

# **Consolidated financial statements**

**Year ended 31 March 2010**

## CONSOLIDATED INCOME STATEMENTS

(in € million)	Note	Year ended		
		31 March	31 March	31 March
		2010	2009	2008
<b>SALES</b>	(5)	<b>19,650</b>	<b>18,739</b>	<b>16,908</b>
<i>Of which products</i>		<i>14,095</i>	<i>13,787</i>	<i>12,433</i>
<i>Of which services</i>		<i>5,555</i>	<i>4,952</i>	<i>4,475</i>
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)
<b>INCOME FROM OPERATIONS</b>	(5)	<b>1,779</b>	<b>1,536</b>	<b>1,295</b>
Other income	(7)	8	44	26
Other expense	(7)	(158)	(137)	(100)
<b>EARNINGS BEFORE INTEREST AND TAXES</b>	(5)	<b>1,629</b>	<b>1,443</b>	<b>1,221</b>
Financial income	(8)	59	122	115
Financial expense	(8)	(101)	(101)	(184)
<b>PRE-TAX INCOME</b>		<b>1,587</b>	<b>1,464</b>	<b>1,152</b>
Income tax charge	(9)	(385)	(373)	(291)
Share in net income of equity investments	-	3	27	1
<b>NET PROFIT</b>		<b>1,205</b>	<b>1,118</b>	<b>862</b>
Attributable to:				
- Equity holders of the parent	-	1,217	1,109	852
- Minority interests	-	(12)	9	10
<b>Earnings per share (in €)</b>	(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

(in € million)	Year ended		
	31 March	31 March	31 March
	2010	2009	2008
<b>Net profit recognised in income statements</b>	<b>1 205</b>	<b>1 118</b>	<b>862</b>
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
<b>Income and expense directly recognised in equity</b>	<b>135</b>	<b>(296)</b>	<b>2</b>
<b>Total recognised income and expense for the period</b>	<b>1 340</b>	<b>822</b>	<b>864</b>
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

(in € million)	Note	At 31 March	At 31 March	At 31 March
		2010	2009	2008
<b>ASSETS</b>				
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
<b>Total non-current assets</b>		<b>8,898</b>	<b>8,625</b>	<b>8,357</b>
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
<b>Total current assets</b>		<b>17,080</b>	<b>15,619</b>	<b>12,988</b>
<b>Total assets</b>		<b>25,978</b>	<b>24,244</b>	<b>21,345</b>

(in € million)	Note	At 31 March	At 31 March	At 31 March
		2010	2009	2008
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to the equity holders of the parent	(21)	4,091	2,852	2,210
Minority interests	-	10	32	35
<b>Total equity</b>	-	<b>4,101</b>	<b>2,884</b>	<b>2,245</b>
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
<b>Total non-current liabilities</b>		<b>3,888</b>	<b>2,092</b>	<b>2,632</b>
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
<b>Total current liabilities</b>		<b>17,989</b>	<b>19,268</b>	<b>16,468</b>
<b>Total equity and liabilities</b>		<b>25,978</b>	<b>24,244</b>	<b>21,345</b>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € million)	Note	Year ended		
		31 March 2010	31 March 2009	31 March 2008
<b>Net profit</b>		<b>1,205</b>	<b>1,118</b>	<b>862</b>
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
<b>Net cash provided by operating activities - before changes in working capital</b>		<b>1,766</b>	<b>1,581</b>	<b>1,195</b>
<b>Changes in working capital</b>	<b>(20)</b>	<b>(960)</b>	<b>555</b>	<b>897</b>
<b>Net cash provided by operating activities</b>		<b>806</b>	<b>2,136</b>	<b>2,092</b>
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)
<b>Net cash used in investing activities</b>		<b>(636)</b>	<b>(657)</b>	<b>(896)</b>
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
<b>Net cash provided by (used in) financing activities</b>		<b>1,114</b>	<b>(617)</b>	<b>(957)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,284</b>	<b>862</b>	<b>239</b>
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
<b>Cash and cash equivalents at the end of the period</b>		<b>4,351</b>	<b>2,943</b>	<b>2,115</b>
<i>Income tax paid</i>		<i>(191)</i>	<i>(192)</i>	<i>(140)</i>
<i>Net of interest received and interest paid</i>		<i>(29)</i>	<i>22</i>	<i>(58)</i>

(in € million)	Year ended		
	31 March 2010	31 March 2009	31 March 2008
<b>Net cash variation analysis (*)</b>			
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)
<i>Decrease in net debt</i>	-	-	<i>64</i>
<i>Increase in net cash</i>	<i>171</i>	<i>1,147</i>	<i>904</i>
<b>Net debt at the beginning of the period</b>	-	-	<b>(64)</b>
<b>Net debt at the end of the period</b>	-	-	-
<b>Net cash at the beginning of the period</b>	<b>2,051</b>	<b>904</b>	-
<b>Net cash at the end of the period</b>	<b>2,222</b>	<b>2,051</b>	<b>904</b>

(\*) 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

<i>(in € million, except for number of shares)</i>	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
<b>At 31 March 2007</b>	<b>138,617,201</b>	<b>1,940</b>	<b>366</b>	<b>85</b>	<b>(1,058)</b>	<b>1,333</b>	<b>42</b>	<b>1,375</b>
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
<b>At 31 March 2008</b>	<b>141,602,127</b>	<b>1,982</b>	<b>427</b>	<b>841</b>	<b>(1,040)</b>	<b>2,210</b>	<b>35</b>	<b>2,245</b>
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
<b>At 31 March 2009</b>	<b>287,653,703</b>	<b>2,013</b>	<b>425</b>	<b>1,752</b>	<b>(1,338)</b>	<b>2,852</b>	<b>32</b>	<b>2,884</b>

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## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

<i>(in € million, except for number of shares)</i>	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
<b>At 31 March 2009</b>	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
<b>At 31 March 2010</b>	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 January 20, 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\\_fr.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission).

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 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 IFRS7 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 then have to be re-assessed.

- Estimate of provisions relating to litigations

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

- Valuation of deferred tax assets

Management judgment is required to determine the extent to which deferred tax assets can be recognised. Future sources of taxable income and the effects of the Group global income tax strategies are taken into account in making this determination. This assessment is conducted through a detailed review of deferred tax assets by jurisdiction and takes into account past, current and future performance deriving from 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-). 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.

## ***1. 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 January 1, 2010, a new business tax (Contribution Economique 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 January 14, 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 March 31, 2010 was a net tax income of 1 million euros (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 coordinated 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 Transmashholding'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	Elimina- tions	Total
Sales	13,918	5,751	-	(19)	19,650
Inter Sector eliminations	(17)	(2)	-	19	-
<b>Total Sales</b>	<b>13,901</b>	<b>5,749</b>	<b>-</b>	<b>-</b>	<b>19,650</b>
<b>Income (loss) from operations</b>	<b>1,468</b>	<b>414</b>	<b>(103)</b>	<b>-</b>	<b>1,779</b>
<b>Earnings (loss) before interest and taxes</b>	<b>1,377</b>	<b>368</b>	<b>(116)</b>	<b>-</b>	<b>1,629</b>
Financial income (expense)					(42)
Income tax					(385)
Share in net income of equity investments					3
<b>Net profit</b>					<b>1,205</b>
<b>Segment assets <sup>(1)</sup></b>	<b>13,953</b>	<b>5,239</b>	<b>959</b>	<b>-</b>	<b>20,151</b>
Deferred taxes (assets)					982
Prepaid employee defined benefit costs					8
Financial assets					4,837
<b>Total assets</b>					<b>25,978</b>
<b>Segment liabilities <sup>(2)</sup></b>	<b>11,749</b>	<b>5,317</b>	<b>1,141</b>	<b>-</b>	<b>18,207</b>
Deferred taxes (liabilities)					113
Accrued employee defined benefit costs					943
Financial debt					2,614
Total equity					4,101
<b>Total equity and liabilities</b>					<b>25,978</b>
<b>Capital employed <sup>(3)</sup></b>	<b>2,204</b>	<b>(78)</b>	<b>(182)</b>	<b>-</b>	<b>1,944</b>
<b>Capital expenditure</b>	<b>428</b>	<b>199</b>	<b>52</b>	<b>-</b>	<b>679</b>
<b>Depreciation and amortisation in EBIT</b>	<b>224</b>	<b>152</b>	<b>56</b>	<b>-</b>	<b>432</b>

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

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

(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

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

(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

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

(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 2010	31 March 2009	31 March 2008
(in € million)			
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
<b>Total Group</b>	<b>7,458</b>	<b>7,158</b>	<b>6,726</b>

(\*) 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 2010	31 March 2009	31 March 2008
(in € million)			
<b>Research and development expenses</b>	<b>(558)</b>	<b>(586)</b>	<b>(554)</b>
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
<b>Total research and development expenditure for the period</b>	<b>(613)</b>	<b>(621)</b>	<b>(561)</b>

Capitalisation of development costs relates mainly to the new generation of very high speed train – AGV™ for the Transport Sector and to CO<sub>2</sub> capture programme and gas turbines development for the Power Sector.



## NOTE 7. OTHER INCOME AND OTHER EXPENSES

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

(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 2010	31 March 2009	31 March 2008
(in € million)			
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
<b>Financial income</b>	<b>59</b>	<b>122</b>	<b>115</b>
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)
<b>Financial expense</b>	<b>(101)</b>	<b>(101)</b>	<b>(184)</b>
<b>Financial income (expense)</b>	<b>(42)</b>	<b>21</b>	<b>(69)</b>
<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:

(in € million)	Year ended		
	31 March 2010	31 March 2009	31 March 2008
Current income tax charge	(199)	(173)	(194)
Deferred income tax charge	(186)	(200)	(97)
<b>Income tax charge</b>	<b>(385)</b>	<b>(373)</b>	<b>(291)</b>
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.

(in € million)	Year ended		
	31 March 2010	31 March 2009	31 March 2008
<b>Pre-tax income</b>	<b>1,587</b>	<b>1,464</b>	<b>1,152</b>
Statutory income tax rate of the parent company	34.43%	34.43%	34.43%
<b>Expected tax charge</b>	<b>(546)</b>	<b>(504)</b>	<b>(397)</b>
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)
<b>Income tax charge (1)</b>	<b>(385)</b>	<b>(373)</b>	<b>(291)</b>
<b>Effective tax rate</b>	<b>24%</b>	<b>25%</b>	<b>25%</b>

(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 December 31, 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:

	At 31 March 2009		Change in P&L			At 31 March 2010	
	Deferred tax assets	Deferred tax liabilities	Change in equity (1)	Translation adjustments and other changes	Deferred tax assets	Deferred tax liabilities	
(in € million)							
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)
<b>Gross deferred tax assets/(liabilities) before netting</b>	<b>2,379</b>	<b>(599)</b>	<b>(257)</b>	<b>10</b>	<b>164</b>	<b>2,365</b>	<b>(668)</b>
Unrecognised deferred tax assets	(838)	-	71	45	(106)	(828)	-
Netting	(529)	529	-	-	-	(555)	555
<b>Deferred tax assets/(liabilities)</b>	<b>1,012</b>	<b>(70)</b>	<b>(186)</b>	<b>55</b>	<b>58</b>	<b>982</b>	<b>(113)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>942</b>					<b>869</b>	

(1) 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	31 March	31 March
	2010	2009	2008
(in € million)			
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)	-
<b>Earnings used to calculate basic and diluted earnings per share</b>	<b>1,217</b>	<b>1,108</b>	<b>852</b>

### B. NUMBER OF SHARES

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

*(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	31 March	31 March
	2010	2009	2008
(in €)			
- 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	Disposals	Translation adjustments and other changes	At 31 March 2010
Power	3,368	-	-	13	3,381
Transport	518	-	-	5	523
<b>Goodwill</b>	<b>3,886</b>	-	-	<b>18</b>	<b>3,904</b>
<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
<b>Goodwill</b>	<b>3,767</b>	<b>85</b>	-	<b>34</b>	<b>3,886</b>
<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:

	<b>Power</b>	<b>Transport</b>
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
<b>Long term growth rate at 31 March 2010</b>	<b>2.0%</b>	<b>1.5%</b>
Long term growth rate at 31 March 2009	2.0%	2.0%
Long term growth rate at 31 March 2008	2.0%	2.0%
<b>After tax discount rate at 31 March 2010 (1)</b>	<b>9.0%</b>	<b>9.0%</b>
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)	<b>Power</b>		<b>Transport</b>	
	<i>-100 bp</i>	<i>+100 bp</i>	<i>-100 bp</i>	<i>+100 bp</i>
After tax discount rate	1,792	(1,343)	491	(374)
	<i>-50 bp</i>	<i>+50 bp</i>	<i>-50 bp</i>	<i>+50 bp</i>
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
<b>Gross value</b>	<b>2,391</b>	<b>232</b>	<b>-</b>	<b>11</b>	<b>2,634</b>
Development costs	(363)	(87)	-	(2)	(452)
Acquired technology	(508)	(67)	-	-	(575)
Other intangible assets	(123)	(27)	-	(4)	(154)
<b>Accumulated amortisation and impairment</b>	<b>(994)</b>	<b>(181)</b>	<b>-</b>	<b>(6)</b>	<b>(1,181)</b>
Development costs	544	122	-	(6)	660
Acquired technology	736	(67)	-	1	670
Other intangible assets	117	(4)	-	10	123
<b>Net value</b>	<b>1,397</b>	<b>51</b>	<b>-</b>	<b>5</b>	<b>1,453</b>

(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
<b>Gross value</b>	<b>2,136</b>	<b>196</b>	<b>-</b>	<b>59</b>	<b>2,391</b>
Development costs	(295)	(77)	-	9	(363)
Acquired technology	(448)	(60)	-	-	(508)
Other intangible assets	(71)	(22)	-	(30)	(123)
<b>Accumulated amortisation and impairment</b>	<b>(814)</b>	<b>(159)</b>	<b>-</b>	<b>(21)</b>	<b>(994)</b>
Development costs	449	95	-	-	544
Acquired technology	796	(60)	-	-	736
Other intangible assets	77	2	-	38	117
<b>Net value</b>	<b>1,322</b>	<b>37</b>	<b>-</b>	<b>38</b>	<b>1,397</b>

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
<b>Gross value</b>	<b>4,177</b>	<b>431</b>	<b>(192)</b>	<b>(2)</b>	<b>109</b>	<b>4,523</b>
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)
<b>Accumulated depreciation and impairment</b>	<b>(2,442)</b>	<b>(244)</b>	<b>165</b>	<b>1</b>	<b>(45)</b>	<b>(2,565)</b>
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
<b>Net value</b>	<b>1,735</b>	<b>187</b>	<b>(27)</b>	<b>(1)</b>	<b>64</b>	<b>1,958</b>

(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
<b>Gross value</b>	<b>3,909</b>	<b>514</b>	<b>(176)</b>	<b>(2)</b>	<b>(68)</b>	<b>4,177</b>
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)
<b>Accumulated depreciation and impairment</b>	<b>(2,408)</b>	<b>(232)</b>	<b>150</b>	<b>1</b>	<b>47</b>	<b>(2,442)</b>
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
<b>Net value</b>	<b>1,501</b>	<b>282</b>	<b>(26)</b>	<b>(1)</b>	<b>(21)</b>	<b>1,735</b>

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

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

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

(in € million)	At 31 March 2010	At 31 March 2009	At 31 March 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	-
<b>Total</b>	<b>43</b>	<b>39</b>	<b>26</b>	<b>-</b>

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

(in € million)	At 31 March 2010			At 31 March 2009	At 31 March 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	-
<b>Total</b>	<b>29</b>	<b>(6)</b>	<b>23</b>	<b>27</b>	<b>36</b>	

(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

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

(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

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

**NOTE 16. CONSTRUCTION CONTRACTS IN PROGRESS**

(in € million)	At 31 March 2010	At 31 March 2009	Variation	At 31 March 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)
<b>Construction contracts in progress</b>	<b>(6,532)</b>	<b>(7,442)</b>	<b>910</b>	<b>(6,124)</b>

(in € million)	At 31 March 2010	At 31 March 2009	Variation	At 31 March 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)
<b>Construction contracts in progress excluding down payments received from customers</b>	<b>(2,768)</b>	<b>(3,078)</b>	<b>310</b>	<b>(2,823)</b>
Down payments received from customers	(3,764)	(4,364)	600	(3,301)
<b>Construction contracts in progress</b>	<b>(6,532)</b>	<b>(7,442)</b>	<b>910</b>	<b>(6,124)</b>

**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
<b>Trade receivables at 31 March 2010</b>	<b>3,446</b>	2,624	354	156	312
o/w gross	3,531	2,648	355	157	371
o/w impairment	(85)	(24)	(1)	(1)	(59)
<b>Trade receivables at 31 March 2009</b>	<b>3,873</b>	3,025	393	278	177
o/w gross	3,952	3,045	396	280	231
o/w impairment	(79)	(20)	(3)	(2)	(54)
<b>Trade receivables at 31 March 2008</b>	<b>3,538</b>	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

(in € million)	At 31 March 2010	At 31 March 2009	At 31 March 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
<b>Other current operating assets</b>	<b>2,578</b>	<b>2,773</b>	<b>2,042</b>

## NOTE 19. MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

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

## NOTE 20. WORKING CAPITAL

(in € million)	At 31 March 2010	At 31 March 2009	Variation	At 31 March 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
<b>Assets</b>	<b>12,694</b>	<b>12,661</b>	<b>33</b>	<b>10,703</b>
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
<b>Liabilities</b>	<b>18,207</b>	<b>18,964</b>	<b>(757)</b>	<b>16,352</b>
<b>Working capital</b>	<b>(5,513)</b>	<b>(6,303)</b>	<b>790</b>	<b>(5,649)</b>

### Analysis of variation in working capital

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

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

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

## NOTE 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)
<b>Plans issued of shareholders meeting on 24 July 2001</b>										
<b>Plan #3</b>										
Granted on 24 July 2001 to 1,703 beneficiaries	€409.60	24 Jul. 2002 23 Jul. 2009	328,980	-	328,980	-	-	-	-	-
<b>Plan #5</b>										
Granted on 8 January 2002 to 1,653 beneficiaries	€162.60	8 Jan. 2003 7 Jan. 2010	333,390	-	333,390	-	-	-	-	-
<b>Plan #6</b>										
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)	-	-	-	-
<b>Plans issued of shareholders meeting on 9 July 2004</b>										
<b>Plan #7</b>										
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)	-	-	-	-
<b>Plan #8</b>										
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)	-	-	-	-
<b>Plan #9</b>										
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)	-	-	-	-
<b>Plans issued of shareholders meeting on 26 June 2007</b>										
<b>Plan #10</b>										
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)
<b>Plan #11</b>										
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)
<b>Plan #12</b>										
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 2009/2010.

As the 2009/2010 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
<b>SARs #7</b> Granted on 1 December 2004 for 114 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	478,000	393,048	75,052	9,900
<b>SARs #8</b> Granted on 18 November 2005 for 120 beneficiaries	€22.45	27 Sept. 2008 18 Nov. 2015	234,000	117,950	42,000	74,050
<b>Notional SARs (3)</b> Granted on 16 December 2005 for 120 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	232,000	163,756	39,000	29,244
<b>SARs #9</b> Granted on 28 September 2006 for 134 beneficiaries	€36.05	28 Sept. 2009 28 Sept. 2016	341,250	132,425	74,375	134,450
<b>SARs #10</b> Granted on 25 September 2007 for 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 €
<b>Outstanding at 31 March 2008 before split of shares</b>	<b>4,890,842</b>	<b>81.18</b>	<b>123,380</b>	<b>135.00</b>	<b>406,725</b>	<b>58.29</b>
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
<b>Outstanding at 31 March 2009</b>	<b>8,983,767</b>	<b>46.05</b>	<b>679,551</b>	<b>66.84</b>	<b>508,554</b>	<b>34.14</b>
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
<b>Outstanding at 31 March 2010 (1)</b>	<b>7,945,914</b>	<b>42.27</b>	<b>1,177,216</b>	<b>59.47</b>	<b>302,744</b>	<b>36.87</b>

(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
<b>Plan #7</b> Granted on 17 September 2004 with an expected life of 4 years	€8.60	17 Sept. 2007	€8.80	51%	3.0%	0.67%	-	-
<b>Plan #8</b> 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
<b>Plan #9</b> 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
<b>Plan #10</b> 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
<b>Plan #11</b> 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
<b>Plan #12</b> 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	-
<b>Total expense</b>							<b>15</b>	<b>28</b>

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.

	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
<b>SARs #7</b> 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)
<b>SARs #8</b> 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)
<b>Notional SARs</b> Granted on 27 September 2005 with an expected life of 4 years	€17.88	27 Sept. 2008	*	43%	1.8%	2.99%	-	-
<b>SARs #9</b> 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)
<b>SARs #10</b> 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%	-	-
<b>Total expense</b>							<b>(4)</b>	<b>(5)</b>

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

## Valuation of stock appreciation rights (SARs) plans

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	Applications	Translation adjustments and other	At 31 March 2010
Warranties	477	281	(155)	(126)	7	484
Litigations and claims	749	237	(112)	(183)	6	697
<b>Current provisions (1)</b>	<b>1,226</b>	<b>518</b>	<b>(267)</b>	<b>(309)</b>	<b>13</b>	<b>1,181</b>
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
<b>Non-current provisions</b>	<b>444</b>	<b>172</b>	<b>(82)</b>	<b>(88)</b>	<b>14</b>	<b>460</b>
<b>Total provisions</b>	<b>1,670</b>	<b>690</b>	<b>(349)</b>	<b>(397)</b>	<b>27</b>	<b>1,641</b>

(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
<b>Current provisions (1)</b>	<b>1,258</b>	<b>759</b>	<b>(567)</b>	<b>(278)</b>	<b>54</b>	<b>1,226</b>
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
<b>Non-current provisions</b>	<b>503</b>	<b>137</b>	<b>(80)</b>	<b>(99)</b>	<b>(17)</b>	<b>444</b>
<b>Total provisions</b>	<b>1,761</b>	<b>896</b>	<b>(647)</b>	<b>(377)</b>	<b>37</b>	<b>1,670</b>

(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

(in € million)	Year ended		
	31 March 2010	31 March 2009	31 March 2008
<b>Defined benefit obligations at beginning of year</b>	<b>(3,668)</b>	<b>(4,110)</b>	<b>(4,770)</b>
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
<b>Defined benefit obligations at end of year</b>	<b>(4,251)</b>	<b>(3,668)</b>	<b>(4,110)</b>
<i>Of which:</i>			
<b>Funded schemes</b>	<b>(3,840)</b>	<b>(3,342)</b>	<b>(3,717)</b>
<b>Unfunded schemes</b>	<b>(411)</b>	<b>(326)</b>	<b>(393)</b>

## Change in plan assets

(in € million)	Year ended		
	31 March 2010	31 March 2009	31 March 2008
<b>Fair value of plan assets at beginning of year</b>	<b>2,716</b>	<b>3,360</b>	<b>3,859</b>
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)
<b>Fair value of plan assets at end of year</b>	<b>3,334</b>	<b>2,716</b>	<b>3,360</b>

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

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

## 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:

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



## Components of plan assets

(in € million)	At 31 March		At 31 March		At 31 March	
	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
<b>Total</b>	<b>3,334</b>	<b>100</b>	<b>2,716</b>	<b>100</b>	<b>3,360</b>	<b>100</b>

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)

(in %)	At 31 March	At 31 March	At 31 March
	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

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

(\*) 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 (in € million)	At 31 March 2010	At 31 March 2009	At 31 March 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
<b>Borrowings</b>	<b>2,041</b>	<b>771</b>	<b>1,240</b>
<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
<b>Obligations under finance leases</b>	<b>573</b>	<b>585</b>	<b>687</b>
<i>Non-current</i>	527	543	644
<i>Current</i>	46	42	43
<b>Total financial debt</b>	<b>2,614</b>	<b>1,356</b>	<b>1,927</b>

(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	01 February 2017	18 March 2020
<b>Outstanding amount at 31 March 2008</b>	<b>834</b>	<b>249</b>	<b>161</b>	<b>424</b>	-	-	-
Bonds reimbursed at maturity date	(391)	(249)	(142)	-	-	-	-
Bonds bought back and cancelled	(168)	-	(19)	(149)	-	-	-
<b>Outstanding amount at 31 March 2009</b>	<b>275</b>	-	-	<b>275</b>	-	-	-
Issue of bonds	1,750	-	-	-	500	750	500
Bonds reimbursed at maturity date	(275)	-	-	(275)	-	-	-
Bonds bought back and cancelled	-	-	-	-	-	-	-
<b>Outstanding amount at 31 March 2010</b>	<b>1,750</b>	-	-	-	<b>500</b>	<b>750</b>	<b>500</b>
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 Note 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
<b>Assets</b>	<b>11,011</b>	<b>1,406</b>	<b>4</b>	<b>23</b>	<b>9,229</b>	<b>349</b>	<b>9,605</b>	<b>-</b>	<b>9,155</b>	<b>450</b>	<b>9,605</b>
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
<b>Liabilities</b>	<b>9,011</b>	<b>1,386</b>	<b>-</b>	<b>-</b>	<b>7,179</b>	<b>446</b>	<b>7,625</b>	<b>-</b>	<b>7,625</b>	<b>-</b>	<b>7,625</b>

(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)	<b>(7)</b>
<i>Interest income</i>	-	-	-	51	51
<i>Interest expense</i>	-	-	-	(58)	(58)
Dividends	-	2	-	-	<b>2</b>
Impairment/loss from subsequent measurement	-	-	-	-	-
Gain on disposal	-	-	-	-	-
Foreign currency and other	-	-	-	(13)	<b>(13)</b>
<b>Net income/expense for the year ended 31 March 2010</b>	-	<b>2</b>	-	<b>(20)</b>	<b>(18)</b>

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 observable factors	Internal model not based on observable 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
<b>Assets</b>	<b>10,199</b>	<b>1,352</b>	<b>5</b>	<b>27</b>	<b>8,463</b>	<b>352</b>	<b>8,847</b>	-	<b>8,398</b>	<b>449</b>	<b>8,847</b>
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
<b>Liabilities</b>	<b>8,069</b>	<b>1,313</b>	-	-	<b>6,088</b>	<b>668</b>	<b>6,756</b>	-	<b>6,756</b>	-	<b>6,756</b>

(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	<b>29</b>
Interest income	4	-	-	103	107
Interest expense	-	-	-	(78)	(78)
Dividends	-	4	-	-	<b>4</b>
Impairment/loss from subsequent measurement	-	(1)	-	-	<b>(1)</b>
Gain on disposal	-	-	-	-	-
Foreign currency and other	-	-	-	(16)	<b>(16)</b>
<b>Net income/expense for the year ended 31 March 2009</b>	<b>4</b>	<b>3</b>	-	<b>9</b>	<b>16</b>

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
<b>Assets</b>	<b>8,562</b>	<b>1,050</b>	<b>156</b>	<b>36</b>	<b>7</b>	<b>6,892</b>	<b>421</b>	<b>7,512</b>	-	<b>6,966</b>	<b>546</b>	-	<b>7,512</b>
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
<b>Liabilities</b>	<b>7,587</b>	<b>1,199</b>	-	-	-	<b>6,147</b>	<b>241</b>	<b>6,388</b>	-	<b>6,398</b>	-	-	<b>6,398</b>

(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)	<b>(59)</b>
<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)
<b>Net income/expense for the year ended 31 March 2008</b>	<b>16</b>	<b>4</b>	<b>1</b>	<b>(102)</b>	<b>(81)</b>

-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:

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

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:

(in € million)	At 31 March 2010		At 31 March 2009		At 31 March 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 not qualifying for hedge accounting	5	3	6	3	52	20
<b>Total</b>	<b>334</b>	<b>444</b>	<b>352</b>	<b>668</b>	<b>421</b>	<b>241</b>

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.

<b>Carrying amount</b> (in € million)	<b>At 31 March 2010</b>	<b>At 31 March 2009</b>	<b>At 31 March 2008</b>
Financial assets at floating rate	4,372	2,965	2,288
Financial assets at fixed rate	480	481	572
<b>Financial assets bearing interests</b>	<b>4,852</b>	<b>3,446</b>	<b>2,860</b>
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)
<b>Financial debt</b>	<b>(2,041)</b>	<b>(1,356)</b>	<b>(1,927)</b>
Net position at floating rate before swaps	4,361	2,953	1,827
Net position at fixed rate before swaps	(1,550)	(863)	(894)
<b>Net position before hedging</b>	<b>2,811</b>	<b>2,090</b>	<b>933</b>
Net position at floating rate after swaps	4,361	2,953	1,827
Net position at fixed rate after swaps	(1,550)	(863)	(894)
<b>Net position after hedging</b>	<b>2,811</b>	<b>2,090</b>	<b>933</b>

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	Maximum total debt (€m)	Maximum total net debt leverage
	(a)	(b)	(c)
From March 2010 to September 2013	3	5,000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense (excluding interest related to obligations under finance lease). 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	-	-	-	-	-	-
<b>Assets</b>	<b>4,836</b>	<b>60</b>	<b>4,392</b>	<b>29</b>	<b>47</b>	<b>74</b>	<b>76</b>	<b>48</b>	<b>321</b>
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)	-	-	-	-	-	-
<b>Liabilities</b>	<b>(2,614)</b>	<b>(113)</b>	<b>(242)</b>	<b>(110)</b>	<b>(58)</b>	<b>(298)</b>	<b>(674)</b>	<b>(225)</b>	<b>(1,640)</b>
<b>Net cash</b>	<b>2,222</b>	<b>(53)</b>	<b>4,150</b>	<b>(81)</b>	<b>(11)</b>	<b>(224)</b>	<b>(598)</b>	<b>(177)</b>	<b>(1,319)</b>

**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
<b>Assets</b>	<b>303</b>	<b>-</b>	<b>202</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>8</b>
Other current liabilities	(434)	-	(224)	-	(73)	-	(127)	-	(10)
<b>Liabilities</b>	<b>(434)</b>	<b>-</b>	<b>(224)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>	<b>(127)</b>	<b>-</b>	<b>(10)</b>
<b>Derivatives</b>	<b>(131)</b>	<b>-</b>	<b>(22)</b>	<b>-</b>	<b>(20)</b>	<b>-</b>	<b>(87)</b>	<b>-</b>	<b>(2)</b>

**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	-	-	-	-	-	-
<b>Assets</b>	<b>4,466</b>	<b>-</b>	<b>4,417</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>35</b>
Trade payables	(3,613)	-	(3,613)	-	-	-	-	-	-
Other current liabilities	(964)	-	(964)	-	-	-	-	-	-
<b>Liabilities</b>	<b>(4,577)</b>	<b>-</b>	<b>(4,577)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financial assets and liabilities</b>	<b>(111)</b>	<b>-</b>	<b>(160)</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>35</b>

**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	-	-	-	-	-	-
<b>Assets</b>	<b>3,407</b>	<b>60</b>	<b>2,978</b>	<b>29</b>	<b>23</b>	<b>76</b>	<b>75</b>	<b>67</b>	<b>331</b>
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)	-	-	-	-	-	-
<b>Liabilities</b>	<b>(1,356)</b>	<b>(60)</b>	<b>(748)</b>	<b>(36)</b>	<b>(62)</b>	<b>(89)</b>	<b>(137)</b>	<b>(77)</b>	<b>(409)</b>
<b>Net cash</b>	<b>2,051</b>	<b>-</b>	<b>2,230</b>	<b>(7)</b>	<b>(39)</b>	<b>(13)</b>	<b>(62)</b>	<b>(10)</b>	<b>(78)</b>

**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	-	-
<b>Assets</b>	<b>342</b>	<b>-</b>	<b>236</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>-</b>
Other current liabilities	(641)	-	(376)	-	(138)	-	(120)	-	(7)
<b>Liabilities</b>	<b>(641)</b>	<b>-</b>	<b>(376)</b>	<b>-</b>	<b>(138)</b>	<b>-</b>	<b>(120)</b>	<b>-</b>	<b>(7)</b>
<b>Derivatives</b>	<b>(299)</b>	<b>-</b>	<b>(140)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>	<b>(79)</b>	<b>-</b>	<b>(7)</b>

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

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

**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

(in € million)	At 31 March 2010	At 31 March 2009	At 31 March 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
<b>Other current operating liabilities</b>	<b>2,784</b>	<b>2,847</b>	<b>2,528</b>

## NOTE 28. EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

(in € million)	Year ended		
	31 March 2010	31 March 2009	31 March 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
<b>Total employee benefit expense</b>	<b>4,684</b>	<b>4,421</b>	<b>3,941</b>

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

(\*) 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 GT24/26 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 GT24/26 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
<b>Total at 31 March 2010</b>	<b>912</b>	<b>107</b>	<b>327</b>	<b>478</b>
Long term rental (1)	429	20	98	311
Capital leases	189	28	80	81
Operating leases	214	40	108	66
<b>Total at 31 March 2009</b>	<b>832</b>	<b>88</b>	<b>286</b>	<b>458</b>
Long term rental (1)	520	20	117	383
Capital leases	206	30	86	90
Operating leases	217	19	124	74
<b>Total at 31 March 2008</b>	<b>943</b>	<b>69</b>	<b>327</b>	<b>547</b>

(1) Obligations related to lease of trains and associated equipments (see Note19).

## 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	%
<b>Audit</b>								
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
<b>Sub-total</b>	<b>5.3</b>	<b>100</b>	<b>9.6</b>	<b>87</b>	<b>10.4</b>	<b>97</b>	<b>10.3</b>	<b>97</b>
Tax services	-	-	1.4 <sup>(1)</sup>	13	0.3	3	0.3	3
Other	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>1.4</b>	<b>13</b>	<b>0.3</b>	<b>3</b>	<b>0.3</b>	<b>3</b>
<b>TOTAL</b>	<b>5.3</b>	<b>100</b>	<b>11.0</b>	<b>100</b>	<b>10.7</b>	<b>100</b>	<b>10.6</b>	<b>100</b>

(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 2009-2010.

## 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.

	Year ended		
	31 March 2010	31 March 2009	31 March 2008
(in € thousand)			
<b>Short-term benefits</b>	<b>3,450</b>	<b>6,025</b>	<b>7,027</b>
<i>Fixed gross salaries (1)</i>	3,450	3,225	3,613
<i>Variable gross salaries</i>	-	2,800	3,414
<b>Post-employment benefits</b>	<b>3,986</b>	<b>788</b>	<b>1,609</b>
<i>Post-employment defined benefit plans</i>	3,876	681	1,491
<i>Post-employment defined contribution plans</i>	110	107	118
<i>Other post-employment benefits</i>	-	-	-
<b>Other benefits</b>	<b>1,721</b>	<b>3,521</b>	<b>3,293</b>
<i>Non monetary benefits</i>	24	24	39
<i>Share-based payments (2)</i>	1,697	3,497	3,254
<b>Total</b>	<b>9,157</b>	<b>10,334</b>	<b>11,929</b>

(1) Fixed gross salaries do not include 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.

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 Ferrovia 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