comprising customers and Group experts to work on specific products and technologies. Customers take part in a forum to share views and experiences of the economic and technical performance of various equipments. Customers express their questions and expectations, particularly with regard to expected technical improvements. This type of exchange is also extremely useful for Alstom engineers and salespeople.

To highlight the importance of stakeholder involvement and maintain customer satisfaction, Alstom presented improvements to the GT24™ gas turbine on the US market during the Turbine Generator Symposium in Asheville, North Carolina from 27 to 30 September 2009. Around 110 customers attended the Alstom event at the symposium, which featured a full-day update on GT24™ fleet issues and improvements as well as the GT11™N2 and base fleet units.

- For all major projects, Power Sector sales teams review with the customer, the reasons why a project was awarded to them or lost. This enables greater customer understanding and better integration of their needs.
- Alstom Power customers have expressed great interest in receiving regular updates from the Company. That is why Alstom has created several information bulletins sent to targeted customers on a regular basis.

RELATIONSHIPS WITH SUPPLIERS AND CONTRACTORS

Materials, components and services purchased represent around 60% of Alstom sales, and more than 30,000 suppliers and contractors around the world are closely linked to the activities and success of the Group. Alstom naturally seeks to foster long-term ties involving these partners in its growth strategy in line with a responsible purchasing approach.

Alstom has initiated a responsible purchasing policy. In November 2007, this policy resulted in the creation of a charter for responsible purchasing that Alstom suppliers and sub-contractors are requested to sign. The charter implies that the principles set out in the United Nations Universal Declaration of Human Rights are respected, particularly with regard to child labour, health and safety, and the environment. Beginning 2010, Alstom improved the Charter to bring it into line with its new Code of Ethics. At March 2010, more than 1,500 Alstom partners have already expressed their commitment by signing the charter. Compliance with the charter has also been integrated into Alstom's general purchasing conditions.

Alstom has introduced an assessment process for its main suppliers and contractors. Assessments are conducted by Ecovadis, a company based in France and specialised in sustainable development evaluations that are reviewing environmental, social and ethical criteria, including supplier requirements passed on to secondary suppliers. Alstom conducted a pilot study in 2008 and launched a 3-year deployment plan. Almost 600 suppliers have already been assessed, representing nearly 24% of Alstom's total purchasing volume. These assessments are also included in the supplier selection process.

To complete its global toolkit for the evaluation of suppliers, Alstom has developed audit standards that are adapted to its activities in conjunction with a specialised audit company. This enables Alstom to improve the quality of its audits, develop knowledge of its auditors and use the competences of external resources when necessary.

Alstom has also started communicating its sustainable sourcing policy toward its suppliers. In addition to its web site, Alstom Transport organised a Suppliers Day, inviting suppliers representing 60% of its purchases to a session dedicated to the sustainability of Alstom’s relationship with its partners. Alstom provides support to its suppliers by enabling them to use web training and providing them with feedback on their evaluations, as well as information on best practices and weaknesses.

In line with measures targeting its suppliers, Alstom has provided training for sourcing employees on the subject of responsible purchasing. As well as online training on sustainable development and responsible

purchasing, undertaken by 1,500 employees in 2008, Alstom has developed a specific training module for its main buyers and auditors. The aim is to enable participants to understand Alstom’s priorities, to use the evaluation process, and to provide support to suppliers if action plans are required. Online programmes were chosen to facilitate deployment in the different countries where Alstom operates.

In the coming year, Alstom will pursue actions initiated last year, focusing on the improvement of its suppliers and its internal communications to ensure the involvement of the entire global sourcing community.

	Fiscal year 2008/09	Fiscal year 2009/10
Amount of purchases (in € million, estimation)	11,000	11,800
Number of charters signed	580	1,500
Number of assessments	92	492
Coverage of assessments on purchased volume	5%	24%
Number of people trained through e-learning	1,400	1,500
Number of people trained through specific programmes	0	89

RELATIONSHIPS WITH THE SCIENTIFIC COMMUNITY

Alstom is a global industrial company with a strong technology base which has well established relationships with International Agencies, National Research Academies, Design Institutes, Research Associations & Universities and is an active contributor to joint projects designed to promote technology and ensure industry-wide progress.

Alstom is active in the International Energy Agency (IEA) Programs including the Green House Gas Program and the Clean Coal Centre and enjoys strong interactions to ensure that the Alstom visions of the future are both aligned with others and understood and recognised on the global scale. In the same way Alstom participates in the Carbon Sequestration and Leadership Forum to input its views on the specifics of climate change mitigation.

Alstom is a founding member of the Australia based Global Carbon Capture and Storage Institute where it strongly supports the development of sustainable energy solutions world wide. Furthermore, it participates in programs under the USA Department Of Energy programs to define and develop advanced technologies for power generation.

At the European level, Alstom participates actively in dialogue with the various forums of the European Commission including Research. Alstom is a Vice Chairman of the European Technology Platform for Zero Emission Fossil Fuel Power Plants), and member of the technology platforms dedicated to Wind, Hydrogen and Fuel Cells, Nuclear and Smart Grids. In these forums, it actively engages with industry, academia, NGOs and government wide partners in defining the future direction of research and industrial development in these important areas, for instance, the Strategic Energy Technology Plan and the subsequent Framework programs. Alstom is a partner in many projects undertaken in the previous and now “Seventh Framework Program for Research and Technology” (FP7), targeting growth, competitiveness and employment as well as environmental objectives. In the UK, Alstom is active in the Research Council’s activities and programs on energy technologies and the Technology Strategy Board and the Advanced Power Generation Technology Forum. Additionally, Alstom is active in the German Federal COORETEC (CO₂ reduction technologies for fossil-fired power plants) and AGTurbo programs for the development of Power generation technologies together with German and other European Universities. In Spain, Alstom is active with the National Program for Wind Research & Development.

Alstom works closely with research centres and design institutes such as the DLR (German Aerospace Center) in Germany, the Paul Scherrer institute in Switzerland, the CKTI (Central Boiler Turbine Institut) in Russia and the CPECC (China Power Engineering Consulting Group Corporation) and the China Academy of Science.

In France, the Group contributes to seven “competitiveness clusters” (out of 71 at national level), where Alstom engineers work with their counterparts from other companies and university researchers on shared challenges: Imbedded Systems (System@tic) in Île-de-France Paris; Transport Systems of the Future (I-TRANS) in Nord-Pas-de-Calais/Picardie; Microtechnique in Franche-Comté; Nouvelles Énergies (Tenerrdis) in Rhône-Alpes; Pôle nucléaire in Bourgogne; Renewable energy at Grenoble and Power Electronics (Aerospace Valley) in Midi-Pyrénées/Aquitaine. Alstom also chairs Mecafuture, an organisation that coordinates seven French clusters dedicated to mechanical technologies. Mecafuture is part of Manufuture that is aimed at developing the mechanical industry at European level.

Alstom has also implemented a strong policy of partnerships with researchers at around one hundred of the world’s top universities. Further examples of collaboration: Massachusetts Institute of Technology (MIT), Virginia Tech, University of Central Florida (UCF) and Cincinnati University in the United States, Tsinghua, Tong, Wuhan and HUST Universities in China, Moscow State University of Railway Transport and Bauman University in Russia, Indian Institute of Technology in New Delhi in India, Wroclaw and Gdansk Universities in Poland, Politecnico di Milano in Italy, the Spanish National Research Council in Spain, the Instituto Superior of Technology in Lisbon in Portugal, Federal Institute of Technology (ETH) and Federal Polytechnical Institute Lausanne (EPFL) in Switzerland, Cambridge and Sheffield Universities in the United Kingdom, RWTH Aachen and Technical University Darmstadt in Germany, the *École des Mines de Paris* in France and the Chalmers University in Sweden.

RELATIONSHIP WITH LOCAL COMMUNITIES

Impact on local development

Alstom’s Corporate Social Responsibility policy takes into account the impact of the Group business operations on local development.

PARTICIPATING IN LOCAL DEVELOPMENT

Alstom strives to develop the impact of the Group business operations on local development.

In line with this commitment, Alstom, together with its joint venture partner Bardella, decided in 2008 to establish a new factory in Porto Velho, State of Rondonia, Brazil, to manufacture hydro mechanical elements. The new company, named IMMA (Indústria Metalúrgica e Mecânica da Amazônia) is located close to the Santo Antonio dam and other similar projects. The plant represents an investment of more than €30 million and will employ 450 people. In an area that lacks any heavy mechanical industry, IMMA has developed the Guapore project, to be monitored by SENAI (Serviço Nacional da Indústria) and aimed at providing training to unskilled young men and women

from agricultural backgrounds. The factory was officially inaugurated in March 2010. During the first phase of the project, 600 young people were trained in a 9-month period leading to 250 recruitments. In the second phase, currently underway, 300 people are being trained with 100 recruitments expected. Improvements in the learning curve of those from the first phase have been excellent, although absenteeism rates remain rather high (8%). In addition to the plant, Alstom provides contracts to local suppliers, thereby reinforcing local development even further.

As part of its open innovation strategy, Alstom seeks to engage with start-ups that propose new materials, components, engineering concepts and solutions that could be integrated into or marketed along with Alstom’s products. The strategy has a particular emphasis on enabling technologies that are not necessarily within Alstom’s main research and development focus but are nevertheless important in building a sustainable competitive advantage for the Company. Apart from entering into partnerships for the joint development or commercialisation of new applications, Alstom also looks to selectively invest in such innovative high growth companies, particularly through the following initiatives:

- investment in Emertec IV, a venture capital fund, along with partners such as the French National Energy Research Institute, the CEA, GDF Suez, CDC Enterprises or the RATP, the Parisian public transport operator. The fund takes equity stakes in young companies or start-ups whose fields of activity are related to energy efficiency, renewable energies, protection of the environment, and mobility;
- commitment of €30 million over the next 10 years to Aster II, a global venture capital fund that invests in start-up companies that develop enabling technologies for the energy and environment sectors. This is a joint initiative with Schneider Electric that seeks to identify – on a global scale – emerging technology leaders and provide them with the capital necessary to pursue their growth plans.

Alstom is also involved in the economic development of local communities.

For instance, during this fiscal year, Alstom Power Sector launched a customer satisfaction survey to improve the quality of service delivered to its customers. Each customer response was linked to a donation to PlaNet Finance, an NGO whose mission is to fight against poverty through the development of micro finance. As such a total of €15,000 was donated by Alstom. In South Africa for instance, the Group has committed to provide training for more than 500 skilled workers in the energy industry (welders, technicians, metal workers, etc.), while providing additional training for 65 engineers and graduates to boost the development of skills in the energy field.

In many countries, Alstom’s specialists are actively involved in joint research and training programmes in partnership with leading business schools and universities. Since 2008, the Group has teamed up with five industrial partners to provide funding for a 5-year eco-innovation professorship set up by a group of engineering schools and universities including *École Centrale de Paris*, *Supélec*, *Université Paris XI d’Orsay* and *Université de Versailles Saint-Quentin*. This post-doctoral course

aims to provide a source of talent for certain key areas of industry linked to eco-innovation, such as optimisation science, applied research, information technology, intelligent power supply systems and energy conversion technologies. In Germany, Alstom contributes to the development of nanotechnology and non-destructive inspection systems (see above partnership with universities).

In late winter 2008, Alstom faced in United Kingdom (UK) a protestation by unemployed workers at power plant construction sites. The issue for the protesters focused on the "British jobs for British workers" campaign. 2009 and early 2010 saw a continuation of the protests, but to a notably much lesser extent than had previously been experienced. In March 2010, all sites are working normally and the Company continues to have a close dialogue with its customers, unions and worker representatives.

Work on the latest project for Alstom on what will be the UK's largest gas fired power station is ahead of schedule. The project is being constructed in a national park and in an area designated as being of 'outstanding natural beauty' as well as being adjacent to a marine conservation area, involving Alstom in carrying out sensitive, detailed and ongoing liaison and dialogue with local and national politicians, local communities and special interest groups.

RESTRUCTURING IMPACT MANAGEMENT

Alstom strives to limit the social impact of restructuring when such plans are necessary with the aim to ensure that nobody is left alone to cope with an employment problem. In 2009/10, certain significant restructurings necessitated social plans in Italy, Germany, the United States of America, Brazil, Romania and the Czech Republic.

In Romania, the Power Sector site of Bucharest faced an under-activity in boilers due to the decrease in the European boiler market. The closure of this activity impacted approximately 400 positions. Local negotiations allowed the implementation of the measures of a social plan to deal with the situation. In parallel, the development of services activities will provide solutions for more than 50 employees.

In Brno, Czech Republic, the Power Sector site faced a major competitiveness issue in a globally decreasing market. The decision was taken to close the manufacturing workshop at the end of 2010. This issue was reviewed at European level with the European Works Forum and a local negotiation started upstream to address the consequences of the restructuring. A comprehensive social plan has been agreed; it will include more than 50 transfers towards other Alstom activities.

The Transport Sector site of Colleferro, Italy, encountered a decreasing Rolling Stock workload resulting in a loss of 147 positions. Alstom strived to find solutions in two directions: search for new activities in train renovation, and also transfer of employees to other sites in Italy in new equipment or maintenance, where an equivalent number of positions are available.

In several locations in Europe, Thermal Services needed to adapt its workforce to the workload. In addition to natural leavers, a wide range of measures adapted to local usage such as early retirements, transfer to other businesses, outplacements, reduced working weeks, allowed to limit the impact on the employees.

Actions to support local communities

Alstom encourages initiatives designed to support local communities. Overall budget contributions to charities are not completely identified at Group level. These initiatives, mainly social actions, are consistent with local needs and developed in close cooperation with local bodies.

Examples of work undertaken in local communities are outlined below, based on a survey in 20 countries representing 90% of the total headcount. These combined actions represent an amount of over €1.2 million during the 2009, mainly in the form of donations to various charitable causes, support to cultural and sporting events, and one off relief actions in the case of natural disasters.

Alstom Germany made donations of over €32,000 for the promotion of various health-related events, environmental protection promotion, training, education. In particular, significant donations were made to Allianz pro Schiene (Alliance for the Promotion of Environmentally Friendly and Safe Rail Transport). Similarly, Alstom Canada made significant charitable contributions of over €30,000 by corporate matching for employee participation in the CIBC Run for the Cure (Canadian Breast Cancer Foundation). Funding was provided for the Montreal Cancer Institute as well as for the humanitarian cause, Bon Dieu Dans La Rue. More than €7,000 was donated to the CEGEP Sorel-Tracy educational foundation. In Italy, more than €20,000 was spent buying outdoor plastic toys for children to be used during a Christmas event and then donated to a school in earthquake struck Aquila. Donations were also made to NGOs such as Save the Children. In Poland donations of over €20,000 were made, and Croatia donated over €12,000 to hospitals, fire brigades, schools, charity organisations and sports clubs. In this way, the Group helps local communities in improving their daily lives. Donations were also made to charitable causes in Malaysia and Indonesia. In the USA, charitable contributions amounted to over €800,000. One of Australia's iconic animals, the Tasmanian Devil, has been adopted by Alstom as part of the Company's Corporate Social Responsibility program. The Tasmanian Devil was declared as endangered in May 2008 due to an infectious cancer. As a response to this symbol of the diversity of Australian wildlife, Alstom has made a donation to the Tasmanian Devil Breeding Program in partnership with Taronga Zoo. In Venezuela, Alstom has executed 17 projects for health, environmental awareness and economic development. The projects were related to drinking water systems, providing necessary equipment for small clinics and ambulances, developing an eco-tour around the riverside, equipping workshops with sewing machines, renovation of sport centres and retirement houses etc.

Alstom also encourages local volunteerism from its employees.

In China, in June 2009, 80 employees at Alstom's Headquarters launched a volunteer initiative donating clothes, books, stationery and other items of necessity to two Hope Schools of the Yi and Miao Nationalities County in Yunnan Province. Representatives from the Yunnan Provincial Government and Luquan County also attended the donation ceremony. These full-time primary schools are located in a rural area, with around 600 pupils, the vast majority from poor families.

Alstom also contributed with one of the Parks of the City of Ryde in New South Wales, Australia. There was a tree planting session with more than 15 employees who planted 500 plants which will contribute to the environment in the local community. More tree planting sessions are planned for 2010.

ALSTOM CORPORATE FOUNDATION

Alstom and its employees have long campaigned alongside local partners around the world to improve the quality of life in local communities neighbouring its plants and sites. The Alstom Foundation aims to bolster these initiatives, focusing on concrete campaigns to protect the environment.

Set up in November 2007, the Alstom Corporate Foundation selected 11 projects in June 2008 and 13 in June 2009, all presented and sponsored by Alstom employees and all with a focus on environmental protection. The Foundation was initially set up to run for five years, with an annual budget of €1 million. Projects must be developed in partnership with local bodies and based on local needs.

The Foundation's Board of Directors selects new projects every year and comprises members from both inside and outside the Company. The outside Directors are Jacques Attali (President of PlaNet Finance), Robert Barbault (Head of the Biodiversity Department at the Natural History Museum in Paris), Claude Mandil (former Executive Director of the International Energy Agency), Nicole Pasteur (Head of Research at the French National Centre for Scientific Research, CNRS, and Director of the Institute for Science and Evolution in Montpellier).

Projects supported by the Foundation in 2009 have been grouped under the four categories:

Economic development

The five projects selected under this category address the challenges faced by the local communities and specialise in economic development. The end result is prosperity for the local community. The projects are:

- development of the concept of national park in China;
- electrification of remote village in Morocco;
- electrification of remote village in Mexico;
- reviving dwindling springs in India;
- training of 100 women on agricultural methods.

Social initiatives

The second dimension of the foundation projects focuses on social initiatives apart from taking into account the other pillars of sustainable development. The four projects selected have a direct positive impact on the lives of local communities:

- building of wells and tree plantation for restoration of the local economy in Dogon, Mali;
- low-cost sewage innovation in Brazil;
- rebuilding the Local Community Hall in the State of Victoria, Australia after severe bushfires;
- providing ecological management techniques of degraded natural resources in India.

Education and environmental awareness

The third category of foundation projects concentrates on raising the awareness among the masses about educational and environmental improvement. The following two projects have been selected to pursue the above mentioned goal:

- to refurbish a school in São Paulo, Brazil and convert it into a model eco-school;
- an experimental learning centre on sustainable development programme for the Warao population in Orinoco, Venezuela.

Nature preservation

Two projects were selected to preserve the nature and help the local communities realise the importance of environmental protection:

- restoring Brazil's Atlantic Forest;
- plantation of 100,000 trees in Thailand.

In case of natural disaster in areas where Alstom or its main contractors are present, the Alstom Foundation can contribute to help. In 2009, help was provided to Australia, Taiwan, Philippines and India.

More information about the projects, people involved and results achieved can be found on the following link:

<http://www.foundation.alstom.com/>

Assessment of Alstom Corporate Responsibility

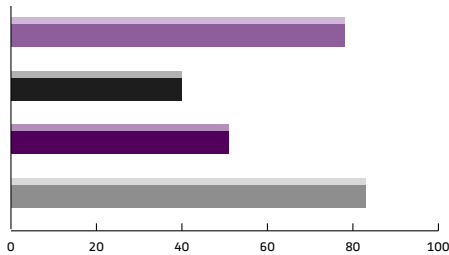
As a large company, the Alstom Corporate Responsibility performance is assessed by rating agencies such as SAM, Eiris, Vigeo or Oekom against different methods and criteria.

The following graphs illustrate the assessment conducted in 2009 by SAM (Sustainable Asset Management), a rating agency based in Switzerland.

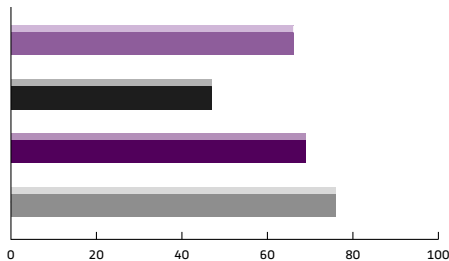
The assessment shows a good performance in economic and social dimensions. The main area where improvements are called for is in

the environmental domain, where there is a lack of precise objectives at the Group level. Alstom is continuously working to improve its performance. In addition to setting objectives for greenhouse gas reduction and energy efficiency improvements of 20% by 2015, the Group decided during the fiscal year to set four new objectives: ISO 14001 certification of all manufacturing sites employing over 200 people by 2012, 80% of waste to be recycled by 2015, a 20% reduction in water consumption in sites impacted by water scarcity, and a 10% reduction in VOCs by 2015.

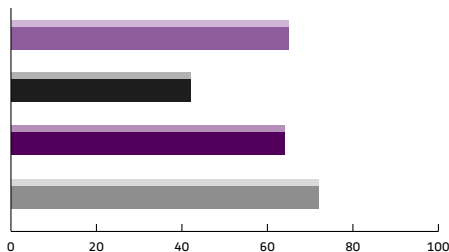
Environmental Dimension



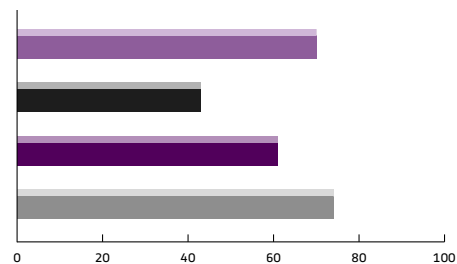
Economic Dimension



Social Dimension



Total Score



- DJSI Sector Average ***
- Sector Average **
- Alstom
- Best company *

Source: SAM.

* Score of the best company within the Industrial Engineering sector.

** Average score of the analyzed companies in the Industrial Engineering sector.

*** Average score of the companies in the Industrial Engineering sector, which are member of the DJSI 2009.

Review report by one of the Statutory Auditors on a selection of Environment, Health and Safety indicators published in Alstom's 2009/10 registration document

This is a free translation into English of the review report by one of the Statutory Auditors issued in French and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Further to your request and in our capacity as Statutory Auditor of Alstom, we have carried out a review for the purpose of enabling us to express moderate assurance on a selection of Environment, Health and Safety (EHS) indicators published in Alstom's 2009-2010 registration document:

The selection of EHS indicators is as follows:

- Health and Safety:
 - Indicator: Number of employee fatalities;
 - Indicator: Other fatalities related to Alstom's activities;
 - Indicator: Frequency rate of occupational injuries;
 - Indicator: Severity rate of occupational injuries.
- Environment:
 - Indicator: Natural gas consumption;
 - Indicator: Butane, propane and other gas consumption;
 - Indicator: Heavy and domestic fuel oil consumption;
 - Indicator: Steam and heat consumption;
 - Indicator: Electricity consumption;
 - Indicator: Coal and other fuel consumption;
 - Indicator: Total energy consumption;
 - Indicator: Energy intensity;
 - Indicator: Annual direct CO₂ emissions;
 - Indicator: Annual indirect CO₂ emissions;
 - Indicator: Total CO₂ emissions;
 - Indicator: CO₂ emissions intensity;
 - Indicator: Annual CO₂ emissions for Group vehicles;
 - Indicator: Non-methane volatile organic compound emissions.

These indicators were prepared under the responsibility of Alstom's EHS department, in accordance with the standards set out in the Group's EHS Reporting Manual, applicable for the financial period ended 31 March 2010. These standards are available from the EHS department for consultation.

Our responsibility is to express our conclusion on the indicators based on our review.

NATURE AND SCOPE OF OUR WORK

We conducted our work in accordance with professional standards applicable in France.

We carried out the procedures described below to obtain moderate assurance that no material irregularities exist with regard to the selection of EHS indicators. We did not perform all of the procedures required to obtain reasonable assurance (a higher level of assurance).

- We reviewed the reporting procedures used by the Group in light of the consistency, relevance, reliability, objectivity, and understandability of the data.
- At Group-level, we performed analytical procedures and verified, on a test basis, that the data underlying the indicators had been correctly calculated and consolidated. This work involved, in particular, conducting interviews with the persons from the EHS department responsible for compiling and consolidating the data and drawing up and applying the procedures.
- We selected a sample of entities, as follows:
 - France: France Thermal Services; France RS Valenciennes; France TP Belfort TMU; France TIS Saint-Ouen;
 - China: China TP Wuhan EBN; China Hydro; China TP Sizhou; China TP Beijing TMU;
 - Poland: Poland TP Elblag Factory TMU; Poland TP Elblag Foundry TMU; Poland Thermal Systems;
 - Germany: Germany RS Salzgitter;
 - Algeria: Algeria TR;
 - Belgium: Belgium TR and Corporate;
 - Brazil: Brazil Thermal Systems;
 - India: India Thermal Systems Gas;
 - Portugal: Portugal TP;
 - UK: UK TR;
 - Switzerland: Switzerland TP Birr TMU;
 - USA: US Thermal Services Windsor.

This selection was made on the basis of quantitative and qualitative criteria applied to the indicators.

- At the level of the entities selected we:
 - checked that the procedures had been correctly understood and implemented at these sites on the basis of interviews conducted with the persons responsible for preparing the data; and
 - performed in-depth checks on a test basis to verify the calculations and reconcile the data with the supporting documents.

The contribution of these entities to the Group's consolidated indicators accounts, on average, for 26% of the Health & Safety indicators and 44% of the Environment indicators.

We were assisted in our work by our sustainable development specialists.

CONCLUSION

Based on our work, no material irregularities came to light causing us to believe that the EHS indicators reviewed were not compiled, in all material respects, in accordance with the standards set out in the EHS Reporting Manual used by Alstom and applicable for the period ended 31 March 2010.

Neuilly-sur-Seine, 4 May 2010

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Olivier Lotz

Partner of the Sustainable
Development Department
of PricewaterhouseCoopers
Advisory

Thierry Raes



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Information on the Group and the holding Company

HISTORICAL INFORMATION

The Group was created in 1989, when the parent company GEC ALSTHOM NV was a holding company incorporated under the laws of The Netherlands, by The General Electric Company plc ("GEC") and Alcatel, its 50-50 shareholders, in order to consolidate in one single group the businesses since then carried out by certain of their respective subsidiaries. This joint venture realised during a time of consolidation in the energy sector, aimed at benefiting from certain complementary products and markets of Alcatel and GEC respectively.

At the end of 1997, the two shareholders decided to list the Company on the Paris, New York and London Stock Exchanges and to put part of their shares on the market. They chose Paris as the main listing exchange and they decided to transfer to a French public limited company (*société anonyme*), renamed ALSTOM (previously Jotelec), the whole of the activities till then carried out by GEC ALSTHOM NV. Before the IPO and listing on the Stock Exchange of ALSTOM (or the "Company"), almost the whole of the assets directly or indirectly held by GEC ALSTHOM NV was transferred to one of its French subsidiary, ALSTOM France SA, 100% owned by ALSTOM. This company, since then renamed ALSTOM Holdings, is still the only interest held by ALSTOM, which owns almost all assets of the Group (see below the "Simplified organisation chart of the Group at 31 March 2010").

Since the quotation of ALSTOM in 1998, the Group's scope was deeply changed a few times. The most significant operation was the acquisition of ABB power generation activities in two phases: first, in July 1999, a joint venture was set up and then in May 2000, ALSTOM bought ABB share in the above-mentioned joint venture. At the same time, ALSTOM re-focused on its core Business, notably by selling its Contracting Sector in July 2001.

The Group sold its Transmission & Distribution and Marine Sectors in 2004 and 2006 respectively. In January 2010, Alstom signed an agreement for the acquisition of the Transmission & Distribution activity of Areva in consortium with Schneider Electric, as indicated on page 8 of this Registration Document. It is anticipated that the high voltage activity ("Transmission") will join the Alstom Group, whereas the medium voltage activity ("Distribution") will be transferred to the Schneider Electric Group.

IDENTITY OF THE COMPANY

Company name and registered office

ALSTOM
3, avenue André Malraux – 92300 Levallois-Perret
Tel.: 01 41 49 20 00

Legal form, applicable legislation, and competent jurisdictions

Limited liability company (French "société anonyme à conseil d'administration") incorporated under the laws of France and regulated notably by the French Commercial Code.

Duration

ALSTOM was incorporated under the name "Jotelec" on 17 November 1992 and its existence will expire on 17 November 2091, unless it is earlier dissolved or its life is extended.

Registration number

389 058 447 RCS Nanterre.

Code APE

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SUMMARY OF KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION

Purpose of the Company

(Extract of Article 3 of the Articles of Association)

The purposes of ALSTOM are directly or indirectly:

- the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields:
 - energy,
 - transmission and distribution of energy,
 - transport,
 - industrial equipment,
 - naval construction and repair work,
 - engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction, and
 - more generally, activities related or incidental to the above;
- participation, by every means, directly or indirectly, in any operations which may be associated with its purpose, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise; the creation, acquisition, lease or take over of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents relating to such activities; and
- generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with ALSTOM purposes or with any similar or related.

Furthermore, ALSTOM may acquire an interest, of whatever form, in any French or foreign business or organisation.

Fiscal year

(Extract of Article 18 of the Articles of Association)

From 1 April to 31 March.

Shareholders' meetings

(Extract of Article 15 of the Articles of Association)

CONVENING AND PROCEEDINGS – AGENDA

Ordinary and Extraordinary General Meetings, satisfying the legal conditions for quorum and majority voting, exercise the powers respectively attributed to them by the law. They are convened in accordance with the rules and the terms laid down by law.

Meetings are held at the registered office of ALSTOM or at any other place determined by the Board, either within the “département” in which the registered office is located or in any other French territory.

The agenda of the meeting is drawn up by the Board of Directors if the Board has called the meeting and, if not, by the person calling the meeting. However, one or more shareholders satisfying the conditions laid down by law may request the inclusion of draft resolutions on the agenda. Questions not appearing on the agenda may not be considered.

ADMISSION AND REPRESENTATION

Ordinary and Extraordinary General Meetings are made up of all shareholders without distinction between the class of shares which they hold.

In all shareholders' meetings, shareholders are only entitled to exercise their right to vote if their shares have been recorded in the accounts in the name of the shareholder or the intermediary registered for its account pursuant to the legal and regulatory provisions on the third business day preceding the date of the shareholders' meeting at midnight, Paris time, either in the accounts of registered securities held by the Company for registered shares, or in the accounts of bearer securities held by an intermediary authorised for bearer shares.

This accounting record is officially acknowledged in accordance with the terms laid down by law.

Shareholders may vote by proxy or by correspondence at General Meetings under the conditions laid down by law.

In order to be taken into account, the voting forms and proxies must be received by the Company at least three days prior to the meeting, unless a shorter term is decided by the Board of Directors or is stipulated by law.

Pursuant to the Board of Directors' decision, communicated by way of notice of meeting and/or the convocation to the meeting, any shareholder may vote at a shareholders' meeting, by proxy or by correspondence via any electronic means of telecommunication in accordance with the conditions set by law. In these cases, forms for voting at a distance or by proxy, as well as participation certificates, can be completed by way of a duly signed electronic medium under the conditions set forth by the applicable legal and regulatory provisions.

To this end, completing and electronically signing the form can be done directly on the Internet site created by the centralizing agent of the shareholders' meeting. The electronic signature of the form can be carried out (i) by entering an identification code and password, under the conditions that comply with the provisions of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, or (ii) by any other process satisfying the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code.

The power to vote by proxy or the vote expressed as such before the shareholders' meeting by way of this electronic method as well as, if applicable, the proof of receipt delivered after the power to vote by proxy or the vote is expressed, will be considered as a written proof that is irrevocable and binding to all, excluding cases of sales of securities that are subject to the notification set forth in paragraph IV of Article R. 225-85 of the French Commercial Code.

A shareholder may be represented by another shareholder or by his or her spouse.

However, in compliance with the 7th paragraph of Article L. 228-1 of the French Commercial Code, the owners of the securities may be represented by a registered intermediary, in the conditions set down by law.

Any shareholder having voted at a distance, or sent a proxy or requested his or her admission card or an attendance certificate, may at any time sell all or some of his or her shares pursuant to which he or she transmitted his or her vote or proxy or requested one of these documents. Any sale occurring prior to the third business day before the shareholders' meeting at midnight, Paris time, shall be taken into account in the conditions laid down by law.

The Board of Directors shall have the powers to organise, within the limits of the law, the attendance and voting of the shareholders at General Meetings by videoconferencing or by any telecommunications means enabling the identification of such shareholders. If applicable, this decision of the Board of Directors shall be communicated in the notice of the meeting and/or the invitation to attend. Those shareholders attending shareholders' meetings by videoconference or by these other means are deemed to be present for the purposes of calculating the quorum and the majority.

VOTING RIGHTS

Each member of the meeting is entitled to as many votes as the number of shares which he holds or represents.

At all Ordinary, Extraordinary or Special General Meetings, the voting right on shares shall, in cases where such shares are subject to usufruct, be exercisable by the usufructuary. There are no double voting rights.

Notification of holdings exceeding certain percentages

(Extract of Article 7 of the Articles of Association)

In addition to the legal obligation to notify ALSTOM of certain shareholding levels, any individual or legal entity acquiring a number of shares in the Company giving a shareholding in excess of 0.5% of the total number of shares issued must notify the Company by letter, fax or telex of the total number of shares that he possesses within five trading days of this threshold being exceeded. Notification is to be repeated

under the same conditions whenever an additional 0.5% threshold is exceeded, up to and including a threshold of 50%. To determine these thresholds, both indirectly held shares and shares classified with shares owned, as defined by the provisions of Articles L. 233-7 *et seq.* of the French Commercial Code, should also be taken into account.

In each of the above-mentioned notifications, the declaring person must certify that the notification includes all shares held or owned in the sense of the preceding paragraph. Such notification must also indicate the acquisition date(s). In the event of non-observance of the above provisions and in accordance with the conditions and levels established by law, a shareholder shall lose the voting rights relating to the shares in excess of the thresholds which should have been notified, if one or more shareholders holding at least 3% of the share capital so require(s).

Any shareholder whose shareholding falls below one of the above-mentioned thresholds is also under an obligation to notify the Company within the same length of time of five trading days and by the same means.

It will be proposed to the next Ordinary and Extraordinary General Meeting scheduled on 22 June 2010 to modify Article 7 of the Articles of Association to confirm that declarations of shareholding levels set forth in the Articles of Association apply to any entity acting alone or in concert, and to take into account the modifications set to paragraph I of Article L. 233-7 of the French commercial code by the Regulation No. 2009-105 dated 30 January 2009. The paragraph relating to the content of the notification in particular, would be modified as follows: "In each of the above-mentioned notifications, the declaring person must certify that the notification includes all stock held or owned in the sense of the preceding paragraph. Such notification must also state: the declarer's identity as well as that of individuals or legal entities acting in concert with him, the total number of shares or voting rights that he holds directly or indirectly, alone or in concert, the date and the source of exceeding the threshold, as well as if needs be the information mentioned in the third paragraph of I of Article L. 233-7 of the *Code de Commerce*."

It relates in particular to shares already issued that it may acquire pursuant to an agreement or a financial instrument referred to in b) of the third paragraph of Article L. 233-7 of the *Code de commerce* and to shares already issued subject to any agreement or financial instrument exclusively settled in cash and having a similar effect as the possession of shares referred to in paragraph c) of the third paragraph of Article L. 233-7 of the *Code de commerce*.

Identification of holders of bearer shares

(Extract of Article 7 of the Articles of Association)

ALSTOM may, under the conditions laid down by the legal and regulatory provisions in force, request any officially authorised organisation

or intermediary to pass on all information concerning its shareholders or holders of its stock conferring an immediate or subsequent right to vote, their identity and the number of shares that they hold.

Appropriation of income

(Extract of Article 20 of the Articles of Association)

The profits for fiscal year consist of the revenues relating to the preceding fiscal year, less overheads and other company expenditure including provisions and depreciation allowances.

At least 5% is set aside from the profits less any previous losses if appropriate to form the legal reserve fund. This provision ceases to be mandatory once the value of the fund reaches one-tenth of the share capital.

The remainder (less the above deductions) of the retained earnings and withdrawals from the reserves which the General Meeting has at its disposal shall, if the General Meeting so desires, be distributed among the shares, once the sums carried forward by the said Meeting or transferred by it to one or more reserve funds have been deducted.

After the General Meeting has approved the accounts, any losses are carried forward and imputed to the profits of future fiscal years until they are discharged.

Each shareholder may be granted, at the General Meeting, for all or part of the dividend or interim dividend to be distributed, an option to be paid the dividend or interim dividends in cash or in shares of ALSTOM, under the current legal and regulatory conditions. Dividends not claimed at the expiration of a five-year period are paid to the French Tax Entity "Trésor Public".

The Articles of Association do not contain any provision, which may delay, postpone or prevent a change of control.

DOCUMENTS ACCESSIBLE TO THE PUBLIC

The legal documents relating to the Company and the Group, which are required to be accessible by the shareholders according to the applicable law are available for inspection at the Company's registered office and some of them are available on the Company's website, in particular in section "Investors / Regulated information" as per Article L. 451-1-2 of the French *Code monétaire et financier* (www.alstom.com or www.alstom.fr).

The Group annual reports for the last five fiscal years are also available on the Company's website, section "Investors / Publications / Registration Documents".

ACTIVITY OF THE HOLDING COMPANY

ALSTOM is the holding Company of the Group. ALSTOM investments consist exclusively of the shares of ALSTOM Holdings. ALSTOM centralises a large part of the external financing of the Group and directs the funds so obtained to its subsidiary ALSTOM Holdings through loans and current account. Fees from its indirect subsidiaries for the use of the ALSTOM name are ALSTOM's main other source of revenue.

For more information, see section "Financial information – Statutory accounts – Comments on ALSTOM's statutory accounts".

INTELLECTUAL PROPERTY

The Group owns or benefits from licenses for the use of several trade names, patents and other intellectual property rights. All these rights contribute to the good performance of the business, but none of the licenses alone currently has a material relevance for the activities of the Group.

PROPERTY

The Group carries out its activities on some sites upon which it has rights of different nature. The Group has full ownership of most of its main industrial sites.

The Group set up a leasing strategy for its offices buildings, which applies notably to the Headquarters of the Group and of the Sectors.

The gross value of land and buildings fully owned and leased (financial leases) as of 31 March 2010 is €1,389 million. The depreciation booked for the above is €584 million. These amounts do not include operating leases.

The Group's tangible assets are subject to costs for general maintenance and repairs required for their good functioning, to meet with legal and quality requirements, including environmental, health and safety matters.

Main industrial sites held in full property (non exhaustive list)

		Main businesses
Belgium	Marchienne au Pont	Power
	Charleroi	Transport
Brazil	Cabo de Santo Agostinho	Power
	Lapa	Transport
	Taubaté	Power
China	Wuhan	Power
	Beizhong	Power
Czech Republic	Brno – Olomoucka	Power
France	Aytré/La Rochelle	Transport
	Belfort	Power & Transport
	Grenoble	Power
	Le Creusot	Transport
	Ornans	Transport
	Reichshoffen	Transport
	Valenciennes	Transport
Germany	Berlin (Lessingstraße)	Power
	Bexbach	Power
	Kassel	Power
	Mannheim	Power
	Salzgitter	Transport
India	Durgapur	Power
	Shahabad	Power
	Vadodara	Power
Italy	Colleferro	Transport
	Savigliano	Transport
Switzerland	Birr	Power
USA	Chattanooga (Tennessee)	Power
	Concordia (Kansas)	Power
	Richmond (Virginia)	Power
	Wellsville (New York)	Power

MATERIAL CONTRACTS

In the past two years immediately before the issue of this Registration Document, ALSTOM and/or companies of the Group have not entered into material agreements, other than the agreements identified below.

Main acquisitions, disposals, partnerships, joint ventures and changes in scope of consolidation are identified in Note 4 of the consolidated financial statements as of 31 March 2010, in section "Group activity – Overview – Main events of fiscal year 2009/10" and in section "Details on shareholdings taken and sold during fiscal year 2009/10" below.

On 31 October 2006, ALSTOM Power Centrales and ALSTOM Holdings had completed a joint venture transaction with Bouygues SA in which Bouygues SA acquired 50% of the share capital of ALSTOM Hydro Holding, a company specialised in hydropower equipment activity. Pursuant to this agreement, Bouygues SA had an exit option within 20 business days after 31 October 2009. On 25 November 2009, Bouygues SA exercised this option. In accordance with the amendment signed between the parties on 30 October 2009, the operation was completed through a contribution in kind by Bouygues SA to ALSTOM of its shares in ALSTOM Hydro Holding against 4,400,000 newly issued ALSTOM shares, in accordance with the delegation granted to the Board of Directors by the Annual General Shareholders' Meeting on 24 June 2008.

As indicated on page 8 of this Registration Document, on 20 January 2010, Alstom and Schneider Electric signed with Areva the agreement for the acquisition of its Transmission & Distribution equipment subsidiary, Areva T&D SA, following the exclusive negotiations started on 30 November 2009 and the consultation of the relevant employee representatives. Prior to that agreement, Alstom and Schneider Electric signed a consortium agreement on 9 November 2009 (the "Consortium agreement") to set out the principles governing the preparation and submission of the offer to Areva and the separation between the high voltage activities ("Transmission") and the medium voltage activities ("Distribution"). In accordance with the Consortium agreement, the Transmission business will join the Alstom Group and the Distribution business will be transferred to the Schneider Electric Group.

On 1 March 2010, Alstom and Tranmashholding ("TMH"), Russia's largest railway equipment manufacturer, firmed up the strategic partnership agreement that they had concluded on 31 March 2009 and signed: a share purchase agreement under the terms and conditions of which Alstom acquires a 25% stake plus one share in TMH's parent company, The Breakers Investment BV, a shareholders' agreement concerning the management of a joint venture and a master cooperation agreement between TMH and Alstom Transport SA which specifies the terms according to which their joint activities in developing and manufacturing new rolling stock and components for railway equipment are to be carried out. Alstom's acquisition of a

stake in TMH is subject to certain conditions. Once these conditions have been met, within a maximum of six months, Alstom will make an initial payment of USD 75 million to TMH. The balance will be paid in 2012. A joint engineering company has been set up in Russia to create Russian centres of excellence for the design and manufacture of railway system equipment and key components, integrating the latest technologies developed by Alstom Transport SA and TMH.

DETAILS ON SHAREHOLDINGS TAKEN AND SOLD DURING FISCAL YEAR 2009/10

Section including information as per Article L. 233-6 of the French Commercial Code.

Details on shareholdings taken during fiscal year 2009/10

On 10 March 2010, ALSTOM Power Inc. acquired from North American Phoenix Energy Services, Inc. and Phoenix Power Control, Inc., the activity of supplying and servicing control systems, digital governors, hydraulic power systems, SCADA systems, switchgear, protective relaying and balance of plant equipment.

On 1 March 2010, ALSTOM Holdings entered into a Share Purchase Agreement with Ammonis Trading Limited, Latorio Holdings Limited, Mafrido Trading Limited, Teromo Investments Limited for the acquisition of 25% +1 share of the share capital of The Breakers Investments B.V., a Dutch company and owner of 100% of the share capital of Closed Joint Stock Company Transmashholding, a Russian company engaged in the business of production of railway and transportation equipment (See section "Main contracts" above).

On 20 January 2010, ALSTOM Holdings and Schneider Electric Industries SAS as parent companies, and ALSTOM Sextant 5, as common acquisition vehicle of the Alstom and Schneider Electric Groups, entered into a Share Purchase Agreement with Areva S.A. for the acquisition of 100% of the share capital of Areva T&D Holding SA, a French company engaged in the business of production of equipment for electricity transmission and distribution (See section "Main contracts" above).

On 13 January 2010, ALSTOM Deutschland AG and ALSTOM (Switzerland Ltd.) acquired from three individuals 100% of the share capital of respectively Clever Engineering GmbH, in Germany, and Clever Engineering AG, in Switzerland, two services and engineering companies.

On 26 November 2009, ALSTOM Power Holdings SA entered into agreements with Bharat Forge Ltd. an Indian company, relating to the creation of two Indian joint venture companies to be engaged in the field of turbo generator packages, balance of turbine island, condensers and heaters.

On 6 August 2009, ALSTOM Power Conversion GmbH acquired the activity of engineering from CB&I Lummus GmbH, a German company.

Details on direct or indirect shareholdings sold during fiscal year 2009/10

On 8 September 2009, ALSTOM Ferroviaria S.p.A. sold its business relating to the production and maintenance of mobile energy groups based in Sesto Italy, to A.R.I.S. S.p.A., an Italian company.

SIGNIFICANT CHANGE IN THE FINANCIAL OR COMMERCIAL CONDITION

To the Company's knowledge and as of the date of this Registration Document, no significant change in the financial or commercial condition of the Group has occurred since 3 May 2010, date of approval of the latest accounts published.

Information on the share capital

As of 31 March 2009, ALSTOM's share capital amounted to €2,013,575,921 consisting of 287,653,703 shares of the same class and fully paid, with a nominal value of €7 per share.

As of 31 March 2010, ALSTOM's share capital amounted to €2,056,893,972 consisting of 293,841,996 shares of the same class and fully paid with a nominal value of €7 per share, following the operations completed during fiscal year 2009/10, which are detailed in the table page 257 in Section "Changes in share capital" below.

On 19 May 2010, ALSTOM's share capital was increased to €2,058,442,736, divided into 294,063,248 shares of €7 par value each following the operations since 31 March 2010: exercise of 9,700 options when 9,700 new shares were created, and issuance of 211,552 new shares following free allocation of shares under the "Alstom Sharing 2007 Plan", the "Awards for All 2006 Plan", and the performance shares plan "LTI No. 10".

There are no double voting rights or voting rights restrictions attached to the shares comprising the share capital. The number of voting rights is identical to the number of shares.

To the knowledge of the Company, there is to date no pledge on the shares of the Company or of its significant subsidiaries.

Following the consolidation of the Company's shares completed on 3 August 2005, the shareholders had two years, *i.e.* until 4 August 2007, to claim the consolidated shares. On 6 August 2007, the consolidated shares not claimed by their beneficiaries were sold on the stock exchange and the net proceeds of the sale will be held at their disposal for a period of ten years on a blocked account opened with the financial institution appointed by the Company to hold the Company's share registry.

Following the decision of the Ordinary and Extraordinary General Meeting of 24 June 2008 in its 16th resolution, the par value of the share was splitted in two on 7 July 2008. Each share of par value €14 comprising the share capital as of this date was in full right, exchanged for 2 shares of par value €7 each and entitled to the same rights as the previous shares.

As a consequence of these operations, the number of shares that could possibly be obtained by the beneficiaries of stock options and free allocation of shares, as well as the redemption ratio of the ORA were adjusted.

FINANCIAL RATING

In May 2008, Alstom obtained the following credit ratings, which were reiterated in May 2009, with a change in outlook from "stable" to "negative", in December 2009 for Moody's Investors Services and January 2010 for Standard & Poor's:

Financial Rating	Rating	Outlook
Moody's Investors Services	Baa1	Negative
Standard & Poor's	BBB+	Negative

FINANCIAL AUTHORISATIONS

Section including information as per Article L. 225-100 of the French Commercial Code.

The table below sets forth the financial authorisations that are in force as of 3 May 2010 and their use during fiscal year 2009/10:

Nature of the authorisation	Maximum nominal amount authorised ⁽⁸⁾	Nominal amount used during expired fiscal year ⁽⁸⁾	Available amount ⁽⁸⁾	Expiry/ Duration
Issuance of securities				
Delegation of competence to issue shares and securities giving access to the share capital with preferential subscription right and/or by capitalisation of reserves (AGM 24 June 2008, Resolution No. 11)	Share capital ^{(1) (5)} : €600 million (i.e. 29.2% of the share capital) Debt securities: €2 billion ⁽²⁾	None	Maximal authorised amount	24 August 2010 (duration: 26 months)
Delegation of competence to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right and option to offer a priority right (AGM 24 June 2008, Resolution No. 12)	Share capital ^{(1) (5)} : €250 million (i.e. 12.2% of the share capital, less any capital increase in consideration of contributions in kind issued by virtue of Resolution No. 13 Debt securities: €1 billion ⁽²⁾	None	Maximal authorised amount	24 August 2010 (duration: 26 months)
Authorisation to increase the share capital by up to 10% of the share capital in consideration of contributions in kind (AGM 24 June 2008, Resolution No. 13)	10% of the share capital ⁽¹⁾ at the date of the shareholders' meeting. Such maximum amount shall reduce the overall limit set in Resolution No. 12	€30,800,000	€168,219,846	24 August 2010 (duration: 26 months)
Offerings to employees and executives				
Authorisation to grant stock options to subscribe or purchase shares (AGM 26 June 2007, Resolution No. 21)	5% of the share capital at the date of Board grant, less any amount issued by virtue of Resolution No. 18 ⁽³⁾	871,350 options, i.e. approx. 0.30% of the share capital ⁽⁵⁾	11,085,919 options, i.e. 3.77% of the share capital ⁽⁵⁾ less any amount issued by virtue of Resolution No. 18 (resulting in a remaining balance available of 5,615,239 options)	26 August 2010 (duration: 38 months)
Free allocation of existing or new shares (AGM 26 June 2007, Resolution No. 18)	2.5% of the share capital at the date of the shareholders' meeting, to be deducted from the overall limit set in Resolution No. 21 ⁽³⁾	660,037 shares, i.e. approx. 0.22% of the share capital ^{(5) (6)}	5,470,680 shares, i.e. 1.86% of the share capital ⁽⁵⁾ to be deducted from the overall limit set in Resolution No. 21	26 August 2010 (duration: 38 months)
Authorisation to issue shares and other securities granting rights to the share capital reserved for members of a Group savings plan (AGM 24 June 2008, Resolution No. 14)	2% of the share capital at the date of shareholders' meeting, less any amount issued by virtue of the Resolution No. 15 ⁽⁴⁾	743,606 shares ⁽⁷⁾ , i.e. 0.25% of the share capital ⁽⁵⁾	4,942,675 shares, i.e. 1.68% of the share capital ⁽⁵⁾ , less any amount issued by virtue of Resolution No. 15	24 August 2010 (duration: 26 months)
Delegation of authority to issue shares for the benefit of a category of beneficiaries (AGM 24 June 2008, Resolution No. 15)	0.5% of the share capital at the date of the shareholders' meeting, to be deducted from the overall limit set in Resolution No. 14 ⁽⁴⁾	348,505 shares ⁽⁷⁾ , i.e. approx. 0.11% of the share capital ⁽⁵⁾	1,073,065 shares, i.e. 0.36% of the share capital ⁽⁵⁾ to be deducted from the overall limit set in Resolution No. 14	24 December 2009 (duration: 18 months)
Share buy back and reduction of the share capital				
Authorisation to repurchase shares (AGM 23 June 2009, Resolution No. 10)	10% of the share capital	None	Maximal authorised amount	23 December 2010 (duration: 18 months)
Authorisation to reduce the share capital (AGM 23 June 2009, Resolution No. 11)	10% of the share capital	None	Maximal authorised amount	23 June 2011 (duration: 24 months)

(1) Global limitation of the capital increases resulting from the three authorisations to €600 million, i.e. 29.2% of the share capital before potential adjustments.

(2) Global limitation of the amount of debt securities resulting from these two authorisations to €2 billion.

(3) Global limitation of these authorisations to grant stock options and free shares to 5% of the share capital (before potential adjustments).

(4) Global limitation of capital increases related to employee shareholding to 2% of the share capital (before potential adjustments).

(5) On the basis of the share capital as of 31 March 2010.

(6) Comprising a maximum of 137,817 shares allocated under the "Alstom Sharing 2009" offered to members of Alstom Group Savings plan as fixed by the Board of Directors on 4 May 2009 and 522,200 conditional shares allocated under the long term incentive plan (LTI No. 12) which combines the allocation of stock options and free shares subject to achievement of Group's performance targets implemented on 21 September 2009.

(7) These capital increases were completed on 30 April 2009.

(8) All figures in the table have been adjusted to take into account the two-for-one stock split completed on 7 July 2008.

It will be proposed to the next Ordinary and Extraordinary General Meeting scheduled on 22 June 2010:

- to renew all of the authorisations to issue capital securities which will expire in 2010 in order to enable the Company to continue to secure the means to finance its growth strategy and seize any market opportunities. Within the framework of the proposed authorisations, the total amount of authorized capital increases (including employee shareholding transactions issuances) would be subject to a ceiling of €600 million, or 29.2% of the share capital as of 31 March 2010, including a maximum of €300 million or 14.6% of the share capital for capital increases with no preferential subscription right which include the capital increases in consideration of contributions in kind for which the 10% ceiling does not autonomously apply;
- to renew the authorisations related to capital increases relative to employee shareholding transactions with a ceiling which would remain set at 2% of the share capital as of the day of the shareholders' meeting but would reduce the overall 29.2% capital increase limit indicated above. These authorisations are intended for the development of employee savings, which total approximately 1.45% of the share capital of the Company as of 31 March 2010, either directly or *via* Alstom Fonds Commun de Placement (French shareholding vehicles, or "FCPs");
- to renew the authorisations to grant free performance shares and conditional stock options with an overall ceiling set for both of these authorisations at 2.5% of the share capital on the date of the General Shareholders' Meeting;
- to renew the authorisation given by the shareholders' meeting of 23 June 2009 to acquire the Company's shares as described in Section "Repurchase of shares" below.

The table below summarises the proposed financial authorisations:

Nature of the authorisation	Maximum nominal amount authorised	Expiry/Duration
Issuance of securities		
Delegation of competence to issue shares and securities giving access to the share capital with preferential subscription right and/or by capitalisation of reserves (AGM 22 June 2010, Resolution No. 12)	Share capital: €600 million (i.e. 29.2% of the share capital) ^{(1) (5)} Debt securities: €2 billion ⁽²⁾	22 August 2012 (duration: 26 months)
Delegation of competence to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right and option to offer a priority right (AGM 22 June 2010, Resolution No. 13)	Share capital: €300 million (i.e. 14.6% of the share capital) ⁽⁵⁾ , less any capital increase in consideration of contributions in kind issued by virtue of Resolution No. 14 ⁽¹⁾ Debt securities: €1.5 billion ⁽²⁾	22 August 2012 (duration: 26 months)
Authorisation to increase the share capital by up to 10% of the share capital in consideration of contributions in kind (AGM 22 June 2010, Resolution No. 14)	10% of the share capital at the date of the shareholders' meeting. Such maximum amount shall reduce the overall limit set in Resolution No. 13 ⁽¹⁾	22 August 2012 (duration: 26 months)
Offerings to employees and executives		
Authorisation to issue shares and other securities granting rights to the share capital reserved for members of a Group savings plan (AGM 22 June 2010, Resolution No. 15)	2% of the share capital at the date of shareholders' meeting, less any amount issued by virtue of the Resolution No. 16 ^{(1) (4)}	22 August 2012 (duration: 26 months)
Delegation of authority to issue shares for the benefit of a category of beneficiaries (AGM 22 June 2010, Resolution No. 16)	0.5% of the share capital at the date of the shareholders' meeting, to be deducted from the overall limit set in Resolution No. 15 ^{(1) (4)}	22 December 2011 (duration: 18 months)
Free allocation of existing or new shares to employees (AGM 22 June 2010, Resolution No. 17)	1% of the share capital at the date of the shareholders' meeting, to be deducted from the overall limit set in Resolution No. 18 ⁽³⁾	22 August 2013 (duration: 38 months)
Authorisation to grant stock options to subscribe or purchase shares (AGM 22 June 2010, Resolution No. 18)	2.5% of the share capital at the date of Board grant, less any amount issued by virtue of Resolution No. 17 ⁽³⁾	22 August 2013 (duration: 38 months)
Share buy back and reduction of the share capital		
Authorisation to repurchase shares (AGM 22 June 2010, Resolution No. 11)	10% of the share capital as of 31 March 2010	22 December 2011 (duration: 18 months)

(1) Global limitation of the capital increases resulting from the five authorisations to €600 million corresponding to 29.2% of the share capital as of 31 March 2010 before potential adjustments.

(2) Global limitation of the amount of debt securities resulting from these two authorisations to €2 billion.

(3) Global limitation of these authorisations to grant stock options and free shares to 2.5% of the share capital as of this shareholders' meeting (before potential adjustments). This amount is not to be deducted from the overall limit of €600 million.

(4) Global limitation of capital increases related to employee shareholding resulting from these authorisations to 2% of the share capital as of this shareholders' meeting (before potential adjustments).

(5) On the basis of the share capital as of 31 March 2010.

CHANGES IN SHARE CAPITAL

	Number of shares issued	Nominal amount of capital increase (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
31 March 2007				138,617,201	1,940,640,814.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ (20 June 2007)	3,701	51,814.00	104,202.69	138,620,902	1,940,692,628.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (30 September 2007)	665,461	9,316,454.00	2,802,096.98	139,286,363	1,950,009,082.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 December 2007)	445,541	6,237,574.00	1,497,897.01	139,731,904	1,956,246,656.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 January 2008)	700,584	9,808,176.00	18,419,820.20	140,432,488	1,966,054,832.00
Increase in share capital reserved to employees and the company Sharing Plus (20 February 2008)	606,820	8,495,480.00	60,639,522.60	141,039,308	1,974,550,312.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 March 2008)	562,819	7,879,466.00	5,787,967.55	141,602,127	1,982,429,778.00
31 March 2008				141,602,127	1,982,429,778.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (30 April 2008)	14,643	205,002.00	107,057.95	141,616,770	1,982,634,780.00
Increase in share capital resulting from free allocation of shares (19 May 2008)	463,404	6,487,656.00	-	142,080,174	1,989,122,436.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (20 June 2008)	76,859	1,076,026.00	627,369.20	142,157,033	1,990,198,462.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (2 July 2008)	6,733	94,262.00	54,511.85	142,163,766	1,990,292,724.00
Two-for-one split of the par value (2 July 2008)	-	-	-	284,327,532	1,990,292,724.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (30 September 2008)	366,902	2,568,314.00	2,222,769.66	284,694,434	1,992,861,038.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 December 2008)	2,353,454	16,474,178.00	33,401,333.93	287,047,888	2,009,335,216.00
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 March 2009)	605,815	4,240,705.00	5,510,866.13	287,653,703	2,013,575,921.00
31 March 2009				287,653,703	2,013,575,921.00

	Number of shares issued /cancelled	Nominal amount of capital increase (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
31 March 2009				287,653,703	2,013,575,921.00
Increase in share capital reserved to employees and resulting from the exercise of options (30 April 2009)	1,141,631	7,991,417	26,390,774.24	288,795,334	2,021,567,338
Increase in share capital resulting from the exercise of options (18 June 2009)	64,970	454,790	562,012.80	288,860,304	2,022,022,128
Decrease of capital by cancellation of purchased shares (23 June 2009)	-700,000	-4,900,000	-28,719,132.00	288,160,304	2,017,122,128
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ , options and free allocation of shares (9 July 2009)	15,086	105,602	62,075.93	288,175,390	2,017,227,730
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ , options and free allocation of shares (30 September 2009)	629,692	4,407,844	7,201,001.75	288,805,082	2,021,635,574
Increase in share capital resulting from the exercise of options and free allocation of shares (31 October 2009)	140,811	985,677	2,909,570.45	288,945,893	2,022,621,251
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ , options and free allocation of shares (30 November 2009)	81,278	568,946	1,124,832.88	289,027,171	2,023,190,197
Increase in share capital resulting from the exercise of options (31 December 2009)	86,229	603,603	1,345,809.97	289,113,400	2,023,793,800
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (31 January 2010)	153,640	1,075,480	2,797,183.49	289,267,040	2,024,869,280
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ and options (28 February 2010)	41,880	293,160	680,442.80	289,308,920	2,025,162,440
Contribution in kind by Bouygues ⁽²⁾ (12 March 2010)	4,400,000	30,800,000	189,078,491.60	293,708,920	2,055,962,440
Increase in share capital resulting from the exercise of ORA ⁽¹⁾ , options and free allocation of shares (31 March 2010)	133,076	931,532	1,794,750.45	293,841,996	2,056,893,972
31 March 2010				293,841,996	2,056,893,972

(1) Subordinated bonds reimbursable into shares 2% December 2008.

(2) Contribution in kind by Bouygues SA to ALSTOM of 7 523 990 ALSTOM Hydro Holding shares against 4,400,000 newly issued ALSTOM shares, in accordance with the delegation granted to the Board of Directors by the Annual General Shareholders' Meeting on 24 June 2008.

OWNERSHIP OF ALSTOM SHARES

Information as per Articles L. 225-102 and L. 233-13 of the French Commercial Code.

To the Company's knowledge based on notifications received by the Company, the table below shows the voting rights and the shares held by shareholders with more than 0.50% of the Company's share capital as of 31 March 2010:

	Share capital as of 31 March 2010		Share capital as of 31 March 2009		Share capital as of 31 March 2008	
	Number of shares ⁽²⁾	% of the share capital and voting rights ⁽¹⁾	Number of shares ⁽²⁾	% of the share capital and voting rights ⁽¹⁾	Number of shares	% of the share capital and voting rights ⁽¹⁾
Public	164,125,668	55.86%	171,311,244	48.58%	167,875,754	46.86%
Bouygues SA	90,543,867	30.81%	86,143,867	29.95%	84,974,698	30.00%
Morgan Stanley & Co International plc	9,306,796	3.17%	9,306,796	3.24%	9,306,796	3.29%
Natixis Asset Management	5,637,834	1.92%	5,637,834	1.96%	5,623,698	1.99%
Franklin Resources Inc.	4,526,025	1.54%	-	-	-	-
Employees ⁽³⁾	4,260,638	1.45%	3,795,845	1.32%	3,096,058	1.09%
Caisse des Dépôts et Consignations	4,151,266	1.41%	4,151,266	1.44%	4,151,266	1.47%
Groupama Asset Management	3,511,872	1.20%	3,511,872	1.22%	3,511,872	1.24%
Crédit Suisse Group AG	2,967,481	1.01%	-	-	-	-
UBS Investment Bank	2,742,544	0.93%	1,726,974	0.60%	1,726,974	0.61%
Marsico Capital Management	2,068,005	0.70%	2,068,005	0.72%	2,937,138	1.04%
Total	293,841,996	100.00%	287,653,703	100.00%	283,204,254	100.00%

(1) % calculated based on the share capital as of 31 March of each year and not based on the share capital on the date of the declaration.

(2) Number of shares taking into account the two-for-one split of the par value of the shares on 7 July 2008.

(3) Shares held by employees and former employees of the Group savings plan, which corresponds to approximately 0.78% held directly and approximately 0.67% held through FCPE.

To the knowledge of the Company, on the basis of declarations of threshold crossing received, excluding notifications received from registered brokers, no other shareholder holds, directly or indirectly, more than 0.50% of the share capital or voting rights of the Company as of 31 March 2010.

After 31 March 2009, the Company has received the following declarations of threshold crossing:

- Amundi Asset Management, a company resulting from the regroupment of asset management companies of the Credit Agricole and Société Générale Groups, notified that it held on 1 April 2010, 7,239,216 shares, *i.e.* 2.46% of the share capital and voting rights, and on 8 April 2010, 7,106,151 Alstom shares, *i.e.* 2.42% of the share capital and voting rights of the Company;
- Crédit Suisse notified that it held on 19 April 2010, 4,445,063 Alstom shares, *i.e.* 1.51% of the share capital and voting rights of the Company and on 22 April 2010, 4,486,962 Alstom shares, *i.e.* 1.53% of the share capital and voting rights of the Company;
- Marsico notified that it held on 10 May 2010, 1,245,255 shares, *i.e.* 0.42% of the share capital and voting rights of the Company;
- Franklin Resources Inc. notified that it held on 14 May 2010, 6,058,714 Alstom shares, *i.e.* 2.06% of the share capital and voting rights of the Company.

On 26 June 2006, the French State sold to Bouygues SA its whole stake of 21.03% in the Company's share capital, *i.e.* 29,051,244 shares

(corresponding to 58,102,488 shares after the two-for-one split of the par value) following the approval of the European Commission antitrust authority and the closing of the ALSTOM Marine disposal. As part of an agreement with the French State on 26 April 2006, Bouygues SA gave an undertaking to the French State to retain the shares for a three-year period expiring on 26 June 2009.

To the knowledge of the Company there is no shareholders' agreement concerning the share capital of the Company.

As of 3 May 2010, 22,945 shares are held by the individual Directors of the Company and 122,336 shares are held by the members of the Executive Committee, representing in total approximately 0.05% of ALSTOM's share capital and voting rights as of 31 March 2010. The company Bouygues SA, Director of ALSTOM, holds 30.81% of the share capital and voting rights of the Company as of 31 March 2010.

A table identifying the operations as per Article L. 621-18-2 of the French Monetary and Financial Code is available in section "Corporate governance – Interest of the officers and employees in the share capital".

ALSTOM does not hold, directly or indirectly through companies it controls, any of its own shares and each Director holds at least the number of shares recommended by the Director's Charter annexed to the Board Internal Rules, *i.e.* 500 shares.

SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

The securities giving access to the Company's share capital are composed of:

- the rights resulting from free allocations of shares; and
- stock options to subscribe shares.

The subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA") were reimbursed in shares on 31 December 2008, as described below.

There are no other securities granting rights to the share capital of the Company.

Subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA")

In December 2003 the Company issued subordinated 2% bonds due December 2008 for €901,313,660.80 and reimbursable in Company's shares ("ORA") with preferential subscription rights with a ratio of one new share for one bond (before adjustments). The redemption ratio of the ORA was changed as follows:

- on 16 August 2004, to take into account the share capital increase with preferential subscription rights of 13 August 2004 (one bond giving right to 1.2559 shares of €0.35 par value);
- on 3 August 2005 following the consolidation of the shares comprising the share capital (one bond giving right to 0.0314 share of €14 par value);

- on 7 July 2008 following the two-for-one split of the par value of the shares (one bond giving right to 0.0628 ALSTOM share of €7 par value).

On 31 December 2008 the ORA were reimbursed in shares pursuant to the terms and conditions of the bonds. As of 31 March 2010, 86,062 ORA, representing 0.01% of the issue, were held by bondholders who did not yet notify the Company if they request at redemption the number of shares resulting either from the rounding down to the nearest whole number (with cash compensation by the Company) or the rounding up to the nearest whole number (with cash payment by the bondholder).

Free allocations of shares

See sections:

- "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans and performance share plans"; and
- "Corporate governance – Interest of the officers and employees in the share capital – Free shares plans for the subscribers outside France to "Alstom Sharing Offers"".

Stock options

See section "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans and performance share plans".

POTENTIAL SHARE CAPITAL

As of 19 May 2010

	Total number of shares that may be issued	Amount of corresponding capital increase (in €)	% of the share capital as of 19 May 2010
Shares that may result from the exercise of existing stock option plans ^{(1) (2)}	7,945,914	55,621,398	2.70%
Shares that may be issued on the basis Performance Shares Plans ^{(1) (2)}	1,075,656	7,529,592	0.36%
Shares that will be issued on the basis of the free allocation of shares for the subscribers outside France to Alstom Sharing Offers ⁽³⁾	232,482	1,627,374	0.08%
Total	9,254,052	64,778,364	3.14%

(1) See section "Information on the share capital – Interests of the officers and employees in the share capital – Stock options plans and performance shares plans".

(2) The Group considers that based on the elements of the last Group's three year plan, the performance conditions of Plan LTI No. 11 should not be reached (See Note 22 to the consolidated financial statements for fiscal year 2009/10). Therefore, the potential dilution would be reduced to (i) 2.45% in relation to stock options plans and (ii) 0.22% in relation to performance shares plans, i.e. a total potential dilution of 2.75%.

(3) See section "Corporate governance – Interests of the officers and employees in the share capital – Free shares plans for the subscribers outside France to "Alstom Sharing Offers"".

REPURCHASE OF SHARES

Information as per Article L. 225-11 of the French Commercial Code.

Use by the Board of Directors of the authorisation granted by the shareholders' meeting

Acting pursuant to Article L. 225-209 of the French Commercial Code, the Ordinary and Extraordinary General Meeting held on 24 June 2008 authorised the Board of Directors to purchase on a stock exchange or otherwise, and by any means, ALSTOM's shares within the limit of a number of shares representing 10% of ALSTOM's share capital as of 31 March 2008, *i.e.* a theoretical number of 28,320,424 shares for a maximum purchase price of €100 and for a duration expiring after the shareholders' meeting called to approve the financial statements for the fiscal year starting on 1 April 2008.

Using this authorisation the Company has implemented its share purchase programme to reduce the dilutive effect of the share capital increase under the "Alstom Sharing 2009" plan reserved to members of the Alstom Group saving plan carried out on 30 April 2009, and purchased 700,000 Alstom shares from 2 until 5 June 2009. The Company cancelled these shares on 23 June 2009 in accordance with a decision of the Board of Directors acting within the framework of the authorisation of the shareholders' meeting held on 26 June 2007 in its 22nd resolution.

Acting pursuant to Article L. 225-209 of the French Commercial Code, the Ordinary and Extraordinary General Meeting held on 23 June 2009 authorised the Board of Directors to purchase on a stock exchange or otherwise, and by any means, ALSTOM's shares within the limit of a number of shares representing 10% of ALSTOM's share capital as of 31 March 2009, *i.e.* a theoretical number of 28,765,370 shares for a maximum purchase price of €70 and for a duration expiring after the shareholders' meeting called to approve the financial statements for the fiscal year starting on 1 April 2009. This share purchase programme has not been used by ALSTOM.

The table below summarises the share buy back carried out during fiscal year 2009/10:

Number of shares	
- Purchased from 2 to 5 June 2009	700,000
- Sold/transferred	None
- Cancelled on 23 June 2009	700,000
Average price (in €)	
- Purchase	€48.03
- Sale/transfer	None
Trading fees (in €)	26,895.31
Number of shares held by the Company as of 31 March 2010	None
Percentage of share capital held by the Company	None
Value of shares held by the Company as of 31 March 2010	None

Presentation of the share purchase programme submitted to the approval of the Ordinary and Extraordinary General Meeting called on 22 June 2010

The section below constitutes the presentation of the share purchase programme which will be submitted to the approval of the Ordinary and Extraordinary General Meeting called on 22 June 2010, pursuant to Article 241-2 of the General Regulation of the French *Autorité des marchés financiers*.

NUMBER OF SHARES AND PORTION OF THE SHARE CAPITAL HELD DIRECTLY OR INDIRECTLY BY ALSTOM

ALSTOM does not hold directly or indirectly any shares composing its share capital and any securities giving access to its share capital.

SPLIT OF OBJECTIVES

Not applicable.

OBJECTIVES OF THE SHARE PURCHASE PROGRAMME

This share purchase programme may be used with the purpose to:

- cancel the shares acquired under the conditions set forth by law (within the framework of the 11th resolution of the shareholders' meeting of 23 June 2009);
- with the purpose of allocating or selling shares to employees, former employees or corporate officers of the Company and its affiliated companies as defined in Articles L. 225-180 and L. 233-16 of the French Commercial Code, in particular through employee purchase scheme, stock option plans or free allocations of shares pursuant to the conditions specified by law;
- in order to hold the shares purchased, or sell, transfer or exchange the shares purchased as part of or following any external growth transactions within the limit set forth in the 6th paragraph of Article L. 225-209 of the French Commercial Code;
- in order to deliver shares upon exercise of rights attached to securities giving access to the share capital;
- to ensure the liquidity of the market and to lead the Company's market through an authorised investment services provider within the framework of a liquidity contract complying with a Code of Ethics agreed upon by the French Stock Market Authority (AMF);
- as well as in the context of the active and optimised management of the Company's stockholders' equity and stockholders.

The purchase, sale, transfer or exchange of these shares may occur, in accordance with the rules set by the relevant regulatory bodies, on

or off the stock exchange, by any means, including block transfer, the use or exercise of financial instruments, derivatives and, in particular through optional transactions such as the purchase and sale of put or call options, and at any time within the limits set forth by laws and regulations, excluding during any take-over period on the Company's share capital.

MAXIMUM PORTION OF SHARE CAPITAL AND MAXIMUM NUMBER OF SHARES WHICH MAY BE REPURCHASED

Pursuant to Article L. 225-209 *et seq.* of the French Commercial Code, the Board of Directors is allowed to purchase existing Company shares up to the number of shares that represent 10% of the Company's share capital as of 31 March 2010, *i.e.*, a theoretical maximum number of 29,384,199 shares of €7 nominal value, and a theoretical maximum aggregate purchase price of €2,056,893,972 based on the maximum purchase price set hereafter.

MAXIMUM PURCHASE PRICE

The purchase price may not exceed €70 per share, subject to adjustments relating to transactions affecting the Company's share capital. In the event of transactions dealing with the Company's share capital and, in particular, in the event of an increase in the share capital by the incorporation of reserves and the allocation of shares, free of charge, as well as in the event of a split or a consolidation of the shares, the maximum price indicated above shall be adjusted by a multiplying ratio equal to the number of shares included in the share capital before the transaction divided by the number of these shares after the transaction. Moreover, these shares could be transferred free of charge under the conditions specified by law, in particular Articles L. 443-1 *et seq.* of the French Labour Code and L. 225-197-1 of the French Commercial Code.

DURATION

The share purchase programme will valid during 18 months after the shareholders' meeting called to be held on 22 June 2010, *i.e.* 22 December 2011.

CHARACTERISTICS OF THE SHARES WHICH MAY BE PURCHASED

Shares listed on the Euronext Paris (Compartment A).

Name: ALSTOM.

ISIN code: FR 0010220475.

ISSUE OF DEBT SECURITIES

On 4 May 2009, the Board of Directors gave full power to the Chairman and Chief Executive Officer, for a one-year period, to issue, in one or more times, bonds within a maximum nominal amount

of €2 billion. This authorisation, which expired on 4 May 2010, has been cancelled for its unused portion and renewed by the Board of Directors held on 22 December 2010 for new one year period and for a maximum nominal amount of €2 billion.

Using this authorisation, the Company has launched three bonds issues:

Authorisation date	Issue date	Amount (in € million)	Maturity	Interest rate
4 May 2009	23 September 2009	500	23 September 2014	4.00%
22 December 2009	1 February 2010	750	1 February 2017	4.125%
22 December 2009	18 March 2010	500	18 March 2020	4.50%

Furthermore, the delegations of competence to the Board of Directors approved by the Ordinary and Extraordinary General Meeting held on 26 June 2007 authorise the Board of Directors to decide upon the issuance of securities giving access to securities representatives of debt in accordance with the provisions of Article L. 228-92 of the French Commercial Code, for a maximum amount of €2 billion and for a duration of twenty-six months expiring on 26 August 2009. This authorisation has not been used during fiscal year 2009/10 and has not been renewed.

The dividend coupon will be detached from the share on 24 June 2010 and can be paid out in cash on 29 June 2010. Under the assumption that, on the dividend payment date, the Company holds some of its own shares, the amount of the dividend on such shares would be carried over.

When such dividend is paid out to individuals residing in France for tax purposes, the dividend is subject to income tax at the progressive rate and eligible for a tax reduction of 40% resulting from Article 158-3-2° of the French General Tax Code and eligible for the annual fixed tax reduction, with the exception of the option for the 18% fixed full tax discharge withholding set forth in the fourth paragraph of Article 117 of the French General Tax Code that can be withheld at the time this dividend is cashed in or that may have been withheld from income received over the course of the same year.

DIVIDENDS PAID OVER THE LAST THREE FISCAL YEARS

Information as per Article 243 bis of the French General Tax Code.

It will be proposed to the Ordinary and Extraordinary General Meeting called on 22 June 2010 to distribute dividends for a total amount of €364,364,075.04, corresponding to €1.24 per share of €7 nominal value. It represents a rate of distribution of 30% of the Group's net profit.

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

Fiscal year (in €)	2008/09	2007/08	2006/07
Dividend per share ^{(1) (2)}	1.12	0.80	0.40

(1) Figures have been restated to take into account the two-for-one stock split completed on 7 July 2008 after payment of the dividend related to the fiscal year 2007/08.

(2) Amount eligible for the tax reduction of 40% resulting from Article 158-3-2° of the French General Tax Code.

See section "Financial information – Comments on the statutory accounts – Appropriation of results".

ELEMENTS WHICH COULD HAVE AN IMPACT IN THE EVENT OF A TENDER OFFER

Information as per Article L. 225-100-3 of the French Commercial Code.

Structure of the Company's share capital

A table detailing the structure of ALSTOM's share capital is presented in section "Additional information – Information on the share capital – Ownership of ALSTOM shares".

By-laws articles restricting the exercise of voting rights and the transfer of shares, or other clauses of agreements known by the Company

None.

Direct or indirect shareholdings in the Company

As of 3 May 2010, Bouygues SA holds 30.81% of the share capital and voting rights of the Company. See also section "Additional information – Information on the share capital – Ownership of ALSTOM shares".

List of holders of any security granting special control rights

None.

Control mechanisms within employee shareholding schemes

The rules of the ALSTOM savings plan ("FCPE ALSTOM") provide that the Supervisory Board of the FCPE ALSTOM is entitled to vote in ALSTOM shareholders' meetings, and not employees directly.

Therefore the Supervisory Board only is entitled to decide on the answer to be given in case of a public offer. The FCPE ALSTOM held 0.67% of the Company's share capital and voting rights as of 31 March 2010.

Shareholders' agreements that may restrict the transfer of shares and the exercise of voting rights

At the time of the acquisition by Bouygues SA of the French State's shareholding in the Company, corresponding to 21.03% of ALSTOM's share capital and voting rights, Bouygues SA gave an undertaking to the French State to retain this shareholding for a three-year period expiring in June 2009.

To the knowledge of ALSTOM, there are no shareholders' agreement that may restrict the transfer of ALSTOM's shares and/or the exercise of ALSTOM's voting rights.

Specific rules governing the nomination and replacement of Directors, and the modification of the Company's bylaws

None.

Board of Directors' powers

The shareholders' meeting held on 23 June 2009 authorised the Board of Directors to acquire the Company's shares, within the limits set forth by laws and regulations, excluding during any take-over period. It will be proposed to the next Ordinary and Extraordinary General Meeting to be held on 22 June 2010 to renew this authorisation, excluding during any take-over on the Company's share capital. See also section "Additional information – Information on the share capital – Repurchase of shares".

Agreements that may be amended or terminated in case of a change of control of the Company

The financing agreements, the terms of bonds issues and bonding programmes of the Group include change of control clauses.

The three bonds issues completed during fiscal year 2009/10 (€500 million 4% bond issue due 23 September 2014, €750 million 4.125% bond issue due 1 February 2017 and €500 million 4.50% bond issue due 18 March 2020) contain a change of control clause that allow any bondholder to request the early reimbursement of its bonds during a specific period of time, in case of change of control of ALSTOM.

The syndicated credit facility amounting to €1 billion, maturing in March 2012 and extended for €942 million up to March 2013, which is fully undrawn, contains a change of control clause that allows each financial institution party to this agreement to request the cancellation of its credit commitment and the early reimbursement of its participation in the credit in case of change of control of ALSTOM.

The syndicated bonding programme of a maximum amount of €8 billion maturing 27 July 2010 (the "Master Facility Agreement") also contains a change of control clause which may result, in case of a change of control, in the programme being suspended, in the obligation to procure new bonds to replace outstanding bonds or to provide cash collateral, as well as the early reimbursement of our other debts as a result of their cross-default or cross-acceleration provisions.

In April 2010 the Group has signed a new revolving committed bonding facility agreement replacing the Master Facility Agreement as from 28 July 2010 and allowing the issuance of bonds and guarantees up to €8.275 billion from 28 July 2010 until 27 July 2013 (the "Committed Facility Agreement"). This Committed Facility Agreement also contains a change of control clause which may result in the same consequences as those of the Master Facility Agreement.

The joint venture agreements that we have signed generally contain change of control clauses, that may trigger the obligation to sell our shareholding in these joint ventures.

Agreements providing indemnities to Board members or employees, if they resigned or are dismissed without actual and serious reason or if their employment ends due a public offer

None. See section "Corporate governance – Corporate governance and Executive and Non-Executive Directors' compensation report".

SHAREHOLDER INFORMATION

The role of the Investor Relations team is to provide the entire financial community – individual shareholders, institutional investors and financial analysts – with complete, regularly updated information on the Group's strategy and its implementation.

Active communication policy for individual shareholders

Besides the Annual General Meeting, Alstom is developing opportunities to meet and communicate with its individual shareholders. During the fiscal year, the Group took part in information meetings at Annecy and Avignon in France – organised in association with the FFCI (the French Investment Club Federation) and the CLIFF (the French Association for Investor Relations). In 2010, the Group will meet with its shareholders in Strasbourg and Tours. Alstom also participates

in the annual Actionaria exhibition in Paris, which welcomes over 30,000 visitors every year. During this 2009 exhibition, shareholders had the chance to meet the Chairman and Chief Executive Officer of the Group, as well as the Investor Relations team and members of the communications department.

The Group also organises site visits in France for individual shareholders to give them a better insight into the way the business works. For example, some of them were able to discover the different stages of regional train and metro assembly lines at factories in Reichshoffen and Valenciennes, and others saw a TGV⁽¹⁾ coach, a locomotive, and a steam turbine being put together at the Belfort production plant. They also discovered assembly lines for train bogies at the factory in Le Creusot.

In addition to annual reports and quarterly publications, Alstom offers its shareholders a range of information tools, including the shareholder letter which is published twice a year in conjunction with the main financial dates of the Group. All documents can be obtained upon request. The Investors section on Alstom's website also provides shareholders with all the financial documentation, as well as debt information and a calendar of financial events.

Relations with institutional investors and financial analysts

Roadshows are organised several times a year in major American and European financial centres (France, USA, the UK, Switzerland, Germany, Italy, Belgium...). Information meetings (presentations on Sectors, strategy, etc.), as well as individual meetings with investors and analysts take place throughout the year.

The Group also participates in thematic conferences organised by brokerage firms in France, the UK and the USA. During the past fiscal year, these conferences covered themes such as the rail transport market, power generation technologies and sustainable development.

Stock market news

In 2009, the Alstom share price grew by 17% and ranked 27th in its reference index, the CAC 40, which saw an increase of 22%.

In December 2009, the Alstom share was introduced into the ECPI Ethical EMU index, which accounts for the 150 best companies in terms of stock market capitalisation in the European Economic and Monetary Union, based on the environmental, social and governance criteria specified in the ECPI screening methodology.

On 31 March 2010, the share price reached €46.17 and the stock market capitalisation of the Group was €13.6 billion.

(1) TGV is a trademark of SNCF.

Keeping investors informed

www.alstom.com or www.alstom.fr

The Investors' section of the Alstom website has been specially designed to provide shareholders with easy access to all of the Group's financial communications: share price quotes, the possibility to download the past five years' historical data, financial results, presentations, annual reports, shareholders letters, dates of important meetings, frequently asked questions, as well as a service that dispatches press releases by e-mail. Printed copies of the Registration Document can be obtained in French and English by sending a request to the Investor Relations department.

Contacts

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Emmanuelle Douëzy – Individual Shareholders Manager

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Fax: +33 (0)1 41 49 79 25
E-mail: investor.relations@chq.alstom.com
Toll free number from France: 0800 50 90 51
From abroad, you can contact the team by dialling +33 (0)1 45 30 85 75 (calls will be charged at the local operator's standard international rate).

LISTING OF THE SHARES

Alstom share as of 31 March 2010

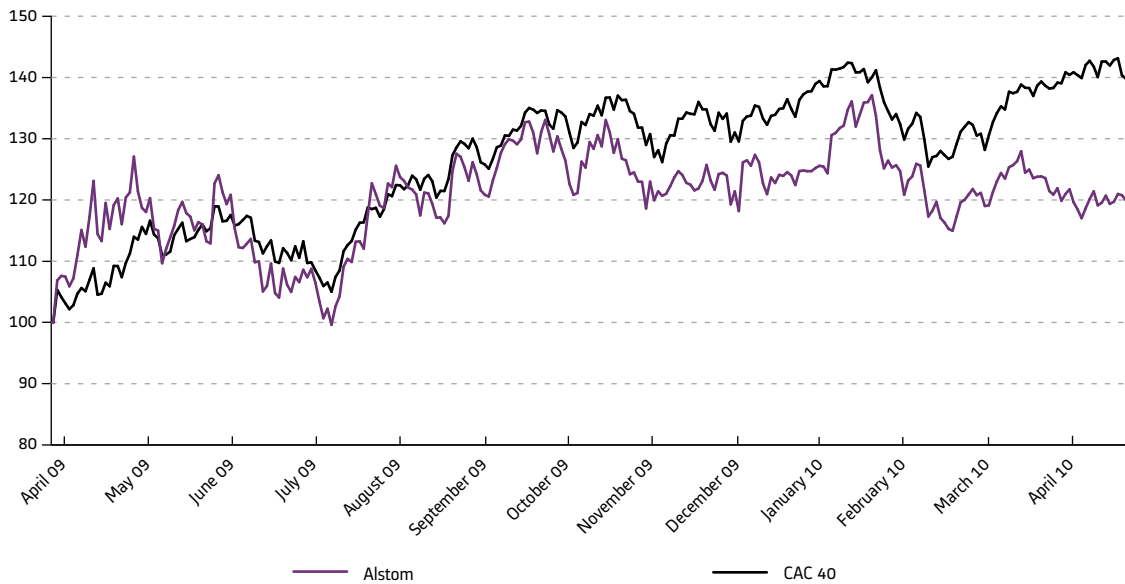
Place of listing:	Euronext Paris
Isin code:	FR0010220475
Ticker:	ALO
Nominal value:	€7
Number of shares:	293,841,996
Market capitalisation:	€13,566,684,955
Main indexes:	CAC 40
	SBF 120
	Euronext 100
	DJ Euro Stoxx 50

The Alstom shares are no longer listed on the London Stock Exchange since 17 November 2003, nor on the New York Stock Exchange since 10 August 2004.

The Company has chosen not to create or otherwise sponsor an American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "unsponsored" and has no ties whatsoever to the Company. This means that the Company cannot be relied upon to ensure the proper operation of such facility or to protect the rights of ADR holders, and the Company expressly disclaims any liability or submission to jurisdiction to any courts in the United States in respect of such facility. Persons choosing to deposit ALSTOM shares into such a facility or to acquire ADRs issued from such a facility do so at their own risk and on the basis of their own analysis of such facility.

Share price evolution – April 2009/April 2010

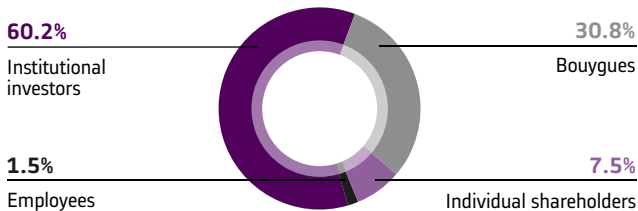
Based 100 as of 1 April 2009



Source: Euronext Paris.

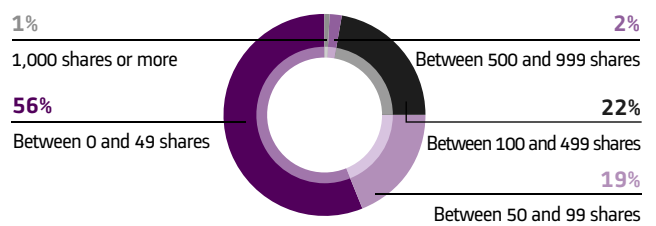
Shareholder study

According to an enquiry carried out in March 2010, the Group estimates that it has approximately 260,000 shareholders.

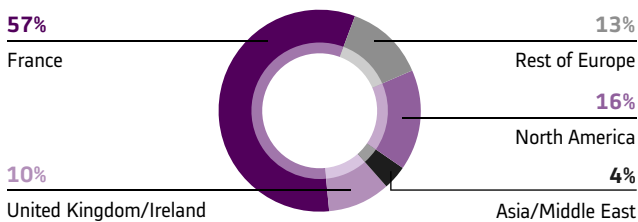


INDIVIDUAL SHAREHOLDER CATEGORIES

Individual shareholders hold an average of 106 shares. The graph below represents the breakdown of shareholders based on the number of shares held:



CAPITAL STRUCTURE BY REGION AT 31 MARCH 2010

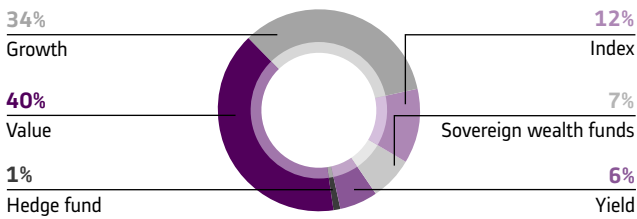


In terms of geographic distribution, 98% of Alstom's individual shareholders come from France.

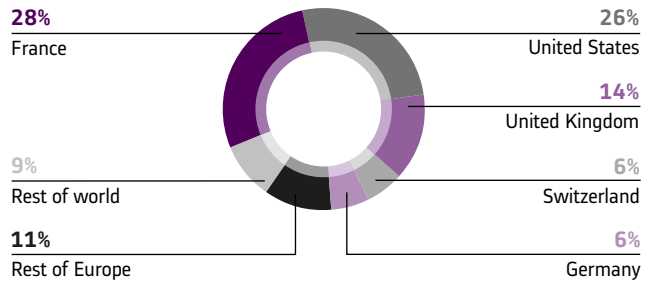
Institutional Investor Categories

Mid-term and long-term investors continue to represent the majority of institutional investors. The graphs below illustrate the breakdown of institutional investors by management style and geographical zone.

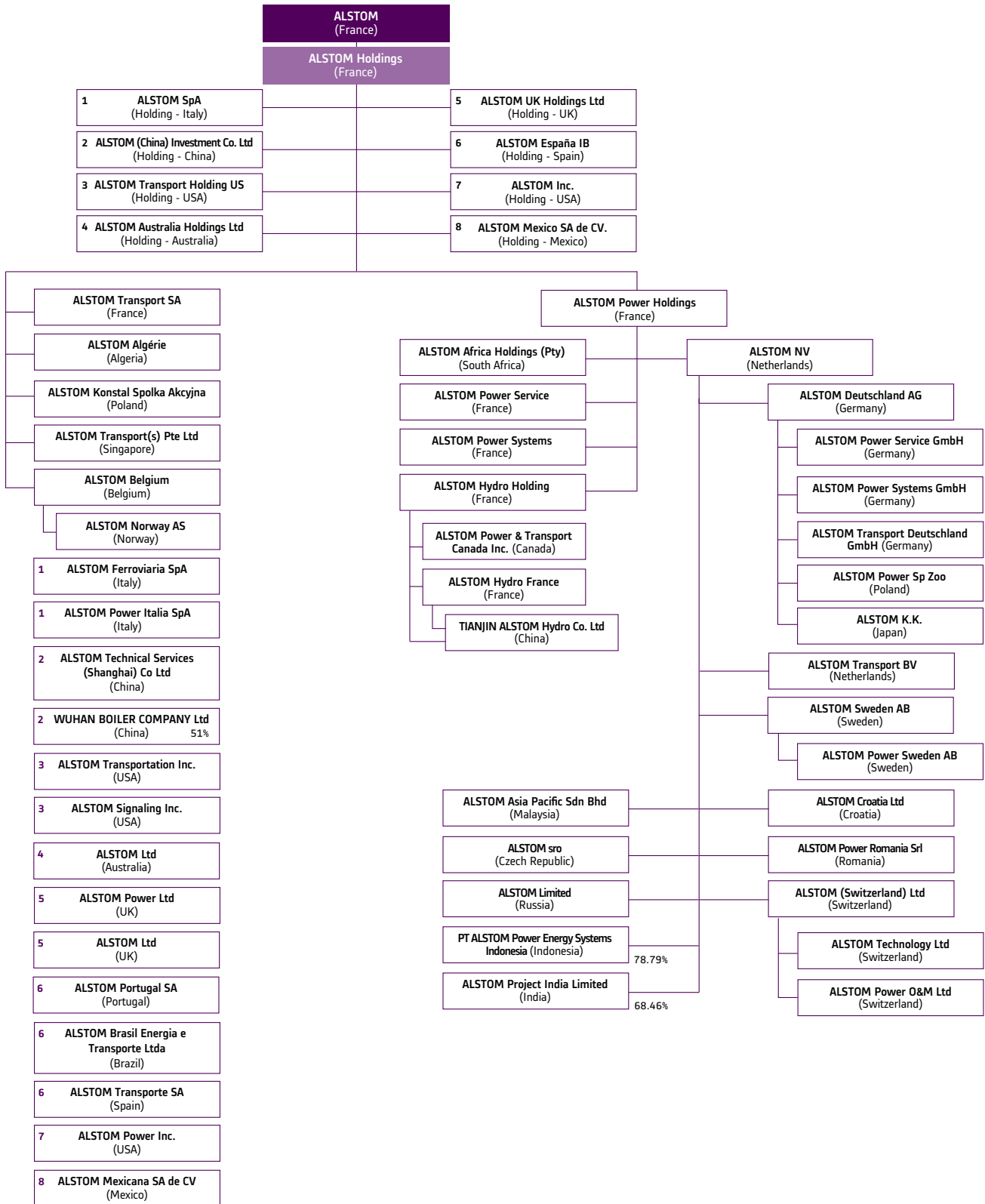
BREAKDOWN OF INSTITUTIONAL INVESTORS BY MANAGEMENT STYLE



GEOGRAPHICAL BREAKDOWN OF INSTITUTIONAL INVESTORS



Simplified organisation chart as of 31 March 2010



Nota: the reference number in purple given to some subsidiaries indicates their link in share capital with the holding company having the same number, in black.

Information on the Annual Financial Report

The ALSTOM Annual Financial Report for fiscal year 2009/10, established pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulation of the French Autorité des marchés financiers, is made up of the sections of the French Registration Document identified in the table below:

Sections of the Registration Document	Pages of the Registration Document
"Consolidated financial statements"	48 to 114
"Statutory accounts"	117 to 131
"Group activity", which constitutes the Board of Directors' report on the Group management for the fiscal year ended 31 March 2010	4 to 44
"Risk Factors", which is included in the Board of Directors' report on the Group management for the fiscal year ended 31 March 2010	140 to 146
"Financial authorisations", which includes the table of the authorisations to increase the share capital	254
"Repurchase of shares"	260 to 261
"Elements which could have an impact in the event of a tender offer"	263 to 264
"Independent Auditors' report on the consolidated financial statements for the fiscal year ended 31 March 2010"	115 to 116
"Independent Auditors' report on the statutory financial statements for the fiscal year ended 31 March 2010"	134
"Independent Auditors' fees"	111 ; 203
Statement	270

Information on the Registration Document

INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 28 of EC Regulation No. 809-2004 of the Commission of 29 April 2004 regarding prospectuses, the following information is included by reference in this Registration Document:

- the consolidated and statutory financial statements for the fiscal year ended 31 March 2009, the Auditors' reports thereto and the Group's management report, as shown at pages 52 to 113, 116 to 128, 114 to 115, 130 and 4 to 48 respectively, of the report No. D.09-0453 filed with the French Stock Market Authority (*Autorité des marchés financiers*) on 26 May 2009;
- the consolidated and statutory financial statements for the fiscal year ended 31 March 2008, the Auditors' reports thereto and the Group's management report, as shown at pages 50 to 119, 122 to 133, 120 to 121, 136 and 4 to 49 respectively, of the report No. D.08-0439 filed with the Financial Markets Authority (*Autorité des marchés financiers*) on 23 May 2008;

The sections of these documents not included here are either not relevant for the investor, or covered in another part of this Registration Document.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT*

After taking all reasonable measures, I state that, to my knowledge, the information contained in this Registration Document is accurate. There is no other information the omission of which would alter the scope thereof.

I state that, to my knowledge, the statutory accounts and the consolidated financial statements of ALSTOM (the "Company") for the fiscal year 2009/10 are established in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of operations of the Company and all enterprises included in the consolidation perimeter, and the Management report included on pages 4 to 44 and pages 140 to 146 presents a true and fair view of the evolution of the operations, results of operations and financial position of the Company and all enterprises included in the consolidation perimeter, as well as a description of the main risks and uncertainties faced by them.

I have obtained from the Auditors, PricewaterhouseCoopers Audit and Mazars SA, a letter of completion of work in which they indicate that they have verified the information relating to the financial situation and financial statements given in this Registration Document and have read the whole Registration Document.

The historical financial information presented or included by reference in the Registration Document has been the subject of reports by the Auditors included on pages 115, 116 and 134 for the year ended 31 March 2010, and included by reference in this Registration Document for the years ending 31 March 2009 and 31 March 2008. These reports have been issued without qualification.

Levallois-Perret, 26 May 2010.



Patrick Kron
Chairman and Chief Executive Officer

* This is a free translation of the statement signed and issued in French language by the Chairman and Chief Executive Officer of the Company and is provided solely for the convenience of English speaking readers.

TABLE OF RECONCILIATION

This Registration Document 2009/10 in French language was filed with the French *Autorité des marchés financiers* (“AMF”) on 26 May 2010 in accordance with Article 212-13 of its General Regulation.

It may be used in connection with an offering of securities if it is accompanied by a prospectus (“Note d’opération”) for which the AMF has issued a visa.

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