

May 2007

ALSTOM & YOU

Letter to shareholders



«OVER THE COMING PERIOD, ALSTOM WILL CONTINUE TO COMBINE GROWTH BOTH ORGANICALLY AND THROUGH TARGETED ACQUISITIONS AND PARTNERSHIPS.»

Dear Shareholders,

The performance registered during fiscal year 2006/07 is excellent with a record level of orders, a strong growth of sales, a marked improvement of results and a high free cash flow making Alstom today a debt free company. The backlog representing 27 months of sales gives us good visibility for future growth.

To support this strong activity, recruitment has been particularly important. Over the financial year, 8,700 employees have been recruited, including 4,100 engineers and managers. Their integration and their training have been among the main priorities of the Group's actions related to human resources.

During fiscal year 2006/07, Bouygues became a shareholder of Alstom and holds 25.35% of the capital as at 1 May 2007. Bouygues and Alstom are progressively stepping up their cooperation, at both commercial and operational levels.

The Group now wants to leverage its favourable positions in both power and rail transport markets to further focus on growth and performance improvement. Our priority is to consolidate commercial performance, to keep strengthening project execution and to adapt our industrial organisation to new challenges. Capital

expenditures made in 2006/07 in both Power and Transport, as well as the acceleration of research and development programmes, will allow Alstom to maintain its technological leadership and build new capacity. Over the coming period, Alstom will continue to combine growth both organically and through targeted acquisitions and partnerships.

In this context, for fiscal year 2007/08, we expect sales to record a double digit increase whilst the operating margin should exceed 7%. For fiscal year 2009/10, the operating margin should range between 9% and 10% for the combined Power Sectors and between 7% and 8% for the Transport Sector, leading to an operating margin for the Group of over 8%.

Finally, I am happy to inform you that Alstom intends to resume a dividend policy to reward your support and trust. The Board of Directors has decided to propose a dividend of €0.8 per share at the next Annual general meeting, to be held on 26 June 2007.

Patrick Kron
Chairman and CEO

€448 million
net income

€19 billion
orders
increasing by **34%**

€14,2 billion
sales
increasing by **14%**

€745 million
free cash flow

ALSTOM

CORPORATE NEWS



> 574.8 KM PER HOUR!

On the 3 April, the whole world was watching as Alstom, RFF and the SNCF broke the world rail speed record with the V150 trainset. Reaching a speed of 574.8 km/h, V150 outdid the 1990 world speed record of 515.3 km/h achieved by the TGV. This record evidences Alstom's excellence and expertise in the domain of very high speed.

Annual results 2006/07

With a large increase in commercial and financial performance in fiscal year 2006/07, Alstom reaps the rewards of its profitable growth strategy.

Buoyant commercial activity

During fiscal year 2006/07, the Group booked €19 billion of new orders, a 34% increase from previous fiscal year on a comparable basis, bringing its backlog to €32 billion (up 22%).

The Group fully benefited from its good positioning on a sound power market: order intake in Power Systems and Power Service increased by respectively 65% and 22%. In a competitive environment, Transport achieved a high level of order intake (up 8%).

Sales increased by 14% to €14.2 billion as a result of the growing order intake during the

last periods. All Sectors contributed to this growth: Power Systems +20%, Power Service +18% and Transport +7%.

Sharp rise in results

Income from operations amounted to €957 million, bringing the operating margin from 5.5% to 6.7%.

The operating margin of Power Systems grew from 1.8% to 3.5%, driven by higher volume, cost reduction and improved project execution. As anticipated, Power Service maintained a high operating margin at 15.9% with strong top line



* Comparable figures (same scope and exchange rates)

COMMERCIAL NEWS 2006/07...

POWER

- 20 gas turbines sold, including 13 GT26
- 3 major coal power plants in the USA and Eastern Europe
- Orders for hydro projects in Venezuela and India
- Success in nuclear energy in France with the order of a conventional island for the Flamanville nuclear power plant
- Upgrade of a coal power plant in South Africa
- Numerous operation & maintenance contracts mainly in Europe and the USA



growth. Transport's operating margin increased from 6.3% to 6.6%.

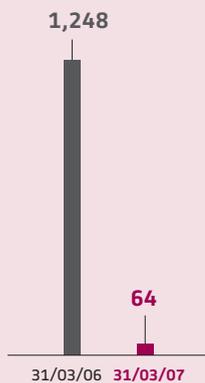
Alstom recorded a net profit of €448 million, up 152% compared to last fiscal year. This increase resulted mainly from improved operational performance and lower financial expenses.

High free cash flow

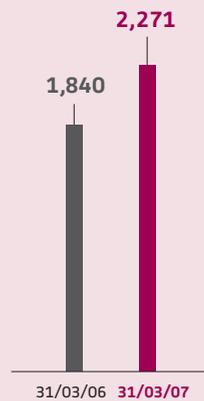
The Group generated a high free cash flow at €745 million, explained by a better profitability and a significant improvement of the working capital. It included a €300 million discretionary contribution to German pension funds.

As a result of this high free cash flow and the release of the €700 million cash collateral of the former bond programme, the Group has reduced its net debt to €64 million at 31 March 2007 from €1,248 million one year ago. The total equity has increased from €1,840 million to €2,271 million at 31 March 2007. Consequently, the ratio of net debt to equity fell from 68% to 3%.

Net debt
(In € million)



Equity
(In € million)



CORPORATE NEWS



> A FIRST FOR CLEAN POWER: PROJECT FOR CO₂ CAPTURE

Existing power generation accounting for one third of greenhouse gases, the main challenge today is the CO₂ emitted by coal power plants. In this frame, Alstom and American Electric Power signed an agreement to bring Alstom's chilled ammonia process for CO₂ capture to full commercial scale of up to 200 MW by 2011. This is a major step in demonstrating post-combustion carbon capture. The technology has the great advantage of being fully applicable not only for new power plants, but also for the retrofit of existing coal-fired power plants.

> ALSTOM AND ATOMENERGOMASH SIGNED A MAJOR AGREEMENT ON NUCLEAR POWER IN RUSSIA

Alstom recently signed an agreement with Russian group Atomenergomash to create a joint venture dedicated to manufacturing conventional islands for nuclear power plants. The joint venture, of which Atomenergomash will hold 51% and Alstom 49%, will be located in Podolsk, close to Moscow. It will focus on the promising nuclear power plant market in Russia, but will also bid on projects abroad. This partnership represents a major strategic move for Alstom. It gives the Group privileged access to the growing Russian market and will therefore strengthen its leader position in the nuclear area, where Alstom technology is present in more than 25% of nuclear conventional islands around the globe.

continued...

TRANSPORT

- Several orders for regional trains (Sweden, France, Germany)
- Metro contracts in Santo Domingo, Budapest and Shanghai
- Several projects for tramways (Reims, Orléans, Alger), tram-trains in the Netherlands
- Order for 500 freight locomotives in China
- Infrastructure and signaling project in Turkey
- Strong activity in maintenance and services, notably in the UK



DIARY



> **26 JUNE 2007**

Annual general meeting at the Carrousel du Louvre, Paris (France)

> **12 JULY 2007**

First quarter 2007/08 Orders and Sales

> **24 SEPTEMBER 2007**

Shareholder information meeting in Bordeaux (France)

> **18 OCTOBER 2007**

Shareholder information meeting in Lyon (France)

> **8 NOVEMBER 2007**

Half-year results 2007/08

Share information

Place of listing: **Euronext Paris Compartment A**

ISIN Code: **FR0010220475**

Mnemonic: **ALO**

Index: **CAC40**

Eligible for PEA: **yes**

Eligible for differed settlement service: **yes**

CONTACTS

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Questions & Answers

HOW CAN I ATTEND THE NEXT ANNUAL GENERAL MEETING?

We remind you that the Annual general meeting will be held on the 26 June 2007 at 2 pm at the Carrousel du Louvre in Paris (France).

If you are a registered shareholder, you will receive a notice allowing you to either vote by post or obtain an attendance card to the AGM.

If you are a bearer shareholder, you must contact your financial intermediary approximately 15 days prior to the event, so that they may send you the necessary documents. If you do not receive the documents in time, you can present yourself at the AGM with a piece of ID and a bearer share holding certificate provided by your financial intermediary.

WHEN WILL THE DIVIDEND BE PAID?

As soon as the resolution proposing the distribution of a dividend is approved by the Annual general meeting, the dividend will be paid on the 5 July 2007. Anyone holding Alstom shares on the 4 July will receive this dividend. On the day of distribution, the

Alstom share price will be automatically adjusted by the dividend paid.

Shareholders who hold non-consolidated shares will receive 1/40th of the dividend amount for each of these shares.

Share price



Rebased Alstom share price at 1 April 2006

By e-mail:
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Internet:
www.alstom.com

* calls to this number will be charged at your operator's standard international rate

By telephone:
In France, a free-phone number is available to shareholders from Monday to Friday, 9 am to 7 pm :

N° Vert 0 800 50 90 51

From abroad: +33 (0)1 45 30 85 75*