Consolidated financial statements

Year ended 31 March 2008

CONSOLIDATED INCOME STATEMENTS

(in € million)	Note	Year ended 31 March 2008	2007 (*)	2006 (*)
SALES	(5)	**16,908**	**14,208**	**13,413**
Of which products		*12,433*	*10,225*	*9,773*
Of which services		*4,475*	*3,983*	*3,640*
Cost of sales		(13,761)	(11,586)	(11,080)
Research and development expenditure	(6)	(554)	(456)	(364)
Selling expenses		(619)	(567)	(569)
Administrative expenses		(679)	(642)	(654)
INCOME FROM OPERATIONS	(5)	**1,295**	**957**	**746**
Other income	(7)	26	18	252
Other expenses	(7)	(100)	(149)	(191)
EARNINGS BEFORE INTEREST AND TAXES	(5)	**1,221**	**826**	**807**
Financial income (expenses), net	(8)	(69)	(111)	(222)
PRE-TAX INCOME		**1,152**	**715**	**585**
Income tax charge	(9)	(291)	(145)	(125)
Share in net income of equity investments		1	-	(1)
NET PROFIT FROM CONTINUING OPERATIONS		**862**	**570**	**459**
NET LOSS FROM DISCONTINUED OPERATIONS	(10)	**-**	**(32)**	**(198)**
NET PROFIT		**862**	**538**	**261**
Attributable to:				
- Equity holders of the parent		852	547	258
- Minority interests		10	(9)	3
Earnings per share (in €)				
From continuing and discontinued operations				
- Basic	(11)	6.03	3.88	1.84
- Diluted	(11)	5.90	3.80	1.82
From continuing operations				
- Basic	(11)	6.03	4.11	3.25
- Diluted	(11)	5.90	4.02	3.22
From discontinued operations				
- Basic	(11)	-	(0.23)	(1.41)
- Diluted	(11)	-	(0.22)	(1.39)

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

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

ALSTOM

CONSOLIDATED BALANCE SHEETS

(in € million)	Note	At 31 March 2008	2007 (*)	2006 (*)
ASSETS				
Goodwill	(12)	3,767	3,510	3,323
Intangible assets	(12)	1,322	1,191	1,197
Property, plant and equipment	(13)	1,501	1,370	1,361
Associates and available-for-sale financial assets	(14)	62	34	99
Other non-current assets	(15)	635	812	855
Deferred taxes	(9)	1,070	1,307	1,270
Total non-current assets		**8,357**	**8,224**	**8,105**
Inventories	(16)	2,316	1,770	1,488
Construction contracts in progress, assets	(17)	2,807	2,858	2,229
Trade receivables	(18)	3,538	2,886	2,291
Other current assets related to operating activities	(19)	2,042	1,494	1,454
Marketable securities and other current financial assets	(20)	170	197	22
Cash and cash equivalents	(27)	2,115	1,907	1,301
Total current assets		**12,988**	**11,112**	**8,785**
Assets held for sale	(30)	-	-	1,144
TOTAL ASSETS		**21,345**	**19,336**	**18,034**
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the parent	(22)	2,210	1,333	730
Minority interests	(22)	35	42	58
Total equity	(22)	**2,245**	**1,375**	**788**
Non-current provisions	(24)	503	549	581
Accrued pension and other employee benefits	(25)	818	999	1,469
Non-current borrowings	(26)	664	1,922	2,018
Non-current obligations under finance leases	(26)	644	775	193
Deferred taxes	(9)	3	50	40
Total non-current liabilities		**2,632**	**4,295**	**4,301**
Current provisions	(24)	1,258	1,512	1,539
Current borrowings	(26)	576	85	320
Current obligations under finance leases	(26)	43	40	40
Construction contracts in progress, liabilities	(17)	8,931	7,239	5,401
Trade payables		3,132	2,976	2,872
Other current liabilities	(28)	2,528	1,814	1,630
Total current liabilities		**16,468**	**13,666**	**11,802**
Liabilities directly associated with assets held for sale	(30)	-	-	1,143
TOTAL EQUITY AND LIABILITIES		**21,345**	**19,336**	**18,034**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

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

ALSTOM

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € million)	Note	Year ended 31 March 2008	2007 (*)	2006 (*)
Net profit from continuing operations		**862**	**570**	**459**
Depreciation, amortisation and expense arising from share-based payments		385	352	424
Changes in prepaid and accrued employee defined benefits		(114)	(391)	(61)
Net (gains) losses on disposal of non-current assets and investments		(34)	57	(166)
Share in net income of associates (net of dividends received)		(1)	-	1
Changes in deferred taxes	(9)	97	(23)	(30)
Net cash provided by operating activities - before changes in working capital		**1,195**	**565**	**627**
Changes in working capital	(21)	**897**	**524**	**158**
Net cash provided by operating activities - continuing operations		**2,092**	**1,089**	**785**
Proceeds from disposal of tangible and intangible assets		41	17	60
Capital expenditure	(5)	(498)	(395)	(294)
Decrease in other non-current assets		38	727	16
Cash expenditure for acquisition of investments		(425)	(232)	(13)
Cash (expenditure) proceeds from sale of investments, net of net cash sold		(52)	1	257
Net cash used in or provided by investing activities - continuing operations		**(896)**	**118**	**26**
Capital increase		100	-	6
Repayment of current and non-current borrowings (***)		(956)	(377)	(369)
Repayment of obligations under finance leases		(38)	(38)	(42)
Decrease (increase) in marketable securities and other current financial assets		54	(175)	6
Dividends paid including payments to minorities		(117)	(6)	(4)
Net cash used in financing activities - continuing operations		**(957)**	**(596)**	**(403)**
Decrease in cash and cash equivalents - discontinued operations		-	-	(215)
Transfer of cash and cash equivalents from (to) assets held for sale		-	29	(317)
Net effect of exchange rate variations		(33)	(30)	24
Other changes		2	(4)	(3)
Increase / (decrease) in cash and cash equivalents		**208**	**606**	**(103)**
Cash and cash equivalents at the beginning of the period		**1,907**	**1,301**	**1,404**
Cash and cash equivalents at the end of the period		**2,115**	**1,907**	**1,301**
Cash paid for income taxes		140	170	85
Cash paid for net interest		58	87	171
Net cash / net debt variation analysis (**)				
Increase / (decrease) in cash and cash equivalents		208	606	(103)
Increase (decrease) in marketable securities and other current financial assets		(49)	175	(2)
Repayment of current and non-current borrowings (***)		956	335	369
Repayment of obligations under finance leases		38	38	42
Net debt of acquired entities at acquisition date		(210)	-	-
Net cash used in financing activities - discontinued operations		-	-	103
Net effect of exchange rate and other		25	30	(6)
Decrease in net debt		64	1,184	403
Increase in net cash		904	-	-
Net debt at the beginning of the period		**(64)**	**(1,248)**	**(1,651)**
Net debt at the end of the period		**-**	**(64)**	**(1,248)**
Net cash at the end of the period		**904**	**-**	**-**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

(**) The net cash / net debt is defined as cash and cash equivalents, marketable securities and other current financial assets (see Note 20) and non-current financial assets directly associated to liabilities included in financial debt (see Note 15), less financial debt (see Note 26)

(***) Mainly bonds bought back and cancelled (see Note 26)

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

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES

(in € million)	Year ended 31 March		
	2008	**2007 (*)**	**2006 (*)**
Net income for the period	**862**	**538**	**261**
Fair value gains (losses), gross of tax			
- on available-for-sale financial assets	-	-	-
- on cash flow hedges	-	-	-
Currency translation adjustments	(34)	(3)	58
Actuarial gains (losses) (**)	30	51	(104)
Tax effect	6	(5)	(3)
Total movements in income and expense directly recognised in equity	**2**	**43**	**(49)**
Total recognised income and expense for the period	**864**	**581**	**212**
Attributable to:			
- Equity holders of the parent	857	592	206
- Minority interests	7	(11)	6

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans
(**) See Note 2-a and Note 25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of business

Alstom ("the Group") serves the power generation market through its Power Systems and Power Service Sectors, 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.

The main activities of the Group are described in Note 5.

Note 2 – Basis of preparation of the consolidated financial statements

Alstom consolidated financial statements for the year ended 31 March 2008 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 2007;
- using the same accounting policies and measurement methods as at 31 March 2007, with the exception of the method of recognition of actuarial gains and losses on post-employment defined benefit plans (see (a) 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.

The consolidated financial statements are presented in euro, and have been authorised for issue by the Board of Directors held on 6 May 2008.

(a) Change in accounting method

With retrospective effect from 1 April 2005, the Group has adopted the option offered by the amendment to IAS 19 "Employee Benefits" to recognise directly in equity, net of deferred taxes, all actuarial gains and losses as well as any asset ceiling impacts on post-employment defined benefit plans. In previous periods, starting from the date of first-time adoption of IFRS (1 April 2004), the Group applied the corridor method under which actuarial gains or losses in excess of 10% of the greater of the future obligation or the fair value of plan assets were recognised in the income statement over the average remaining working lives of the employees.

This change in accounting method has resulted in additional temporary differences between the carrying amount of assets and liabilities related to these plans and their tax basis, but has no effect on the assessment made by the management at 31 March 2005, 31 March 2006 and 31 March 2007 regarding the recoverability of the net deferred tax assets by jurisdiction. As a consequence, no additional deferred tax asset has been recognised in jurisdictions where deferred tax assets were not already fully recognised.

The impact of this change in accounting method on the consolidated balance sheets is shown below:

(in € million)	At 31 March		
	2007	2006	2005
Assets			
Other non-current assets	(433)	(395)	(373)
Deferred tax assets	27	21	24
	(406)	**(374)**	**(349)**
Liabilities and equity			
Equity attributable to equity holders of the company	(896)	(1,052)	(1,008)
Accrued pension and other employee benefits	487	677	658
Deferred tax liabilities	3	1	1
	(406)	**(374)**	**(349)**

The impact of this change in accounting method on the consolidated income statements is shown below:

(in € million)	Year ended 31 March	
	2007	2006
Earnings before interest and taxes	99	80
Net income	99	80

The consolidated income statements and balance sheet before the change in accounting method were as follows:

Income statements	Year ended 31 March	
(in € million)	2007	2006
SALES	**14,208**	**13,413**
Cost of sales	(11,586)	(11,080)
Research and development expenditure	(456)	(364)
Selling expenses	(567)	(569)
Administrative expenses	(642)	(654)
INCOME FROM OPERATIONS	**957**	**746**
Other income	18	233
Other expenses	(248)	(252)
EARNINGS BEFORE INTEREST AND TAXES	**727**	**727**
Financial income (expenses), net	(111)	(222)
PRE-TAX INCOME	**616**	**505**
Income tax charge	(145)	(125)
Share in net income (loss) of equity investments	-	(1)
NET PROFIT FROM CONTINUING OPERATIONS	**471**	**379**
NET (LOSS) FROM DISCONTINUED OPERATIONS	**(32)**	**(198)**
NET PROFIT (LOSS)	**439**	**181**
Attributable to:		
- Equity holders of the parent	448	178
- Minority interests	(9)	3

Earnings per share (in €)	Year ended 31 March	
	2007	2006
From continuing and discontinued operations		
- Basic	3.17	1.27
- Diluted	3.11	1.26
From continuing operations		
- Basic	3.40	2.68
- Diluted	3.33	2.65
From discontinued operations		
- Basic	(0.23)	(1.41)
- Diluted	(0.22)	(1.39)

Balance sheet *(in € million)*	At 31 March 2007		At 31 March 2007
ASSETS		**EQUITY AND LIABILITIES**	
		Equity attributable to the equity holders of the parent	2,229
		Minority interests	42
Goodwill	3,510	**Total equity**	**2,271**
Intangible assets	1,191	Non-current provisions	549
Property, plant and equipment	1,370	Accrued pension and other employee benefits	512
Associates and available-for-sale financial assets	34	Non-current borrowings	1,922
Other non-current assets	1,245	Non-current obligations under finance leases	775
Deferred taxes	1,280	Deferred taxes	47
Total non-current assets	**8,630**	**Total non-current liabilities**	**3,805**
Inventories	1,770	Current provisions	1,512
Construction contracts in progress, assets	2,858	Current borrowings	85
Trade receivables	2,886	Current obligations under finance leases	40
Other current assets related to operating activities	1,494	Construction contracts in progress, liabilities	7,239
Marketable securities and other current financial assets	197	Trade payables	2,976
Cash and cash equivalents	1,907	Other current liabilities	1,814
Total current assets	**11,112**	**Total current liabilities**	**13,666**
TOTAL ASSETS	**19,742**	**TOTAL EQUITY AND LIABILITIES**	**19,742**

(b) Exemptions used regarding the retrospective application of IFRS at the date of first time application of IFRS (1 April 2004)

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,
- Share-based payments: The Group elected to apply IFRS 2 from 1 April 2004 only to instruments granted after 7 November 2002 and not fully vested at 1 January 2005.

(c) Standards and interpretations becoming effective for the preparation of year-end consolidated financial statements at 31 March 2008

The following new or revised standards have become effective for the preparation of consolidated financial statements at 31 March 2008:

- Amendment to IAS 1 "Capital disclosures", and
- IFRS 7 "Financial instruments: disclosures".

The adoption of these standards only impacts the content of the disclosures and has no effect on the accounting policies applied.
IAS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.
IFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risk arising from those financial instruments.
The new disclosures are included throughout the financial statements.

The Group has not identified in the reported financial statements any transaction or assessment which would be in the scope of the following Interpretations of the IFRIC which have newly become effective

- IFRIC 8 "Scope of IFRS 2 – Share-based payments".
- IFRIC 9 "Reassessment of embedded derivatives"
- IFRIC 11 " Group and Treasury share transactions".

(d) Standards and interpretations published but becoming effective after the publication of year-end consolidated financial statements at 31 March 2008

The Group has not opted for an early application in the financial statements at 31 March 2008 of the following standards and interpretations:

- Interpretations which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2009:
  - IFRIC 12 "Service Concession Arrangements", and
  - IFRIC 14 " IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction".

- Standards and Interpretation which, subject to endorsement by the European Union (except IFRS 8 already endorsed), will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2010:
  - Revised IAS 1 " Presentation of Financial Statements",
  - Amendment to IAS 23 "Borrowing Costs",
  - Revised IAS 32 "Amendments relating to puttable instruments and obligations arising on liquidation",
  - Revised IFRS 2 "Amendment relating to vesting conditions and cancellations",
  - IFRS 8 "Operating Segments",
  - IFRIC 13 "Customer Loyalty Programmes".

- Standards which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2011:
  - Revised IFRS 3 "Business Combinations" and resulting amendments to IAS 27 "Consolidated and separate Financial statements".

The Group is currently assessing the potential impacts of these new standards and 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 the minority's 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 as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. 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 profit and contingent assets and liabilities at the date of the financial statements. Management reviews estimates on an ongoing basis using currently available information. Actual results may differ from those estimates, due to changes in facts and circumstances.

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 thus based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and costs 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.
Similarly, 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 the initial estimates. Depending whether the contract is still in progress or not, estimates of contract costs and revenues at completion or provisions may then have to be re-assessed.

Appraisal of deferred tax assets

Management judgment is required to determine the extent to which deferred tax assets can be recognised taking into account future taxable income and tax planning strategies.

Pension and other 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 through equity and prepaid and accrued benefits.

Appraisal of assets

Goodwill is tested for impairment annually at closing date and additionally whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The discounted cash flow model used to determine the fair value of cash generating units includes a number of factors among which estimates of future cash flows, discount rates and other variables, and then requires significant exercise of judgment.

Impairment tests performed on intangible and tangible assets are also based on the same nature of 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 and work in progress are measured at the lower of cost or net realisable value. Write-down of inventories and work in progress are calculated based on an analysis of foreseeable changes in demand, technology or market conditions in order to determine obsolete or excess inventories and work in progress.
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.

Conversely, 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 weighing 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 and short-term service contracts (duration of less than one year) is recognised when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery or 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 excess of revenue measured according to the percentage of completion over the revenue recognised in prior periods is the revenue for the period.

Cost of sales on construction contracts and long-term service agreements is computed on the same basis. The excess of cost measured according to the percentage of completion over the cost of sales recognised in prior periods is the cost of sales for the period. As a consequence, adjustments to contract estimates resulting from work conditions and performance are recognised in cost of sales as soon as they occur, prorata 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.

With respect to construction contracts and long-term service agreements, the aggregate amount of costs incurred to date *plus* recognised margin *less* progress billings is determined on a contract-by-contract basis. If the amount is positive, it is included as an asset designated as "Construction contracts in progress, assets". If the amount is negative, it is included as a liability designated as "Construction contracts in progress, liabilities".
The caption "Construction contracts in progress, liabilities" also includes down-payments received from customers.

- Recognition of overhead expenses

Research expenditure is expensed as incurred. Development costs are expensed as incurred unless the project they relate to meets the criteria for capitalisation (see Note 3-j).
Selling and administrative expenses are expensed as incurred.

(d) Income (loss) from operations

Income (loss) 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, including hedge accounting impacts, 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 expenses

Financial income and expenses include:

- Interest charges and income related to the financial debt which consists of bonds, the debt component of compound instruments, other borrowings and lease-financing liabilities;
- Other expenses paid to financial institutions for financing operations;
- Interest charges and bank fees relating to securitisation of receivables;
- 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 including hedge accounting impacts associated to financing transactions;
- Other income or expense from cash and cash equivalents and marketable securities.

(g) Translation of financial statements denominated in foreign currencies

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, certain reporting entities may have a functional currency different from local currency when that other currency is used for the entity's main transactions and better reflects its economic environment.

Assets and liabilities of entities the functional currency of which is other than the euro are translated into euros 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 taken to the consolidated income statement at the time of the disposal of the related entity.

Goodwill and fair value adjustments arising on 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 and assets and liabilities to be received or 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 initially designated.

Hedging relationships could 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 as well as after the award of the contracts. During the bid period, those insurance instruments are not recognised on the balance sheet. If the contract is awarded, insurance instruments are recognised and remeasured in the same way as foreign currency exchange forward contracts.

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the interest in the fair values of assets acquired and liabilities and contingent liabilities assumed in a business combination. Initial estimates of fair values are finalised within twelve months after the date of acquisition and any adjustments in these fair values are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the income statement.

Goodwill is not amortised but tested for impairment at least annually during the second half of the year (see Note 3-l).

(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

Research expenditure is expensed as incurred. Development costs are expensed as incurred unless the project they relate to meets the following criteria for capitalisation:

- 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 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 losses. 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 which 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	15-30
Machinery and equipment	7-12
Tools, furniture, fixtures and others	3-7

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.

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 reduction in 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 also spread on a straight-line basis over the lease term.

(l) Impairment of goodwill, tangible and intangible assets

Goodwill, intangible assets having an indefinite useful life and intangible assets not yet available for use are tested for impairment annually or when there are indications that they may be impaired. Tangible and intangible assets having a definite useful life are tested for impairment only if there are indications of impairment.

The impairment test methodology is based on a comparison between the recoverable value of each of the asset with its net carrying value. The recoverable amount is the higher of fair value less costs to sell and value in use. The recoverable value of an asset is individually assessed unless the asset does not generate cash inflows independent of those from other assets or groups of assets. These groups of assets are designated as cash-generating units.

With respect to goodwill and internally generated or acquired technology, the identified cash generating units are the reportable segments as detailed in Note 5.

The valuation performed is based upon the Group's internal three-year business plan prepared as part of its annual budget exercise at sector level. Cash flows beyond this period are estimated using a steady or declining growth rate for the subsequent years. The recoverable amount is the sum of the discounted cash flows and of the discounted terminal residual value. Discount rates are determined using the weighted-average cost of capital of each Sector.

Recoverable values are significantly impacted by estimates of future prices of products and services, the evolution of costs, economic trends, the expectations on long-term development of emerging markets and other factors. They also depend on the discount rates and perpetual growth rates used.
If the recoverable amount of an asset 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 case of an impairment loss attributable to a cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non current assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. The impairment loss is immediately recognised in the income statement.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

When an impairment loss not allocated to goodwill subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

(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 under IAS 39 classification. They are initially measured at their fair value, plus directly attributable transaction costs and subsequently 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. Impairment losses recognised in profit and loss for an investment in an equity instrument are not reversed through profit and loss. Conversely, if, in a subsequent period, the fair value of an investment in a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.
Investments in non consolidated companies, the fair value of which cannot be determined reliably, 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 under IAS 39 classification. They are therefore 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 are reversed through profit and loss in subsequent periods when an increase in the investment's recoverable amount can be objectively related to an event occurring after the impairment was recognised.

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 under IAS 39 classification. Changes in fair value are therefore 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 is represented by 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 comprises 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 highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

(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 on all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of certain taxable temporary differences between the Group's share in the net assets in subsidiaries, joint ventures and associates and their tax base. 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(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-described 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 concerned 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. Bond issuance costs and premiums are not included in the initial cost, but are taken into account in calculating amortised cost under the effective interest rate method. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Renegotiations of the terms of borrowings and similar operations are recorded as an extinction of the former liability with recognition of a new liability only if there are substantial differences between the old and new terms. When this is the case, the costs borne for renegotiation are included in the financial expenses for the period when the negotiation took place, as a component of the gain or loss on extinction of the former liability.

Certain financial instruments (such as bonds reimbursable with shares) include both a financial debt component and a shareholders' equity component. Those 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 from the fair value of the instrument as a whole the amount separately determined for the liability component.

- 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 is represented by the nominal value. They are subsequently re-measured at amortised cost.

(s) Interest rate derivatives

The Group may enter into hedges for the purposes 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 or cash flow hedge accounting is 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. 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. In accordance with IFRS 2, only instruments granted after 7 November 2002 and not fully vested at 1 January 2005 are measured and accounted for as employee costs.

- Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant (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 received 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 current market value. In that case, the Group records an expense, based on its estimate of the discount related to shares expected to vest.

(u) Pension and other employee benefits

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

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 including the probable future length of the employees' service, the employees' final pay and the expected average life span.

Most defined benefit pension liabilities are funded through separate pension funds. 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 paid from the Group's assets as they become due. Post-employment medical benefits 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 element of benefit costs is included in the income from operations. The amortisation of unrecognised prior service cost/profit and specific events impacts (i.e. curtailments) are recognised in other expenses. Financial elements of the benefit cost such as interest cost and expected return on assets are included in financial income (expenses).

The Group also participates, mainly in the United States and in Canada, in multi-employer defined benefit plans. 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) 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, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

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

(w) 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).

(x) Borrowing costs

The Group does not capitalise interest expenses attributable to the acquisition, construction or production of assets. Borrowing costs are recognised as an expense in the period in which they are incurred.

(y) Exchange rates used for the translation of main currencies

	At 31 March 2008		**At 31 March 2007**		**At 31 March 2006**	
€ for 1 monetary unit	**Average**	**Closing**	**Average**	**Closing**	**Average**	**Closing**
British pound	1.417540	1.256597	1.474594	1.471021	1.465784	1.435956
Swiss franc	0.610175	0.635405	0.629045	0.615498	0.643819	0.632871
US dollar	0.706320	0.632431	0.774747	0.750863	0.825792	0.826173
Brazilian real	0.380985	0.362924	0.360684	0.368202	0.360145	0.377223
Indian rupee	0.017595	0.015825	0.017185	0.017446	0.018647	0.018509
Chinese yuan	0.094738	0.090192	0.098198	0.097300	0.101717	0.103029

Note 4 – Main acquisitions, partnerships, disposals of companies and changes in scope of consolidation

The main changes in the scope of consolidated companies for the years ended 31 March 2008, 31 March 2007 and 31 March 2006 are the following:

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 amounts to €294 million (see Note 12).

- On 11 July 2007, in accordance with Chinese stock market regulations, the Group launched a general offer on Wuhan Boilers 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 joint venture 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 joint venture. Accordingly, the joint venture is accounted for using the equity method and represents €20 million (see Note 14 and Note 33).

Year ended 31 March 2007

- On 29 March 2007, the Group acquired Quingdao Sizhou Electric Power Equipment Limited and Quingdao Sizhou Boiler Auxiliary Company Limited, two Chinese companies specialised in ash handling systems and the related service business. The acquisition price amounted to €35 million.

- On 22 March 2007, the Group acquired the assets and liabilities of Power Systems Manufacturing, LLC (PSM), a US-based high tech company with a leading position as independent provider of improved gas-turbine parts and low-Nox upgrade solutions for gas turbines. The acquisition price amounted to $242 million.

- On 29 September 2006, Bouygues and the Group signed a binding agreement granting Bouygues a 50% interest in Alstom Hydro activities for €150 million, the Group having previously subscribed €300 million convertible bonds in Alstom Hydro Holding. Following clearance from all relevant anti-trust authorities, this operation was completed on 31 October 2006. In November 2009, the Group has the option to convert its bonds into Alstom Hydro Holding shares. At the same date, Bouygues has the option to:
  - sell its Alstom Hydro Holding shares back to the Group for €175 million or exchange them for 2.2 million Alstom shares or the equivalent in cash should the Group fail to deliver shares,
  - remain as a shareholder with the possibility to retain, through capital injection, its 50% share in Alstom Hydro Holding.

  In addition, until 31 October 2009, the Group has specific rights, in particular in the event of disagreements between the shareholders. Hydro activities remain fully consolidated with no minority interests and obligations towards Bouygues are recorded as a financial liability (see note 26).

- On 24 August 2006, the Group completed the acquisition of Shenzhen Strongwish, a Chinese company specialised in the design and delivery of remote monitoring and diagnosis services for a total of €26 million.

- On 31 May 2006, the sale of 75% interests in the Marine Sector to Aker Yards was completed and this Sector has been deconsolidated from that date. The sale took place through the creation of a new company comprising the shipyards in Saint-Nazaire and Lorient, 75% of which is owned by Aker Yards and 25% by the Group. At 31 March 2007, this 25% interest is accounted for in investments. The remaining stake held by the Group will be sold to Aker Yards by 2010 through a put and call agreement, at a price depending on the financial performance up to € 125 million.

Year ended 31 March 2006

- On 24 October 2005, the Group and Austrian Energy and Environment AG signed binding agreements for the sale of the Industrial Boilers business, part of the Power Systems Sector. The sale of the business was completed on 30 November 2005 in Australia and Thailand and on 31 May 2006 in Germany and Czech Republic, respectively. These activities have been deconsolidated from that date.

- On 30 September 2005, the Group signed a binding agreement to sell its Power Conversion activities to Barclays Private Equity. On 10 November 2005, the Group completed the sale and these activities have been deconsolidated from 1 November 2005.

- On 2 June 2005, the Group signed a binding agreement for the sale of its transport operations in Australia and New Zealand. On 16 September 2005, the sale was completed and this business has been deconsolidated from 1 September 2005.

- On 24 May 2005, a sale agreement related to the FlowSystems business was signed. On 18 August 2005, the Group completed the sale and the business has been deconsolidated from that date.

Note 5 – Sector and geographical data

a) Sector data

The Group is managed through sectors of activity and has determined its reportable segments accordingly. At 31 March 2008, the Group is organised in three Sectors.

- ***Power Systems***

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

- ***Power Service***

Power Service promotes the service activities relating to the Power Systems Sector 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.

At 31 March 2008

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimina-tions	Total
Sales	8,082	3,803	5,512	29	(518)	16,908
Inter sector eliminations	(314)	(201)	(3)	-	518	-
Total Sales	**7,768**	**3,602**	**5,509**	**29**	**-**	**16,908**
Income (loss) from operations	415	592	397	(109)	-	1,295
Earnings (loss) before interest and taxes	**408**	**593**	**368**	**(148)**	**-**	**1,221**
Financial income (expenses)						(69)
Income tax						(291)
Share in net loss of equity investments						1
Net profit from continuing operations						**862**
Net loss from discontinued operations						-
NET PROFIT						**862**
Segment assets (2)	**7,139**	**4,749**	**4,940**	**599**	**-**	**17,427**
Deferred taxes (assets)						1,070
Prepaid pension and other employee benefits						17
Financial assets						2,831
TOTAL ASSETS						**21,345**
Segment liabilities (3)	**8,076**	**2,525**	**5,024**	**727**	**-**	**16,352**
Deferred taxes (liabilities)						3
Accrued pension and other employee benefits						818
Financial debt						1,927
Total equity						2,245
TOTAL EQUITY AND LIABILITIES						**21,345**
Capital employed (4)	**(937)**	**2,224**	**(84)**	**(128)**	**-**	**1,075**
Capital expenditure	**226**	**70**	**171**	**31**	**-**	**498**
Depreciation and amortisation in EBIT	**126**	**73**	**101**	**41**	**-**	**341**

(1) Corporate & Other includes all units bearing Corporate costs, the Group International Network and overseas entities that are not allocated to Sectors.

(2) Segment assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, associates and available-for-sale financial assets, other non current assets (excluding prepaid pension and other employee benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(3) Segment liabilities are defined as the closing position of current and non-current provisions and current liabilities (excluding current borrowings and current obligations under finance leases).

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

At 31 March 2007

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimina-tions	Total
Sales	5,975	3,386	5,288	49	(490)	14,208
Inter sector eliminations	(302)	(188)	-	-	490	-
Total Sales	**5,673**	**3,198**	**5,288**	**49**	**-**	**14,208**
Income from operations	201	510	350	(104)	-	957
Earnings (loss) before interest and taxes (2)	**194**	**504**	**293**	**(165)**	**-**	**826**
Financial income (expenses)						(111)
Income tax						(145)
Share in net loss of equity investments						-
Net profit from continuing operations (2)						**570**
Net loss from discontinued operations						(32)
NET PROFIT (2)						**538**
Segment assets (2) (3)	**5,386**	**4,359**	**5,079**	**436**	**-**	**15,260**
Deferred taxes (assets) (2)						1,307
Prepaid pension and other employee benefits (2)						11
Financial assets						2,758
TOTAL ASSETS (2)						**19,336**
Segment liabilities (4)	**6,034**	**2,253**	**5,119**	**684**	**-**	**14,090**
Deferred taxes (liabilities) (2)						50
Accrued pension and other employee benefits (2)						999
Financial debt						2,822
Total equity (2)						1,375
TOTAL EQUITY AND LIABILITIES (2)						**19,336**
Capital employed (5)	**(648)**	**2,106**	**(40)**	**(248)**	**-**	**1,170**
Capital expenditure	**124**	**65**	**157**	**49**	**-**	**395**
Depreciation and amortisation in EBIT	**113**	**64**	**123**	**47**	**-**	**347**

(1) Corporate & Other includes all units bearing Corporate costs, the Group International Network and overseas entities that are not allocated to Sectors (mainly India).

(2) Restated further to the retrospective application of the change in accounting method regarding post-employment defined benefit plans (see Note 2-a).

(3) Segment assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, associates and available-for-sale financial assets, other non current assets (excluding prepaid pension and other employee benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(4) Segment liabilities are defined as the closing position of current and non-current provisions and current liabilities (excluding current borrowings and current obligations under finance leases).

(5) Capital employed corresponds to segment assets minus segment liabilities. The decrease in the capital employed from 31 March 2006 to 31 March 2007 is explained for €700 million by the release of a deposits securing the Bonding Guarantee Facility classified in the sector "Corporate & other" at 31 March 2007.

ALSTOM

At 31 March 2006

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimina-tions	Total
Sales	5,396	3,062	5,129	376	(550)	13,413
Inter sector eliminations	(317)	(209)	(1)	(23)	550	-
Total Sales	**5,079**	**2,853**	**5,1280**	**353**	**-**	**13,413**
Income from operations	**101**	**442**	**324**	**(121)**	**-**	**746**
Earnings (loss) before interest and taxes (2)	**75**	**407**	**256**	**(11)**	**80**	**807**
Financial income (expenses)						(222)
Income tax						(125)
Share in net income of equity investments						(1)
Net profit from continuing operations (2)						**459**
Net loss from discontinued operations						**(198)**
NET PROFIT (2)						**261**
Segment assets (2) (3)	**4,633**	**3,868**	**4,224**	**1,558**	**-**	**14,283**
Deferred taxes (assets) (2)						1,270
Prepaid pension and other employee benefits (2)						14
Financial assets						1,323
Assets held for sale						1 144
TOTAL ASSETS (2)						**18,034**
Segment liabilities (4)	**5,072**	**2,078**	**4,099**	**774**	**-**	**12,023**
Deferred taxes (liabilities) (2)						40
Accrued pension and other employee benefits (2)						1,469
Financial debt						2,571
Total equity (2)						788
Liab. associated with assets held for sale						1 143
TOTAL EQUITY AND LIABILITIES (2)						**18,034**
Capital employed (5)	**(439)**	**1,790**	**125**	**784**	**-**	**2,260**
Capital expenditure	**103**	**35**	**125**	**31**	**-**	**294**
Depreciation and amortisation in EBIT	**125**	**61**	**116**	**111**	**-**	**413**

(1) Corporate & Other includes all units bearing Corporate costs, the Group International Network and overseas entities that are not allocated to Sectors (mainly India).

(2) Restated further to the retrospective application of the change in accounting method regarding post-employment defined benefit plans (see Note 2-a).

(3) Segment assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, associates and available-for-sale financial assets, other non current assets (excluding prepaid pension and other employee benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(4) Segment liabilities are defined as the closing position of current and non-current provisions and current liabilities (excluding current borrowings and current obligations under finance leases).

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

b) Geographical data

Sales by country of destination and capital expenditure by country

Year ended 31 March 2008

(in € million)	Sales by country of destination	Capital expenditure	
		Tangible	Intangible
Euro Zone *(1)*	5,432	117	98
Rest of Europe	2,876	117	39
North America	3,109	67	2
South & Central America	881	10	-
Asia & Pacific	3,058	42	1
Middle East & Africa	1,552	5	-
Total Group	**16,908**	**358**	**140**

Total capital expenditure amounts to €498 million for the year ended 31 March 2008. Without capitalisation of development costs of €124 million (see Note 6), capital expenditure amounts to €374 million.

Year ended 31 March 2007

(in € million)	Sales by country of destination	Capital expenditure	
		Tangible	Intangible
Euro Zone *(1)*	4,676	97	99
Rest of Europe	2,246	76	28
North America	2,442	38	1
South & Central America	854	8	-
Asia & Pacific	2,505	46	-
Middle East & Africa	1,485	2	-
Total Group	**14,208**	**267**	**128**

Total capital expenditure amounts to €395 million for the year ended 31 March 2007. Without capitalisation of development costs of €115 million (see Note 6), capital expenditure amounts to €280 million.

Year ended 31 March 2006

(in € million)	Sales by country of destination	Capital expenditure	
		Tangible	Intangible
Euro Zone *(1)*	4,221	65	58
Rest of Europe	2,080	37	34
North America	2,172	22	-
South & Central America	891	6	-
Asia & Pacific	2,747	66	3
Middle East & Africa	1,302	3	-
Total Group	**13,413**	**199**	**95**

Total capital expenditure amounts to €294 million for the year ended 31 March 2006. Without capitalisation of development costs of €87 million (see Note 6), capital expenditure amounts to €207 million.

(1) Euro zone comprises Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Slovenia, Spain and Portugal.

Note 6 – Research and development expenditure

(in € million)	Year ended 31 March 2008	2007	2006
Research and development expenditure	**(554)**	**(456)**	**(364)**
of which			
- Capitalisation of developments costs (see Note 12 - b)	(124)	(115)	(87)
- Amortisation of development costs (See Note 12 - b)	55	72	43
- Amortisation of acquired technology	62	59	59
Research and development expenditure before capitalisation and amortisation	**(561)**	**(440)**	**(349)**

Capitalisation of developments costs is related to Transport Sector (including new generation of very high speed train – AGV and new tramway prototype) and to Power Systems Sector (including CO_2 capture program and gas and steam turbines development).

Note 7 – Other income and other expenses

(in € million)	Year ended 31 March 2008	2007 (*)	2006 (*)
Capital gains on disposal of investments/activities (1)	26	11	240
Other	-	7	12
Other income	**26**	**18**	**252**
Capital losses on disposal of investments/activities (1)	(39)	(76)	(89)
Capital losses on disposal of intangible and tangible assets	-	(1)	-
Restructuring costs (2)	(35)	(68)	(80)
Other	(26)	(4)	(22)
Other expenses	**(100)**	**(149)**	**(191)**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

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

In the year ended 31 March 2007, capital losses mainly originated from the disposal of the Industrial Boilers business in Germany and the Czech Republic as well as the disposal of UK train heavy renovation business located in Glasgow and London. Capital losses also included costs incurred on past disposals and in particular fines imposed by the European Commission related to the T&D business (see Note 32 – claims relating to disposals).

(2) In the years ended 31 March 2008 and 31 March 2007, restructuring costs mainly related to plans implemented in Europe in the Transport Sector.

Note 8 – Financial income (expenses)

(in € million)	Year ended 31 March 2008	2007	2006
Net interest expenses	**(53)**	**(79)**	**(122)**
Pension and other employee benefit costs (see Note 25)	**12**	**(8)**	**(15)**
Other financial income (expenses)	**(28)**	**(24)**	**(85)**
Financial income (expenses)	**(69)**	**(111)**	**(222)**
Out of which financial income (expenses) arising from financial instruments (see Note 27)	(81)	(103)	(207)

Net interest expenses include:

- €33 million related to the buy back and cancellation of bonds during the year ended 31 March 2008 (€13 million for the year ended 31 March 2007, see Note 26),
- €10 million in interests on obligations under finance leases (€9 million for the year ended 31 March 2007 and €14 million for the year ended 31 March 2006),
- €10 million expense arising from the progressive unwinding of the discount initially recognised on put options and earn-out on acquired entities (the €4 million expense charged to the income statement for the year ended 31 March 2007 was presented as other financial expense in the published financial statements and has been reclassified to net interest expenses in the above table).

Other financial income (expenses) include:

- €12 million in fees and commitment fees paid on guarantees facilities, syndicated loans and other financing facilities (€11 million for the year ended 31 March 2007 and €75 million for the year ended 31 March 2006),
- €10 million in foreign currency losses (€14 million loss for the year ended 31 March 2007 and €30 million gain for the year ended 31 March 2006).

Note 9 – Taxation

(a) Analysis by nature

(in € million)	Year ended 31 March 2008	2007	2006
Current income tax charge	(194)	(168)	(155)
Deferred income tax (charge) credit	(97)	23	30
Income tax charge	**(291)**	**(145)**	**(125)**
Effective tax rate	**25.3%**	**21.2%**	**32.3%**

Tax consolidation groups have been set up in most of the countries where the Group operates, in particular in France, the United Kingdom, the United States, Germany, Spain and Italy.

(b) Effective income tax rate

(in € million)	Year ended 31 March 2008	%	2007 *(*)*	%	2006 *(*)*	%
Pre-tax income (loss) from continuing operations	**1,152**		**715**		**585**	
Pre-tax loss from discontinued operations	**-**		**(32)**		**(198)**	
Statutory income tax rate of the parent company	34.43%		34.43%		34.43%	
Expected tax (charge) credit	**(397)**	34.4	**(235)**	34.4	**(133)**	34.4
Impact of :						
- Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	114	(9.9)	62	(9.1)	45	(11.6)
- Transactions liable for reduced tax rate	7	(0.6)	(50)	7.3	-	-
- Changes in unrecognised deferred tax assets	90	(7.8)	145	(21.2)	9	(2.3)
- Changes in tax rates	(64)	5.5	(6)	0.9	(14)	3.6
- Additional tax expense (withholding tax and IRAP in Italy)	(22)	1.9	(28)	4.1	(8)	2.1
- Permanent differences	(19)	1.8	(33)	4.8	(24)	6.1
Income tax charge	**(291)**		**(145)**		**(125)**	
Effective tax rate	**25.3%**	25.3	**21.2%**	21.2	**32.3%**	32.3

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans

(c) Deferred taxation

The net deferred tax position recognised in the balance sheet, before netting of deferred tax assets and liabilities by tax entity, can be analysed as follows:

(in € million)	At 31 March 2006 *(*)*	At 31 March 2007 *(*)*	Deferred income tax (charge) credit (**)	Changes in scope of consolidation	Translation Adjustments and other changes	At 31 March 2008
Deferred tax assets						
Differences between carrying amount and tax base of tangible and intangible assets	395	365	(78)	-	(2)	285
Profit sharing, annual leave, pension and other employee benefit costs accruals not yet deductible	435	286	(56)	-	(37)	193
Provisions and other expenses not yet deductible	616	704	(58)	-	(172)	474
Tax loss carry forwards	1,473	1,555	(112)	(1)	(106)	1,336
Other	206	120	(51)	12	108	189
Existing deferred tax assets	**3,125**	**3,030**	**(355)**	**11**	**(209)**	**2,477**
Unrecognised deferred tax assets	(1,230)	(1,184)	260	-	73	(851)
Recognised deferred tax assets	**1,895**	**1,846**	**(95)**	**11**	**(136)**	**1,626**
Deferred tax liabilities						
Differences between carrying amount and tax base of tangible and intangible assets	(199)	(85)	(26)	-	16	(95)
Deferred taxation of margin on construction contracts	(151)	(196)	10	-	9	(177)
Other	(315)	(308)	24	(14)	11	(287)
Total	**(665)**	**(589)**	**8**	**(14)**	**36**	**(559)**
Net recognised deferred tax assets / (liabilities)	**1,230**	**1,257**	**(87)**	**(3)**	**(100)**	**1,067**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)
(**) Sum of deferred income tax (charge) credit recorded in income statement and directly in equity

The detailed bases of tax loss carry forwards by maturity are as follows:

(in € million)		At 31 March 2008	2007	2006
Expiring within	1 year	166	27	24
	2 years	87	128	33
	3 years	78	127	184
	4 years	77	71	218
	5 years and more	886	1,022	1,080
	Not subject to expiry	2,865	3,101	2,730
Total bases of tax loss carry forwards		**4,159**	**4,476**	**4,269**
Total unrecognised tax loss carry forwards (bases)		2,205	2,414	2,549
Total recognised tax loss carry forwards (bases)		1,954	2,062	1,720
Expiry dates of recognised tax loss carry forwards				
- within 15 years (bases)		605	628	783
- not subject to expiry (bases)		1,349	1,434	937

Movements in deferred taxes recorded in the consolidated balance sheet, after netting of deferred tax assets and liabilities by tax entity, can be broken down as follows:

(in € million)	**Assets**	**Liabilities**	**Net position**
At 31 March 2006 (*)	**1,270**	**(40)**	**1,230**
Movements credited (charged) to the income statement	55	(25)	30
Other	(7)	4	(3)
Impact of netting by tax entity of the period	(11)	11	-
At 31 March 2007 (*)	**1,307**	**(50)**	**1,257**
Movements credited (charged) to the income statement	(105)	8	(97)
Other	(115)	22	(93)
Impact of netting by tax entity of the period	82	(82)	-
At 31 March 2008	**1,169**	**(102)**	**1,067**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

The assessment of recognised deferred tax assets is conducted through a detailed review of deferred tax assets by jurisdiction. This review takes into account past and current performance, length of carry back, carry forwards and expiry periods, existing contracts in the order book, budget and the three-year plan.

Regarding the net recognised deferred tax assets at 31 March 2008 (€ 1,067 million), the Group is satisfied as to its recoverability, on the basis of an extrapolation of the three-year business plan, approved by the Board of Directors, which shows a capacity to generate a sufficient level of taxable profits to recover within 5 year main part of its net assets related to tax loss carry forwards.

Deferred tax assets remaining unrecognised amount to €851 million at 31 March 2008 (€1,184 million at 31 March 2007 and €1,230 million at 31 March 2006). Most of these unrecognised deferred tax assets remain available for use in the future.

Note 10 – Discontinued operations

Operations of the Marine sector have been classified as discontinued operations in the years ended 31 March 2007 and 31 March 2006. They were analysed as follows:

	Year ended 31 March	
(in € million)	**2007**	**2006**
Sales	**417**	**439**
Loss from operations	**(38)**	**(15)**
Other income (expenses)	6	(187)
Loss before interest and taxes	**(32)**	**(202)**
Net loss (1)	**(32)**	**(198)**

(1) Related income tax effects have not been presented as discontinued operations since companies included in the former Marine Sector are part of a tax group aggregating French entities from all sectors.

During fiscal year ended 31 March 2007, the disposal was completed. Marine activities remained presented as discontinued operations for the full year. The losses recorded over the fiscal year ending 31 March 2007 related to the three LNG tankers, the contracts of which were not part of the sale to the acquirer and were completed over the period.

The cash flow statement of discontinued operations is detailed as follows:

	Year ended 31 March	
(in € million)	**2007**	**2006**
Net cash used in operating activities	(90)	(199)
Net cash provided by (used in) investing activities	(196)	84
Net cash used in financing activities	-	(103)
Net effect of exchange rate variations	-	(2)
Other changes	(2)	5
Decrease in cash and cash equivalents	**(288)**	**(215)**
Transfer to continued operations	**(29)**	**-**
Net cash at the beginning of the period	**317**	**532**
Net cash at the end of the period	**-**	**317**

For the year ended 31 March 2007, the €196 million net cash used in investing activities relates to the disposal of Marine activities and represents the net amount between the selling price and the cash contribution and other financing provided by the Group to the newly created company.

Note 11 – Earnings per share

	Year ended 31 March		
	2008	2007 *(*)*	2006 *(*)*
Earnings ***(in € million)***			
Net profit - Equity holders of the parent	**852**	**547**	**258**
Financial interests related to bonds reimbursable with shares, net of tax	-	(2)	1
Earnings used to calculate basic and diluted earnings per share	**852**	**545**	**259**
Earnings used to calculate basic and diluted earnings per share from continuing operations	**852**	**577**	**457**
Earnings used to calculate basic and diluted earnings per share from discontinuing operations	-	(32)	(198)

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

	Year ended 31 March		
	2008	2007	2006
Number of shares			
Weighted average number of ordinary shares used to calculate basic earnings per share (1)	**141,148,674**	**140,428,778**	**140,401,599**
Effect of other dilutive potential ordinary shares:			
- Stock options (2)	2,463,481	2,664,400	1,434,534
- Free shares (see Note 23)	651,336	600,000	225,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	**144,263,491**	**143,693,178**	**142,061,133**

(1) Shares that will be issued upon the conversion of bonds reimbursable with shares are included in the calculation.

(2) Stock options used to calculate the diluted earnings per share only relate to plans 7, 8, 9 and 10 (see Note 23), the other plans being out of the money.

	Year ended 31 March		
	2008	2007 *(*)*	2006 *(*)*
Earnings per share (in €)			
From continuing and discontinued operations			
- Basic	6.03	3.88	1.84
- Diluted	5.90	3.80	1.82
From continuing operations			
- Basic	6.03	4.11	3.25
- Diluted	5.90	4.02	3.22
From discontinued operations			
- Basic	-	(0.23)	(1.41)
- Diluted	-	(0.22)	(1.39)

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

Note 12 – Goodwill and intangible assets

(a) Goodwill

(in € million)	Net value at 31 March 2007	Acquisitions and purchase accounting adjustments	Disposals	Translation adjustments and other changes	Net value at 31 March 2008
Power Systems	803	336	-	(2)	1,137
Power Service	2,184	(60)	-	(9)	2,115
Transport	523	-	-	(8)	515
Goodwill	**3,510**	**276**	**-**	**(19)**	**3,767**
of which					
Gross value	3,510	276	-	(19)	3,767
Impairment	-	-	-	-	-

(in € million)	Net value at 31 March 2006	Acquisitions and purchase accounting adjustments	Disposals	Translation adjustments and other changes	Net value at 31 March 2007
Power Systems	804	-	(1)	-	803
Power Service	1,992	193	-	(1)	2,184
Transport	527	-	-	(4)	523
Goodwill	**3,323**	**193**	**(1)**	**(5)**	**3,510**
of which					
Gross value	3,323	193	(1)	(5)	3,510
Impairment	-	-	-	-	-

The movements of the period arise from:

- The acquisitions of Ecotècnia in Spain (in November 2007 for €268 million based on an acquisition price of €294 million), Wuhan Boilers Company in China (see Note 4, preliminary goodwill amounts to €68 million) and a Power Service company in Finland; and from
- The measurement at fair value of assets and liabilities acquired from Power Systems Manufacturing LLC (PSM) on 22 March 2007. The preliminary goodwill on this acquisition amounted to €153 million, as disclosed at 31 March 2007. The measurement of the assets and liabilities acquired has resulted in a €83 million reduction of the goodwill, mainly intangible assets.

Amounts reported regarding Ecotècnia and Wuhan Boilers are based on a preliminary purchase price allocation and therefore subject to subsequent adjustments.

At 31 March 2008, the Group requested a third party expert to provide an independent report as part of its annual impairment test for goodwill. This test compares the fair value of each sector to its carrying amount.

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

	Power Systems	**Power Service**	**Transport**
Net carrying amount of goodwill at 31 March 2008 (in € million)	1,137	2,115	515
Value elected as representative of the recoverable value of the cash generating unit	fair value	fair value	fair value
Number of years over which cash flow estimates are used	3 years	3 years	3 years
Extrapolation period of cash flow estimates	7 years	7 years	7 years
Long term growth rate at 31 March 2008	**2.0%**	**2.0%**	**2.0%**
Long term growth rate at 31 March 2007	2.0%	2.0%	2.0%
Long term growth rate at 31 March 2006	2.0%	2.0%	2.0%
After tax discount rate at 31 March 2008 ***(1)***	**10.0%**	**9.0%**	**9.0%**
After tax discount rate at 31 March 2007 *(1)*	9.0%	9.0%	8.5%
After tax discount rate at 31 March 2006 *(1)*	8.5%	8.5%	8.5%

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

The valuation 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 2007 and 31 March 2006, no impairment loss would have had to be recognised.

(b) Intangible assets

(in € million)	At 31 March 2007	Additions / disposals / amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2008
Development costs	621	124	-	(1)	744
Acquired technology	1,154	-	88	2	1,244
Other intangible assets	101	10	32	5	148
Gross value	**1,876**	**134**	**120**	**6**	**2,136**
Development costs	(247)	(55)	-	7	(295)
Acquired technology	(383)	(62)	-	(3)	(448)
Other intangible assets	(55)	(13)	-	(3)	(71)
Accumulated amortisation and impairment	**(685)**	**(130)**	**-**	**1**	**(814)**
Development costs	374	69	-	6	449
Acquired technology	771	(62)	88	(1)	796
Other intangible assets	46	(3)	32	2	77
Net value	**1,191**	**4**	**120**	**7**	**1,322**

(in € million)	At 31 March 2006	Additions / disposals / amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2007
Development costs	510	115	-	(4)	621
Acquired technology	1,157	-	-	(3)	1,154
Other intangible assets	64	7	-	30	101
Gross value	**1,731**	**122**	**-**	**23**	**1,876**
Development costs	(175)	(72)	-	-	(247)
Acquired technology	(326)	(59)	-	2	(383)
Other intangible assets	(33)	(1)	-	(21)	(55)
Accumulated amortisation and impairment	**(534)**	**(132)**	**-**	**(19)**	**(685)**
Development costs	335	43	-	(4)	374
Acquired technology	831	(59)	-	(1)	771
Other intangible assets	31	6	-	9	46
Net value	**1,197**	**(10)**	**-**	**4**	**1,191**

Acquired technology mainly consist of the allocation of the cost of the acquisition of ABB Alstom POWER in 1999 and 2000. The allocation of ABB Alstom POWER represents technology and licensing agreements and are amortised on a straight-line basis over 20 years (12 years remaining approximately).

Acquisition through business combinations during the year ended 31 March 2008 consists in the allocation of the goodwill on Power Systems Manufacturing for €72 million (see Note 12-a) and acquisition of Ecotècnia intangibles which have been evaluated through purchase price allocation for €44 million.

The Group's opinion is that intangible assets are not impaired.

Note 13 – Property, plant and equipment

(in € million)	At 31 March 2007	Acquisitions/ Depreciation/ Impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	At 31 March 2008
Land	119	1	(4)	3	8	127
Buildings	1,061	21	(40)	32	40	1,114
Machinery and equipment	1,903	144	(46)	40	(10)	2,031
Constructions in progress	121	141	-	8	(85)	185
Tools, furniture, fixtures and other	485	61	(68)	-	(26)	452
Gross value	**3,689**	**368**	**(158)**	**83**	**(73)**	**3,909**
Land	(4)	-	-	-	-	(4)
Buildings	(490)	(43)	17	(11)	(6)	(533)
Machinery and equipment	(1,442)	(125)	31	(24)	30	(1,530)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(383)	(38)	63	-	17	(341)
Accumulated depreciation and impairment	**(2,319)**	**(206)**	**111**	**(35)**	**41**	**(2,408)**
Land	115	1	(4)	3	8	123
Buildings	571	(22)	(23)	21	34	581
Machinery and equipment	461	19	(15)	16	20	501
Constructions in progress	121	141	-	8	(85)	185
Tools, furniture, fixtures and other	102	23	(5)	-	(9)	111
Net value	**1,370**	**162**	**(47)**	**48**	**(32)**	**1,501**

(in € million)	At 31 March 2006	Acquisitions/ Depreciation/ Impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	At 31 March 2007
Land	113	1	(12)	2	15	119
Buildings	1,173	27	(115)	3	(27)	1,061
Machinery and equipment	1,898	111	(54)	(15)	(37)	1,903
Constructions in progress	76	49	-	-	(4)	121
Tools, furniture, fixtures and other	475	75	(31)	6	(40)	485
Gross value	**3,735**	**263**	**(212)**	**(4)**	**(93)**	**3,689**
Land	(5)	(1)	3	-	(1)	(4)
Buildings	(527)	(55)	85	1	6	(490)
Machinery and equipment	(1,460)	(113)	78	11	42	(1,442)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(382)	(42)	29	3	9	(383)
Accumulated depreciation and impairment	**(2,374)**	**(211)**	**195**	**15**	**56**	**(2,319)**
Land	108	-	(9)	2	14	115
Buildings	646	(28)	(30)	4	(21)	571
Machinery and equipment	438	(2)	24	(4)	5	461
Constructions in progress	76	49	-	-	(4)	121
Tools, furniture, fixtures and other	93	33	(2)	9	(31)	102
Net value	**1,361**	**52**	**(17)**	**11**	**(37)**	**1,370**

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

(in € million)	At 31 March		
	2008	**2007**	**2006**
Land	13	13	-
Buildings	107	123	169
Machinery and equipment	14	17	22
Tools, furniture, fixtures and other	15	15	18
Net value of tangible assets held under finance leases	**149**	**168**	**209**

Note 14 – Associates and available-for-sale financial assets

(a) Associates

(in € million)	At 31 March			
	2008	**2007**	**2006**	**% interest**
Alstom Atomenergomash	20	-	-	49.0
Termoeléctrica del Golfo and Termoeléctrica Peñoles	-	-	66	49.5
Other	6	4	4	-
Total	**26**	**4**	**70**	**-**

The variation of the year is related to the constitution of a joint venture between the Group and JSC Atomenergomash (see Note 4). In February 2007, the Group sold its 49.5% interest in Termoeléctrica del Golfo and Termoélectrica Penoles for a cash consideration of €72 million.

(b) Available-for-sale financial assets

(in € million)	At 31 March					2007 % interest
	2008			**2007**	**2006**	
	Gross	**Impairment**	**Net**	**Net**	**Net**	
Tramvia Metropolita SA (1)	8	-	8	8	8	25.35%
Tramvia Metropolita del Besos (1)	8	-	8	8	8	25.35%
Other (2)	45	(25)	20	14	13	-
Total	**61**	**(25)**	**36**	**30**	**29**	

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

(2) No other investments' net value exceeds €5 million.

Change in assets available for sale are summarised in the table below:

(in € million)	Year ended 31 March	
	2008	**2007**
Opening balance	**30**	**29**
Change in fair value (1)	-	-
Other changes	6	1
Closing balance	**36**	**30**

(1) variation directly recorded through equity as fair value gains / (losses) on assets available for sale

Note 15 – Other non-current assets

(in € million)	At 31 March		
	2008	2007 *(*)*	2006 *(*)*
Financial non-current assets associated to financial debt (1)	546	654	-
Deposits securing the Bonding Guarantee Facility (2)	-	-	700
Long-term loans, deposits and other (3)	89	158	155
Other non-current assets	**635**	**812**	**855**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

(1) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator. They are made up as follows:
- At 31 March 2008, €520 million receivables and €26 million deposit,
- At 31 March 2007, €628 million receivables and €26 million deposit.

At 31 March 2006 these items were classified as "Assets held for sale" (see Note 30).

(2) This cash deposit was paid by the Group to third party Trustee to secure a Bonding Guarantee Facility Programme in the form of remunerated collateral of up to €8 billion put in place during the year ended 31 March 2005. All instruments issued under that programme used to be covered by a 25% security package consisting of:
- a €700 million first loss cash collateral,
- a second loss guarantee composed of both the French State guarantee (through the CFDI – Caisse Française de Développement Industriel) and Alstom's main banks guarantee.

Following the releases of the underlying instruments, the second loss guarantees have been fully amortized on February 2007 triggering the release of the €700 million cash collateral.

(3) Including, at 31 March 2008, €17 million pension assets and a €25 million put and call contracted at the time of the sale of Marine Sector to Aker Yards in May 2006 (see Note 4).

Note 16 – Inventories

(in € million)	At 31 March		
	2008	2007	2006
Raw materials and supplies	750	663	582
Work in progress	1,742	1,291	1,134
Finished products	123	116	47
Inventories, gross	**2,615**	**2,070**	**1,763**
Write-down	(299)	(300)	(275)
Inventories	**2,316**	**1,770**	**1,488**

Note 17 – Construction contracts in progress

(in € million)	At 31 March		
	2008	**2007**	**2006**
Construction contracts in progress, assets	2,807	2,858	2,229
Construction contracts in progress, liabilities	(8,931)	(7,239)	(5,401)
Construction contracts in progress	**(6,124)**	**(4,381)**	**(3,172)**

(in € million)	At 31 March		
	2008	**2007**	**2006**
Contract costs incurred *plus* recognised profits *less* recognised losses to date	39,681	35,197	32,593
Less progress billings	(42,504)	(37,084)	(33,640)
Construction contracts in progress excluding down payments received from customers	**(2,823)**	**(1,887)**	**(1,047)**
Down payments received from customers	(3,301)	(2,494)	(2,125)
Construction contracts in progress	**(6,124)**	**(4,381)**	**(3,172)**

Note 18 – Trade receivables

(in € million)	**Total**	**No past due on the reporting date**	**Past due on the reporting date**		
			Less than 60 days	Between 60 and 180 days	More than 180 days
Trade receivables at 31 March 2008	**3,538**	3,021	295	107	115
o/w gross	3,616	3,049	297	111	159
o/w impairment	(78)	(28)	(2)	(4)	(44)
Trade receivables at 31 March 2007	**2,886**	2,488	233	71	94
o/w gross	2,965	2,521	235	73	136
o/w impairment	(79)	(33)	(2)	(2)	(42)
Trade receivables at 31 March 2006	**2,291**	1,832	207	101	151
o/w gross	2,369	1,868	211	102	188
o/w impairment	(78)	(36)	(4)	(1)	(37)

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 wholly recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of related contracts.

Note 19 – Other current assets related to operating activities

(in € million)	At 31 March		
	2008	**2007**	**2006**
Down payments made to suppliers	433	385	360
Corporate income tax	45	57	122
Other tax	404	409	335
Prepaid expenses	123	85	127
Other receivables	314	308	312
Derivatives relating to operating activities (see Note 27)	414	157	135
Remeasurement of hedged firm commitments in foreign currency	309	93	63
Other current assets related to operating activities	**2,042**	**1,494**	**1,454**

Note 20 – Marketable securities and other current financial assets

(in € million)	At 31 March		
	2008	**2007**	**2006**
Derivatives related to financing activities	7	4	-
Marketable securities	156	175	-
Available-for-sale investments	-	-	16
Held-to-maturity securities	7	18	6
Marketable securities and other current financial assets	**170**	**197**	**22**

Note 21 – Working capital

Balance sheet position

(in € million)	At 31 March			At 31 March
	2008	**2007**	**Variation**	**2006**
Inventories	2,316	1,770	546	1,488
Construction contracts in progress, assets	2,807	2,858	(51)	2,229
Trade receivables	3,538	2,886	652	2,291
Other current assets related to operating activities	2,042	1,494	548	1,454
Assets	**10,703**	**9,008**	**1 695**	**7,462**
Non-current provisions	503	549	(46)	581
Current provisions	1,258	1,512	(254)	1,539
Contruction contracts in progress, liabilities	8,931	7,239	1,692	5,401
Trade payables	3,132	2,976	156	2,872
Other current liabilities	2,528	1,814	714	1,630
Liabilities	**16,352**	**14,090**	**2,262**	**12,023**
Working capital	**(5,649)**	**(5,082)**	**(567)**	**(4,561)**

Analysis of variation of working capital

	Year ended 31 March	
	2008	**2007**
Working capital at the beginning of the period	**(5,082)**	**(4,561)**
Changes in working capital resulting from operating activities (*)	(897)	(524)
Changes in working capital resulting from investing activities (**)	159	(44)
Translation adjustments and other changes	171	47
Total changes in working capital	**(567)**	**(521)**
Working capital at the end of the period	**(5,649)**	**(5,082)**

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

(**) Item presented within "net cash used in or provided by investing activities" in the consolidated statement of cash flows (included in cash proceeds from sale of investments)

Note 22 – Equity

When managing capital, the Group's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders, to bring benefits to its other partners and to 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,
- to reimburse a portion of capital,
- to issue new shares; or,
- to sell assets in order to scale back its net debt.

The Group uses various indicators, among which the net debt / equity ratio which gives to investors a presentation of the Group indebtedness compared to total equity.

At 31 March 2008

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

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

At 31 March 2008, the share capital of Alstom amounted to €1,982,429,778 consisting of 141,602,127 ordinary shares with 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.

The Shareholders' Meeting of Alstom held on 26 June 2007 decided to distribute a €0.80 dividend per share representing a total amount of €111 million (no dividend was distributed in fiscal years ended 31 March 2007 and 31 March 2006).

At 31 March 2007

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 31 March 2006 *(*)*	**138,170,776**	**1,934**	**368**	**(469)**	**(1,103)**	**730**	**58**	**788**
Movements in income and expense directly recognised in equity	-	-	-	-	45	45	(2)	43
Net income (loss) for the period	-	-	-	547	-	547	(9)	538
Total recognised income and expense	-	-	-	547	45	592	(11)	581
Conversion of ORA	444,925	6	(2)	(8)	-	(4)	-	(4)
Change in scope and other	-	-	-	-	-	-	1	1
Dividends paid	-	-	-	-	-	-	(6)	(6)
Issue of ordinary shares under stock option plans	1,500	-	-	-	-	-	-	-
Recognition of equity settled share-based payments	-	-	-	15	-	15	-	15
At 31 March 2007 *(*)*	**138,617,201**	**1,940**	**366**	**85**	**(1,058)**	**1,333**	**42**	**1,375**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

During the year ended 31 March 2007, 14,168,947 bonds reimbursable in shares "Obligation Remboursables en Actions" were converted into 444,925 shares at a par value of €14. The 56,876,387 bonds reimbursable with shares outstanding at 31 March 2007 represented 1,785,919 shares to be issued.

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At 31 March 2006

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 1 April 2005 *(*)*	**5,497,211,409**	**1,924**	**378**	**(767)**	**(20)**	**1,515**	**68**	**1,583**
Impact of change in accounting method (see Note 2-a)	-	-	-	20	(1,028)	(1,008)	-	(1,008)
At 1 April 2005 *(**)*	**5,497,211,409**	**1,924**	**378**	**(747)**	**(1,048)**	**507**	**68**	**575**
Movements in income and expense directly recognised in equity	-	-	-	(20)	(55)	(75)	3	(72)
Net income (loss) for the period	-	-	-	258	-	258	3	261
Total recognised income and expense	-	-	-	238	(55)	183	6	189
Conversion of ORA	1,121,044	10	(10)	-	-	-	-	-
Change in scope and other	-	-	-	-	-	-	(16)	(16)
Dividends paid	-	-	-	-	-	-	-	-
Consolidation of shares	(5,360,161,677)	-	-	-	-	-	-	-
Employee share issues and recognition of equity settled share-based payments	-	-	-	40	-	40	-	40
At 31 March 2006 *(**)*	**138,170,776**	**1,934**	**368**	**(469)**	**(1,103)**	**730**	**58**	**788**

(*) Restated equity at 1 April 2005 after first time application of IAS 32-39 and IFRS 5

(**) Restated equity after change in accounting method

On 3 August 2005, Alstom consolidation of shares was completed through the exchange of 40 existing shares with a nominal value of €0.35 for one new share with a nominal value of €14. The number of Alstom shares has consequently been reduced from 5,497,601,720 shares to 137,440,043 shares.

During the year ended 31 March 2006, 23,573,581 bonds reimbursable in shares "Obligation Remboursables en Actions" were converted into 390,311 shares at a par value of €0.35 before the consolidation of shares and 730,733 shares at a par value of €14 after the consolidation of shares. The 71,045,334 bonds reimbursable in shares outstanding at 31 March 2006 represented 2,230,823 shares to be issued.

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Note 23 – Share-based payments

Stock options, performance shares and stock appreciation rights

(a) Detail of stock option plans and performance shares

	Plan # 3	Plan # 5	Plan # 6	Plan # 7	Plan # 8	Plan # 9	Plan # 10
Date of shareholders meeting	24 July 2001	24 July 2001	24 July 2001	9 July 2004	9 July 2004	9 July 2004	26 June 2007
Grant date	24 July 2001	8 Jan. 2002	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
Exercise price (1)	€ 1,320.00	€ 523.60	€ 240.00	€ 17.20	€ 35.75	€ 74.66	€ 135.00
Adjusted exercice price (2)	€ 819.20	€ 325.20	€ 154.40	-	-	-	-
Beginning of exercise period	24 July 2002	8 Jan. 2003	7 Jan. 2004	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	25 Sept. 2010
Expiry date	23 July 2009	7 Jan. 2010	6 Jan. 2011	16 Sept. 2014	26 Sept. 2015	26 Sept. 2016	24 Sept. 2017
Number of beneficiaries	1,703	1,653	5	1,007	1,030	1,053	1,196
Number of options initially granted	105,000	105,000	30,500	2,783,000	1,401,500	1,683,750	848,600
Adjusted number of options granted (2)	164,490	166,695	47,414	-	-	-	-
Number of options exercised since the origin	-	-	-	(1,632,362)	(33,500)	(27,500)	-
Number of options cancelled	(83,147)	(83,925)	(7,773)	(233,000)	(59,000)	(42,500)	(1,900)
Adjusted number of outstanding options at 31 March 2008 (2)	81,343	82,770	39,641	917,638	1,309,000	1,613,750	846,700
Number of performance shares that may be delivered	-	-	-	-	-	-	126,000
Number of shares that may be subscribed by the present members of the executive committee	2,016	2,739	38,863	79,500	232,500	292,500	167,500
Number of performance shares that may be delivered to the present members of the executive committee	-	-	-	-	-	-	6,000

(1) The exercise price, restated following the consolidation of shares, 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) Plans n°3, 5 and 6 have been adjusted in compliance with French law as a result of the completion of operations that impacted the share capital in 2002, 2003 and August 2004.

Stock option plans 3 to 6, granted between 2001 and 2003, gradually vested by one third a year during the first three years following the grant. Stock option plans 7, 8, 9 and 10, granted between 2004 and 2007, become vested after a period of three years. The exercise period then covers seven years for each plan.

Plan 7 was subject to the following granting conditions: 50% of options granted to each beneficiary were subject to exercise conditions relating to the Group's free cash flow and operating margin for fiscal year 2006. Those conditional options may be exercised only if, at the closing of fiscal year ended 31 March 2006, the Group's free cash flow is positive and the Group's operating margin is superior or equal to 5%. At 31 March 2006, these conditions were fulfilled.

In plan 9, the total number of options (1,683,750 options) was exercisable only if the 2007/08 Group's operating margin was above 7.5%. At 31 March 2008 this condition was fulfilled.

On 25 September 2007, the Board of Directors decided to implement a long-term incentive plan ("LTI Plan") comprised of a new conditional stock option plan (Plan n°10) and of a free attribution of performance shares. The exercise of the conditional stock options and the final delivery of the free performance shares will be allowed after the vesting/acquisition period subject to Group's performance conditions described below. The conditional options are not exercisable during a three-year period. The acquisition period of the performance shares will end two years after the grant date in France (followed by a two-year retention period) and four years after the grant date in other countries. In addition, in the United States, conditional SARs have been granted instead of options for some employees.

The total number of options/SARs exercisable and of performance shares to be delivered will depend on the Group's operating margin for the financial year 2009/2010:

- if the 2009/10 Group's operating margin is above 8.5%, 848,600 options and 30,100 SARs will be exercisable and 126,000 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 8% and 8.5%, 678,880 options and 24,080 SARs will be exercisable and 100,800 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 7.5% and 8%, 339,440 options and 12,040 SARs will be exercisable and 50,400 performance shares will be delivered;
- if the 2009/10 Group's operating margin is below 7.5%, no option nor SAR will be exercisable and no performance share will be delivered.

(b) Detail of stock appreciation rights ("SARs") plans

	SARs #7	SARs #8	Notional SARs	SARs #9	SARs #10
Grant date	1 Dec. 2004	18 Nov. 2005	16 Dec. 2005	28 Sept. 2006	25 Sept. 2007
Exercise price (1)	€ 17.20	€ 44.90	€ 35.75	€ 72.10	€ 146.85
Vesting date	17 Sept. 2007	27 Sept. 2008	27 sept. 2008	28 Sept. 2009	25 Sept. 2010
Expiry date	1 April 2010	18 Nov. 2015	1 April 2011	28 Sept. 2016	24 Sept. 2017
Number of beneficiaries	114	120	120	134	134
Number of SARs initially granted	233,000	116,000	116,000	170,625	30,100
Additional grants	6,000	1,000	-	-	-
Number of SARs exercised since the origin	(170,250)	(500)	(500)	-	-
Number of SARs cancelled	(42,000)	(17,000)	(16,000)	(18,750)	(750)
Number of SARs forfeited	-	-	-	-	-
Number of outstanding SARs at 31 March 2008	26,750	99,500	99,500	151,875	29,350
Terms and conditions of exercise	Exercise period: - 1 April 2008 - 1 April 2009 - 1 April 2010	SARs exercisable as from 27 Sept. 2008	- 1/3 of SARs settled on 1 April 2009 - 1/3 of SARs settled on 1 April 2010 - 1/3 of SARs settled on 1 April 2011	See below	See Note 23 (a)

(1) The exercise price, restated following the consolidation of shares, 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).

SARs Plan 7s was subject to the same granting conditions as stock option plan 7. When vested, SARs will be partially or fully settled based on the beneficiary's choice on any of the following exercise dates: 1 April 2008, 1 April 2009 and 1 April 2010. In the absence of an effective election, on each of the exercise date, one third, one half and all of the outstanding beneficiary's vested SARs will be settled on each date, respectively.

The exercise of the total number of SARs granted by plan 9 (170,625 SARs) depended on the same performance condition as stock option plan 9. At 31 March 2008 this condition was fulfilled.

(c) 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	Number of SARs	Weighted average exercise price
Outstanding at 1 April 2004	**321,389**	**506.00**	-	**-**	**-**
Granted	2,783,000	17.20	-	239,000	17.20
Exercised	-	-	-	-	-
Cancelled	(59,040)	286.80	-	(5,000)	17.20
Outstanding at 31 March 2005	**3,045,349**	**63.60**	-	**234,000**	**17.20**
Granted	1,401,500	35.75	-	232,000	35.75
Exercised	-	-	-	(2,000)	17.20
Cancelled	(76,906)	32.78	-	(28,000)	21.15
Outstanding at 31 March 2006	**4,369,943**	**55.17**	**-**	**436,000**	**29.24**
Granted	1,683,750	74.66	-	171,625	74.66
Exercised	(1,500)	23.38	-	(3,000)	17.20
Cancelled	(78,358)	94.83	-	(34,750)	41.78
Outstanding at 31 March 2007	**5,973,835**	**60.15**	**-**	**569,875**	**42.17**
Granted	848,600	135.00	126,000	30,100	146.85
Exercised	(1,691,362)	18.49	-	(166,250)	17.34
Cancelled	(240,231)	189.74	(2,620)	(26,750)	53.55
Outstanding at 31 March 2008	**4,890,842**	**81.18**	**123,380**	**406,975**	**59.30**

As at 31 March 2008,

- 4,890,892 stock options are outstanding, of which 1,121,392 are exercisable (281,585 as at 31 March 2007),
- 123,380 performance shares are outstanding, of which none are yet exercisable,
- 406,975 SARs are outstanding, of which 26,750 are exercisable (none of them yet exercisable at 31 March 2007).

(d) Valuation of stock option plans and performance shares

In compliance with the transitional measures of IFRS 2, only stock option plans granted after 7 November 2002 and not fully vested at 1 January 2005 are subject to a valuation. Therefore, IFRS 2 does not apply to plans 3 and 5.

Share-based payment expense recorded in that respect amounts to €20 million for the year ended 31 March 2008 (€15 million for the year ended 31 March 2007 and €10 million for the year ended 31 March 2006).

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.

	Plan # 6	Plan # 7	Plan # 8	Plan # 9	Plan # 10
Grant date	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
End of vesting period	7 Jan. 2006	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	24 Sept. 2010
Expected life of options	4 years	4 years	4 years	4 years	4 years
Exercise price (€)	154.40	17.20	35.75	74.66	135.00
Share price at grant date (€)	150.97	17.60	36.80	72.10	146.85
Volatility	51%	51%	34%	22%	23%
Risk free interest rate	3.2%	3.0%	2.5%	3.5%	4.2%
Average dividend yield (%)	0%	0.67%	1.3%	1.0%	1.3%
Expense for the year ended 31 March 2008 (in € million)	-	3	5	7	5
Expense for the year ended 31 March 2007 (in € million)	-	7	5	3	-

(e) Valuation of stock appreciation rights (SARs) plans

The value of SARs plans is measured at the grant date using a binomial model taking into account the terms and conditions according to which the instruments were granted. The liability is accrued over the expected vesting period. Until the liability is settled, it is measured at each reporting date with changes in fair value recognised in profit and loss.

Share-based payment expense recorded in that respect amounts to €18 million for the year ended 31 March 2008 (€11 million for the year ended 31 March 2007 and €5 million for the year ended 31 March 2006). At 31 March 2008, related liabilities are recorded in the balance sheet for an amount of €34 million.

	SARs # 7	SARs # 8	Notional SARs (*)	SARs # 9	SARs # 10
Grant date	1 Dec. 2004	18 Nov. 2005	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007
End of vesting period	17 Sept. 2007	27 Sept. 2008	27 Sept. 2008	28 Sept. 2009	24 Sept. 2010
Expected life of SARs	4 years	4 years	4 years	4 years	4 years
Exercise price (€)	17.20	44.90	35.75	72.10	146.85
Share price at 31 March 2008 (€)	137.32	137.32	(*)	137.32	137.32
Share price at 31 March 2007 (€)	97.15	97.15	(*)	97.15	-
Volatility	27%	27%	27%	27%	27%
Risk free interest rate	4.7%	4.4%	4.2%	3.9%	3.7%
Average dividend yield (%)	1.3%	1.3%	1.3%	1.3%	1.3%
Expense for the year ended 31 March 2008 (in € million)	11	4	-	3	-
Expense for the year ended 31 March 2007 (in € million)	8	2	-	1	-

(*) SARs of the Notional plan have been granted at an exercise price of €35.75 and are capped to €44.90

Share-based payments awarded to employees

(a) 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. This attribution confirmed by the Board of Directors on 16 May 2006 provides for a two-year acquisition period ending on 16 May 2008 followed by a two-year holding period and was subject to two conditions: a Group's operating margin of at least 5% and a positive free cash flow (for the year ended 31 March 2006). Those conditions have been met.

Since 31 March 2006, the following expenses have been recorded:

Grant date		17 November 2005
Share price at grant date (€)		44.92
Share price at 31 March 2006 (€)		69.20
Number of free shares to be granted		600,000
Number of free SARs to be granted		120,000
Expense for the year ended 31 March 2008 (in €million):		6
of which	*Free SARs*	*6*
Expense for the year ended 31 March 2007 (in €million):		4
of which	*Free SARs*	*4*
Expense for the year ended 31 March 2006 (in €million):		40
of which	*Free shares*	*27*
	Free SARs	*8*
	Social charges on free shares	*4*
	Social charges on free SARs	*1*

At 31 March 2006, the cost related to the portion of the attribution to be settled in shares (€27 million) has been offset in equity.
The portion to be settled in cash and social charges for the whole attribution have been recognised as liabilities (€23 million at 31 March 2008, €17 million at 31 March 2007 and €13 million at 31 March 2006). The liability arising from the SARs is remeasured at each closing date.

(b) Alstom sharing

In October 2007, the Group announced the Alstom sharing plan consisting in offering to the Group employees in 19 countries to become shareholders on preferential terms. The plan offers Alstom shares to employees with 20% discount from the average of the 20 opening share prices on the Paris stock exchange preceding the date on which the subscription price is determined. Employees' investment is locked up five years, excluding exceptional circumstances.

The €17 million expense relating to this plan recorded in the income statement for the year ended 31 March 2008 has been assessed on the following basis:

Grant date: 24 January 2008
Number of shares created: 606,820
Number of shares to be created: 51,336
20-day share price average at the grant date: €142.41
Subscription price: €113.93
Risk-free interest rate: 3.7%
Employee loan rate: 7.0%

Note 24 – Provisions

(in € million)	At 31 March 2007	Addition	Releases	Applied	Translation adjustments and other	At 31 March 2008
Warranties	469	228	(122)	(98)	1	478
Litigation and claims	1,043	294	(383)	(188)	14	780
Current provisions (1)	**1,512**	**522**	**(505)**	**(286)**	**15**	**1,258**
Tax risks and litigation	47	5	(7)	(6)	7	46
Restructuring (2)	219	53	(44)	(63)	(9)	156
Other non-current provisions (3)	283	85	(34)	(70)	37	301
Non-current provisions	**549**	**143**	**(85)**	**(139)**	**35**	**503**
Total provisions	**2,061**	**665**	**(590)**	**(425)**	**50**	**1,761**

(in € million)	At 31 March 2006	Addition	Releases	Applied	Translation adjustments and other	At 31 March 2007
Warranties	538	209	(107)	(96)	(75)	469
Litigation and claims	1,001	607	(398)	(253)	86	1,043
Current provisions (1)	**1,539**	**816**	**(505)**	**(349)**	**11**	**1,512**
Tax risks and litigation	41	10	(5)	(2)	3	47
Restructuring (2)	262	76	(26)	(84)	(9)	219
Other non-current provisions (3)	278	102	(59)	(41)	3	283
Non-current provisions	**581**	**188**	**(90)**	**(127)**	**(3)**	**549**
Total provisions	**2,120**	**1,004**	**(595)**	**(476)**	**8**	**2,061**

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

(3) Other non-current provisions relate to guarantees delivered in connection with past disposals, employee litigations, commercial disputes and environmental obligations. Environmental provisions amount to €20 million at 31 March 2008 and €14 million at 31 March 2007.

Note 25 – Pension and other employee benefits

Change in benefit obligations

(in € million)	At 31 March 2008	2007	2006
Benefit obligations at beginning of year	**(4,770)**	**(4,693)**	**(4,340)**
Service cost	(69)	(84)	(85)
Plan participant contributions	(26)	(26)	(28)
Interest cost	(220)	(208)	(217)
Plan amendments	(25)	(12)	-
Business combinations / disposals	-	10	(3)
Curtailments	2	3	28
Settlements	57	-	30
Actuarial gains (losses) - due to experience	(52)	(60)	(12)
Actuarial gains (losses) - due to changes in assumptions	345	42	(288)
Benefits paid	228	229	225
Change in IAS 19 scope	12	-	-
Foreign currency translation	408	29	(3)
Benefit obligations at end of year	**(4,110)**	**(4,770)**	**(4,693)**
Of which:			
Funded schemes	(3,717)	(4,343)	(3,794)
Unfunded schemes	(393)	(427)	(899)

Change in plan assets

(in € million)	At 31 March 2008	2007	2006
Fair value of plan assets at beginning of year	**3,859**	**3,276**	**2,930**
Actual return on assets	(30)	299	398
Expected return on assets	*232*	*200*	*200*
Actuarial gains (losses) - due to experience	*(262)*	*99*	*198*
Company contributions	110	433	112
Plan participant contributions	26	26	26
Business combinations /disposals	-	3	7
Settlements	(51)	-	(27)
Benefits paid from plan assets	(171)	(172)	(166)
Change in IAS 19 scope	(12)	-	-
Foreign currency translation	(371)	(6)	(4)
Fair value of plan assets at end of year	**3,360**	**3,859**	**3,276**

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

	At 31 March		
(in € million)	**2008**	**2007 (*)**	**2006 (*)**
Funded status of the plans	**(750)**	**(911)**	**(1,417)**
Unrecognised past service gains	(11)	(24)	(24)
Impact of asset ceiling	(40)	(53)	(18)
Transfer to liabilities associated with assets held for sale	-	-	4
(Accrued) prepaid benefit cost after asset ceiling	**(801)**	**(988)**	**(1,455)**
Of which:			
Accrued pension and other employee benefit costs	**(818)**	**(999)**	**(1,469)**
Prepaid pension and other employee benefit costs	**17**	**11**	**14**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

Analysis of actuarial gains (losses)

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

	Year ended 31 March		
(in € million)	**2008**	**2007 *(*)***	**2006 *(*)***
Opening balance (net loss)	**(1,081)**	**(1,132)**	**(1,028)**
Actuarial gains and losses generated during the period	26	84	(102)
Asset ceiling generated during the period	4	(33)	(2)
Closing balance (net loss)	**(1,051)**	**(1,081)**	**(1,132)**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)

Components of plan assets

	At 31 March					
(in € million)	**2008**	%	**2007**	%	**2006**	%
Equities	1,267	37.7	1,459	37.8	1,651	50.4
Bonds	1,619	48.2	1,968	51.0	1,215	37.1
Properties	310	9.2	332	8.6	265	8.1
Others	164	4.9	100	2.6	145	4.4
Total	**3,360**	100	**3,859**	100	**3,276**	100

Plan assets for each individual plan are invested in accordance with statutory regulations, pension plan rules, and decisions of pension fund trustees. The investment allocation has been modified to reduce exposure to equity markets. At 31 March 2008, plan assets do not include any of the Group's capital stock.

Assumptions (weighted average rates)

	At 31 March		
(in %)	**2008**	**2007**	**2006**
Discount rate	5.54	4.90	4.72
Rate of compensation increase	3.44	3.18	2.68
Expected return on plan assets	6.44	6.22	6.46

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 has been determined according to the same method in all countries where there exist assets funding the pension liabilities: it is based on long-term market expectations taking into account the asset allocation of each fund.

The Group's health care plans are generally contributory with participants' contributions adjusted annually. The healthcare trend rate is assumed to be 9.2% in the year ended 31 March 2008 and reduces thereafter to an ultimate rate of 5.0% from 2011 onwards.

A 100-basis point increase in assumed healthcare cost trend rates would lead to a 26.4% increase in the service cost and a 17.8% increase in the benefit obligation for post-employment medical schemes. On the contrary, a 100-basis point decrease would lead to a 21.0% decrease of the service cost and a 16.0% decrease in the benefit obligation for such schemes.

Analysis of benefit expense

	Year ended 31 March		
(in € million)	**2008**	**2007** ***(*)***	**2006** ***(*)***
Service cost	(69)	(84)	(85)
Defined contributions *(**)*	(121)	(106)	(90)
Income from operations	**(190)**	**(190)**	**(175)**
Actuarial gains/losses from other long-term benefits	2	-	-
Amortisation of unrecognised past service cost	(10)	(7)	5
Curtailments/settlements	3	4	2
Other income (expenses)	**(5)**	**(3)**	**7**
Interest cost	(220)	(208)	(217)
Expected return on plan assets	232	200	200
Financial income (expenses)	**12**	**(8)**	**(17)**
Total benefit expense	**(183)**	**(201)**	**(185)**

(*) Restated further to the retrospective application of the change in accounting method regarding post employment defined benefit plans (see Note 2-a)
(**) Including multi-employer contributions analysed as defined contributions

Total cash spent in the year ended 31 March 2008 for defined benefit and defined contribution plans amounted to €292 million (€594 million for the year-ended 31 March 2007, out of which €300 million attributable to an exceptional and discretionary funding of pension plans in Germany).

The company's best estimate of contributions to defined benefit and defined contribution plans expected to be paid in the year ended 31 March 2009 is approximately €300 million, of which €140 million of employer contributions to defined benefits plans.

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Note 26 – Financial debt

(a) Analysis by nature

(Carrying amount in € million)	At 31 March		
	2008	**2007**	**2006**
Bonds reimbursable in shares (debt component)	1	3	5
Subordinated notes	-	-	5
Bonds (1)	828	1,677	2,189
Other borrowing facilities	202	126	106
Put options and earn-out on acquired entities (2)	185	185	-
Derivatives relating to financing activities	19	7	-
Accrued interests	5	9	33
Borrowings	**1,240**	**2,007**	**2,338**
Non-current	*664*	*1,922*	*2,018*
Current	*576*	*85*	*320*
Obligations under finance leases	167	187	217
Other obligations under long-term rental (3)	520	628	16
Obligations under finance leases	**687**	**815**	**233**
Non-current	*644*	*775*	*193*
Current	*43*	*40*	*40*
Total financial debt	**1,927**	**2,822**	**2,571**

(1) The nominal and effective interest rates of the bonds are as follows:

		Redemption date			
(Nominal value in € million)	**Total**	**26 July 2006**	**28 July 2008**	**13 March 2009**	**3 March 2010**
Outstanding amount at 31 March 2006	**2,226**	**226**	**400**	**600**	**1,000**
Bonds reimbursed at maturity date	(226)	(226)	-	-	-
Bonds bought back and cancelled	(300)	-	(30)	(70)	(200)
Outstanding amount at 31 March 2007	**1,700**	-	**370**	**530**	**800**
Bonds bought back and cancelled	(866)	-	(121)	(369)	(376)
Outstanding amount at 31 March 2008	**834**	-	**249**	**161**	**424**
Nominal interest rate	-	-	Euribor 3M+ 0.85%	Euribor 3M+ 2.20%	6.25%
Effective interest rate as of 31 March 2008	-	-	5.2%	6.8%	7.2%
Effective interest rate as of 31 March 2007	-	-	4.1%	5.4%	7.2%

(2) At 31 March 2008, the €185 million liabilities include a €162 million put option granted in connection with the sale of 50 % Hydro activities to Bouygues on 31 October 2006 (€153 million at 31 March 2007, see Note 4).

(3) This debt represents liabilities related to lease obligations on trains and associated equipment. The non-current portion of this debt classified as held for sale at 31 March 2006 has been reclassified to financial debt at 31 March 2007 (see Note 30).

(b) Financial covenants

At 31 March 2008, a €1,000 million revolving credit facility maturing in March 2012 and extended for €942 million up to March 2013, with an option to further extend up to March 2014, is fully undrawn; 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 2008 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). The interest cover at 31 March 2008 stands at 36.6 (17.7 at 31 March 2007).

(b) Total debt corresponds to borrowings, ie total financial debt less finance lease obligations. Total debt amounts to €1,240 million at 31 March 2008.

(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 2008 is (0.7) (0 at 31 March 2007).

(c) Other information on financial debt

The financial debt before swaps is broken down between fixed rate and floating rate as follows:

(in € million and in nominal value)	At 31 March 2008	2007	2006
Financial debt at fixed rate	1,290	1,710	1,565
Financial debt at floating rate	461	949	1,041
Put options and earn-out on acquired entities	185	185	-
Financial debt	**1,936**	**2,844**	**2,606**

The split per currency is the following:

(in € million and in nominal value)	At 31 March 2008	2007	2006
Euro	1,153	2,020	2,415
US Dollar	24	40	31
British Pound	541	647	43
Other currencies	218	137	117
Financial debt	**1,936**	**2,844**	**2,606**

Note 27 – Financial instruments and financial risk management

(a) Financial instruments reported in the financial statements for the year ended 31 March 2008

The main valuation methods applied are as follows:

- Available for sale assets are stated at cost in the balance sheet as their fair value cannot be determined reliably,
- Borrowings, when unhedged, are stated at amortised cost, determined by the effective interest method. The financial liabilities hedged by interest rate swaps and qualifying for hedge accounting are measured at the fair value of the liability,
- 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.

Balance sheet position

(in € million)	At 31 March 2008			Analysis of carrying amount by category of instrument (1)				
	Balance sheet carrying amount	**Out of which carrying amount of financial instruments**	**Fair value**	FV P/L	AFS	HTM	LRL at amortised cost	DER
Associates and available for sale assets	**62**	**36**	**36**	-	36	-	-	-
Other non-current assets	**635**	**617**	**617**	-	-	-	617	-
Trade receivables	**3,538**	**3,538**	**3,538**	-	-	-	3,538	-
Other current assets related to operating activities	**2,042**	**1,284**	**1,284**	-	-	-	870	414
Marketable securities and other current financial assets	**170**	**170**	**170**	156	-	7	-	7
Cash and cash equivalents	**2,115**	**2,115**	**2,115**	-	-	-	2,115	-
Assets	**8,562**	**7,760**	**7,760**	**156**	**36**	**7**	**7 140**	**421**
Non-current borrowings	**664**	**664**	**672**	-	-	-	664	-
Non-current obligations under finance leases	**644**	**644**	**644**	-	-	-	644	-
Current borrowings	**576**	**576**	**578**	-	-	-	557	19
Current obligations under finance leases	**43**	**43**	**43**	-	-	-	43	-
Trade payables	**3,132**	**3,132**	**3,132**	-	-	-	3,132	-
Other current liabilities	**2,528**	**1,606**	**1,606**	-	-	-	1,384	222
Liabilities	**7,587**	**6,665**	**6,675**	**-**	**-**	**-**	**6,424**	**241**

(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

Impact on financial income and expense

(in € million)			From subsequent measurement				
	Interest	**Dividends**	**Gain**	**Loss**	**Disposal**	**Foreign currency and other**	**Net gain / (loss)**
Loans and receivables	79	-	-	-	-		
Liabilities measured at amortised cost	(149)	-	-	-	-	(32)	(102)
Instruments at fair value through profit and loss	11	-	-	(1)	6	-	16
Held-to-maturity investments	-	-	-	-	1	-	1
Available-for-sale assets	-	4	-	-	-	-	4
Total	(59)	4	-	(1)	7	(32)	(81)

The column "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).

Impact on income from operations

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

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.

(b) Financial instruments reported in the financial statements for the year ended 31 March 2007

Balance sheet position

(in € million)	At 31 March 2007			Analysis of carrying amount by category of instrument (1)				
	Balance sheet carrying amount	**Out of which carrying amount of financial instruments**	**Fair value**	FV P/L	AFS	HTM	LRL at amortised cost	DER
Associates and available for sale assets	**34**	**30**	**30**	-	30	-	-	-
Other non-current assets	**812**	**801**	**801**	-	-	-	801	-
Trade receivables	**2,886**	**2,886**	**2,886**	-	-	-	2,886	-
Other current assets related to operating activities	**1,494**	**935**	**935**	-	-	-	778	157
Marketable securities and other current financial assets	**197**	**197**	**197**	175	-	18	-	4
Cash and cash equivalents	**1,907**	**1,907**	**1,907**	992	-	-	915	-
Assets	**7,330**	**6,756**	**6,756**	**1 167**	**30**	**18**	**5,380**	**161**
Non-current borrowings	**1,922**	**1,922**	**2,003**	-	-	-	1,922	-
Non-current obligations under finance leases	**775**	**775**	**775**	-	-	-	775	-
Current borrowings	**85**	**85**	**85**	-	-	-	78	7
Current obligations under finance leases	**40**	**40**	**40**	-	-	-	40	-
Trade payables	**2,976**	**2,976**	**2,976**	-	-	-	2,976	-
Other current liabilities	**1,814**	**1,268**	**1,268**	-	-	-	1,178	90
Liabilities	**7,612**	**7,066**	**7,147**	**-**	**-**	**-**	**6,969**	**97**

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

Impact on financial income and expense

(in € million)	Interest	Dividends	From subsequent measurement: Gain	From subsequent measurement: Loss	Disposal	Foreign currency and other	Net gain / (loss)
Loans and receivables	77	-	-	-	-	(29)	(116)
Liabilities measured at amortised cost (*)	(164)	-	-	-	-		
Instruments at fair value through profit and loss	6	-	4	-	1	-	11
Held-to-maturity investments	-	-	-	-	-	-	-
Available-for-sale assets	-	2	-	-	-	-	2
Total	(81)	2	4	-	1	(29)	(103)

(*) including €(2) million related to interest rate swap

The column "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 3(h)).

Impact on income from operations

Net foreign currency gains and losses recorded within income from operations for the year ended 31 March 2007 were positive by €18 million.

(c) Currency risk management

In the course of its operations, the Group is exposed to currency risk arising from tenders submitted in foreign currency, and from awarded contracts or any future cash out transactions denominated in foreign currency. Main currencies triggering a significant exposure for the year ended 31 March 2008 are the US dollar and the Swiss franc.

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 or currency swaps 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).

As an exception to the policy described above and subject to management approval, it may be decided in specific circumstances not to hedge the full exposure.

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 for which payment is anticipated more than one month after the Group has entered into a firm commitment. The 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 the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness.

At 31 March 2008 and 31 March 2007, derivative instruments hedging foreign currency risk are recognised at their fair value in the balance sheet as follows:

(in € million)	**At 31 March 2008**		**At 31 March 2007**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for fair value hedge	369	221	151	90
Derivatives qualifying for cash flow hedges	-	-	-	-
Derivatives qualifying for net investment hedges	-	-	-	-
Derivatives not qualifying for hedge accounting	52	20	6	-
Total	421	241	157	90

The fair value of those instruments is the estimated amount that the Group would receive or pay to settle the related agreements, valued on the basis of relevant yield curves and foreign exchange rates as at closing date.

High volatility of foreign exchanges rates during year-ended 31 March 08 explains the significant increase in the fair value of derivative instruments (either positive or negative). For instruments that qualify for 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 demonstrates the sensitivity of the Group's profit before tax to a change in the US dollar and Swiss Franc exchange rate. Income statement impact is related to derivative instruments not qualifying for hedge accounting or unhedged monetary items.

	USD rate		CHF rate	
	Variation	Effect on pre-tax income	Variation	Effect on pre-tax income
Year ended 31 March 2008	10%	(4)	5%	28
	-10%	5	-5%	(30)
Year ended 31 March 2007	10%	(7)	5%	-
	-10%	6	-5%	-

The derivatives described in Note 34 are considered as not representative of the Group's exposure to foreign risk at 31 March 2008 and therefore this exposure is excluded from the sensitivity table.

(d) Interest rate risk management

The Group has not implemented a dynamic 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.

Sensitivity to interest rates

(in € million, carrying amount)	At 31 March	
	2008	**2007**
Financial assets at floating rate	2,288	2,140
Financial assets at fixed rate	572	665
Financial assets not bearing interests	34	119
Financial assets	**2,894**	**2,924**
Financial debt at floating rate	(461)	(949)
Financial debt at fixed rate	(1,281)	(1,688)
Put options and earn-out on acquired entities	(185)	(185)
Financial debt	**(1,927)**	**(2,822)**
Net position at floating rate before swaps (*)	1,827	1,191
Net position at fixed rate before swaps (*)	(709)	(1,023)
Put options and earn-out on acquired entities	(185)	(185)
Net position not bearing interests	34	119
Net position before hedging	**967**	**102**
Net position at floating rate after swaps (*)	1,827	991
Net position at fixed rate after swaps (*)	(709)	(823)
Put options and earn-out on acquired entities	(185)	(185)
Net position not bearing interests	34	119
Net position after hedging	**967**	**102**

(*) At 31 March 2007, the Group held swaps from fixed rate to floating rate with a nominal value of €200 million and a fair value of €(4) million. These swaps were cancelled during the year ended 31 March 2008.

A 1% increase in market rates would decrease the net interest expense by €18 million.

Regarding the year ended 31 March 2007, a 1% increase in market rates would have had the following effects:
- Before swaps: decrease of the net interest expense by €12 million, representing 16.0% of the net interest expense.
- After swaps: decrease of the net interest expense by €10 million, representing 13.3% of the net interest expense.

(e) Credit risk management

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 particular 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

At 31 March 2008, 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, corporate benefit laws and other legal restrictions. 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 €238 million and €267 million at 31 March 2008 and 31 March 2007, respectively.

(f) Liquidity risk management

The following tables show undiscounted interest payments and repayments of all financial instruments held at 31 March 2008 and 31 March 2007 as contractually agreed by the Group. 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.

Net cash at 31 March 2008		Cash flow for the years ended 31 March							
		2009		2010		2011-13		2014 and thereafter	
(in € million)	Carrying amount	Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	546	-	20	-	23	-	94	-	409
Marketable securities and other current financial assets	170	7	170	-	-	-	-	-	-
Cash and cash equivalents	2,115	85	2,115	-	-	-	-	-	-
Assets	**2,831**	**92**	**2,305**	**-**	**23**	**-**	**94**	**-**	**409**
Non-current borrowings	664	(32)	-	(29)	(645)	-	(13)	-	(12)
Non-current obligations under finance leases	644	-	-	-	(43)	-	(141)	-	(460)
Current borrowings	576	(20)	(576)	-	-	-	-	-	-
Current obligations under finance leases	43	-	(43)	-	-	-	-	-	-
Liabilities	**1,927**	**(52)**	**(619)**	**(29)**	**(688)**	**-**	**(154)**	**-**	**(472)**
Net cash	**904**	**40**	**1,686**	**(29)**	**(665)**	**-**	**(60)**	**-**	**(63)**

Derivatives at 31 March 2008		Cash flow for the years ended 31 March							
		2009		2010		2011-13		2014 and thereafter	
(in € million)	Carrying amount	Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current assets related to operating activities	414	-	310	-	74	-	30	-	-
Assets	**414**	**-**	**310**	**-**	**74**	**-**	**30**	**-**	**-**
Other current liabilities	222	-	(182)	-	(26)	-	(14)	-	-
Liabilities	**222**	**-**	**(182)**	**-**	**(26)**	**-**	**(14)**	**-**	**-**
Derivatives	**192**	**-**	**128**	**-**	**48**	**-**	**16**	**-**	**-**

Other financial assets and liabilities at 31 March 2008		Cash flow for the years ended 31 March							
		2009		2010		2011-13		2014 and thereafter	
(in € million)	Carrying amount	Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	36	-	-	-	-	-	-	-	36
Other non-current assets	71	-	19	-	-	-	32	-	20
Trade receivables	3,538	-	3,538	-	-	-	-	-	-
Other current assets related to operating activities	870	-	870	-	-	-	-	-	-
Assets	**4,515**	**-**	**4,427**	**-**	**-**	**-**	**32**	**-**	**56**
Trade payables	3,132	-	(3,132)	-	-	-	-	-	-
Other current liabilities	1,384	-	(1,384)	-	-	-	-	-	-
Liabilities	**4,516**	**-**	**(4,516)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**(1)**	**-**	**(89)**	**-**	**-**	**-**	**32**	**-**	**56**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. The financial debt that will mature in the next 12 months are mainly bonds.

Net debt at 31 March 2007		Cash flow for the years ended 31 March							
		2008		2009		2010-12		2013 and thereafter	
(in € million)	***Carrying amount***	**Interests**	**Repayment**	**Interests**	**Repayment**	**Interests**	**Repayment**	**Interests**	**Repayment**
Other non-current assets	654	-	20	-	23	-	96	-	515
Marketable securities and other current financial assets	197	7	197	-	-	-	-	-	-
Cash and cash equivalents	1,907	67	1,907	-	-	-	-	-	-
Assets	**2,758**	**74**	**2,124**	**-**	**23**	**-**	**96**	**-**	**515**
Non-current borrowings	1,922	(100)	-	(87)	(927)	(45)	(984)	-	(12)
Non-current obligations under finance leases	775	-	-	-	(43)	-	(146)	-	(586)
Current borrowings	85	(2)	(85)	-	-	-	-	-	-
Current obligations under finance leases	40	(2)	(40)	-	-	-	-	-	-
Liabilities	**2,822**	**(104)**	**(125)**	**(87)**	**(970)**	**(45)**	**(1,130)**	**-**	**(598)**
Net debt	**(64)**	**(30)**	**1,999**	**(87)**	**(947)**	**(45)**	**(1,034)**	**-**	**(83)**

Derivatives at 31 March 2007		Cash flow for the years ended 31 March							
		2008		2009		2010-12		2013 and thereafter	
(in € million)	***Carrying amount***	**Interests**	**Repayment**	**Interests**	**Repayment**	**Interests**	**Repayment**	**Interests**	**Repayment**
Other current assets related to operating activities	157	-	129	-	21	-	7	-	-
Assets	**157**	**-**	**129**	**-**	**21**	**-**	**7**	**-**	**-**
Other current liabilities	90	-	(68)	-	(16)	-	(6)	-	-
Liabilities	**90**	**-**	**(68)**	**-**	**(16)**	**-**	**(6)**	**-**	**-**
Derivatives	**67**	**-**	**61**	**-**	**5**	**-**	**1**	**-**	**-**

Other financial assets and liabilities at 31 March 2007		Cash flow for the years ended 31 March							
		2008		2009		2010-12		2013 and thereafter	
(in € million)	***Carrying amount***	**Interests**	**Repayment**	**Interests**	**Repayment**	**Interests**	**Repayment**	**Interests**	**Repayment**
Other investments	30	-	-	-	-	-	-	-	30
Other non-current assets	147	-	-	-	-	-	60	-	87
Trade receivables	2,886	-	2,886	-	-	-	-	-	-
Other current assets related to operating activities	778	-	778	-	-	-	-	-	-
Assets	**3,841**	**-**	**3,664**	**-**	**-**	**-**	**60**	**-**	**117**
Trade payables	2,976	-	(2,976)	-	-	-	-	-	-
Other current liabilities	1,179	-	(1,179)	-	-	-	-	-	-
Liabilities	**4,155**	**-**	**(4,155)**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial assets and liabilities	**(314)**	**-**	**(491)**	**-**	**-**	**-**	**60**	**-**	**117**

Note 28 – Other current liabilities

(in € million)	At 31 March		
	2008	**2007**	**2006**
Staff and associated costs	751	652	602
Corporate income tax	123	105	146
Other taxes	287	248	169
Other payables	633	526	467
Derivatives relating to operating activities (see Note 27)	222	90	87
Remeasurement of hedged firm commitments in foreign currency	512	193	159
Other current liabilities	**2,528**	**1,814**	**1,630**

Note 29 – Employee benefit expense and headcount

(in € million, except for headcount)	Year ended 31 March		
	2008	**2007**	**2006**
Total wages and salaries	2,983	2,778	2,668
Social charges	715	680	642
Post-employment and other long-term benefit expense (see Note 25)	183	201	185
Share-based payment expense (see Note 23)	60	30	54
Total employee benefit expense	**3,941**	**3,689**	**3,549**
Staff of consolidated companies			
Managers, Engineers and professionals	27,943	24,721	22,548
Other employees	39,981	41,848	42,690
Headcount	**67,924**	**66,569**	**65,238**

Note 30 – Assets held for sale and liabilities directly associated

At 31 March 2006, assets held for sale and liabilities directly associated were originated by two planned disposals:
- disposal of the Marine Sector following the Company's commitment to sell 75% interest in the Marine Sector to Aker Yards. Simultaneously, Marine activities were presented as discontinued operations in the income statement for the full year (see Note 10),
- disposal of the entity carrying the obligations held by the Group under a long-term rental of trains and associated equipment.

Disposal of the Marine Sector:

During the fiscal year ended 31 March 2007, the disposal to Aker Yards was completed. Marine activities remain presented as discontinued operations for the full year.

At 31 March 2007 and at 31 March 2008, the 25% interest held by the Group is accounted for in investments. The remaining stake will be sold to Aker Yards by the end of 2010 through a put and call agreement, at a price depending on the financial performance and up to €125 million.

Long-term rental of trains and associated equipment

At 31 March 2006, related non current assets and liabilities were classified as assets held for sale and liabilities directly associated as they were expected to be sold within twelve months.

At 31 March 2007, the planned disposal of the entity carrying the long term agreement was abandoned and these assets and liabilities have been reclassified to "other non current assets" and "non current obligations under finance leases".

At 31 March 2006, the major classes of assets and liabilities classified as held for sale were as follows:

(in € million)	**Total at 31 March 2006**	Out of Which Marine	Out of Long-term rental agreement
Property, plant and equipment	11	11	-
Non current assets	618	5	613
Construction contracts in progress, assets	172	172	-
Inventories, trade receivables and other current assets	38	38	-
Cash and cash equivalents	317	317	-
Assets classified as held for sale before impairment	**1,156**	**543**	**613**
Assets held for sale, impairment	(12)	(12)	-
Assets classified as held for sale after impairment	**1,144**	**531**	**613**
Provisions	124	124	-
Obligation under finance leases	615	2	613
Construction contracts in progress, liabilities	154	154	-
Trade payables and other current liabilities	250	250	-
Liabilities associated with assets classified as held for sale	**1,143**	**530**	**613**

Note 31 – Off balance sheet commitments and lease obligations

a) Off balance sheet commitments

(in € million)	At 31 March		
	2008	**2007**	**2006**
Guarantees related to contracts (1)	5,871	4,972	4,816
Guarantees related to vendor financing (2)	262	362	432
Commitments to purchase fixed assets	8	3	8
Other guarantees (3)	278	177	242
TOTAL	**6,419**	**5,514**	**5,498**

(1) Guarantees related to contracts

Banks and insurance companies bonds:

In accordance with industry practice, the above instruments can, in the normal course, extend from the tender period to the end of the warranty period and may include guarantees on project completion, contract specific performance criteria or availability.

The guarantees are provided by banks or insurance companies by way of bank guarantees, surety bonds and stand-by letters of credit and usually for defined amounts and periods. They are issued in favour of the customer with whom the commercial contracts have been signed. The Group provides a counter-indemnity to the bank or surety company which issues the said instrument.

Projects for which the guarantees are given are regularly reviewed by management and should payments become probable pursuant to guarantees, the necessary accruals are made and recorded in the Consolidated Financial Statements at that time.

(in € million)	At 31 March		
	2008	**2007**	**2006**
Bid bonds	92	95	124
Performance bonds	4,905	3,967	3,569
Warranty/retention bonds	730	755	922
Other bank and insurance bonds	144	155	201
TOTAL	**5,871**	**4,972**	**4,816**

The above figures exclude:

- €4.2 billion at 31 March 2008 (€3.6 billion at 31 March 2007) of unconditional guarantees related to advance and progress payments, which payments have been included in the balance sheet in the line "Construction contracts in progress, assets or liabilities";
- €2.3 billion at 31 March 2008 (€2.1 billion at 31 March 2007) of surety and conditional bonds where the likelihood of the commitments becoming obligations is considered to be remote.

The bonding guarantees relating to contracts, issued by banks or surety companies, amount to €12.4 billion at 31 March 2008 (€10.7 billion at 31 March 2007).

Parent company guarantees:

In the context of the Share Purchase and Settlement Agreement signed with ABB Ltd in March 2000, pursuant to which the Group purchased ABB's 50% share in the joint venture ABB Alstom POWER, the Group agreed to indemnify ABB with respect to parent company guarantees that it had previously issued with respect to certain power contracts, the total outstanding amount of such ABB guarantees being €1.2 billion at 31 March 2008 (€1.7 billion at 31 March 2007). These parent company guarantees are not included in the above figures as they are related to liabilities already included in the consolidated accounts. In the same manner, guarantees given by parent or Group companies relating to liabilities included in the consolidated accounts are excluded.

Bonding lines and syndicated bonding facility

At 31 March 2007, the Group had in place both local bilateral lines in numerous countries and a global €10.5 billion Bonding Programme allowing issuance of new instruments up to July 2008.
During the year ended 31 March 2008, the bonding programme has been amended, to keep any bilateral lines and a €8 billion syndicated bonding facility allowing issuance of new instruments up to July 2010. All these lines are now fully unsecured.

The issuance of new bonds under the bonding facility mentioned above is subject to the financial covenants disclosed in Note 27.

At 31 March 2008, €26 million of bonds and guarantees relating to units sold as part of disposals were still held by the Group (€148 million at 31 March 2007).

(2) Vendor financing

Several years ago, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of ships or Transport equipments. The off balance sheet "vendor financing" amounts to €262 million at 31 March 2008, detailed as follows:

(in € million)	**At 31 March**		
	2008	**2007**	**2006**
Marine	**-**	**55**	**126**
Transport	**262**	**307**	**306**
European metro operator (1)	*222*	*260*	*254*
Other	*40*	*47*	*52*
Total vendor financing commitments (2)	**262**	**362**	**432**

(1) Guarantees given include the requirement to deposit funds in escrow in the event of non-respect of certain covenants.

(2) Off-balance sheet figures correspond to the total guarantees and commitments, net of related cash deposits, which are shown as balance sheet items.

Marine

As at 31 March 2008, the residual value guarantee formerly granted for $74 million on one cruise-ship was terminated and there remain no outstanding commitments.

Transport

At 31 March 2008, guarantees given as part of vendor financing arrangements amount to €262 million. Included in this amount are:

- guarantees totalling $63 million (€40 million, €47 million and €52 million at 31 March 2008, 31 March 2007 and 31 March 2006, respectively) given with respect to equipments sold to a US train operator, and

- guarantees totalling £177 million (€222 million, €260 million and €254 million at 31 March 2008, 31 March 2007 and 31 March 2006, 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 €520 million amount of "Other obligations under long-term rental" (see Note 26-a (3)).

(3) Other guarantees

Other guarantees include off-balance sheet commitments relating to obligations such as VAT payments, rentals, customs duties and insurance deductibles. These are materialised by independent undertakings but mainly support existing liabilities included in the consolidated accounts.

b) Lease obligations

(in € million)		**Maturity of lease payments**		
	Total	**Within 1 year**	**1 to 5 years**	**Over 5 years**
Long term rental *(1)*	520	20	117	383
Capital leases	206	30	86	90
Operating leases	217	19	124	74
Total at 31 March 2008	**943**	**69**	**327**	**547**
Long term rental *(1)*	628	19	103	506
Capital leases	245	31	98	116
Operating leases	233	19	129	85
Total at 31 March 2007	**1,106**	**69**	**330**	**707**
Long term rental *(1)*	629	16	100	513
Capital leases	291	36	112	143
Operating leases	300	44	134	122
Total at 31 March 2006	**1,220**	**96**	**346**	**778**

(1) Assets related to leases of trains and associated equipment to London Underground Limited (see Note 30).

Note 32 – Contingencies

- Litigation

The Group is engaged in several legal proceedings, mostly contract related disputes that have arisen in the ordinary course of business. Contract related disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large, long-term projects. In some cases, the amounts claimed against the Group, sometimes jointly with its consortium partners, in these proceedings and disputes are significant, ranging up to €331 million in one particular dispute in India.

Some proceedings against the Group are without a specified amount. 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

The Group is subject to regulations in many countries in which it operates, regarding the control and removal of asbestos–containing material and identification of potential exposure of employees to asbestos. It has been the Group's policy for many years to abandon definitively the use of products containing asbestos by all of its operating units worldwide and to promote the application of this principle to all of its suppliers, including in those countries where the use of asbestos is permitted. In the past, however, the Group used and sold some products containing asbestos, particularly in France in its former Marine Sector sold on 31 May 2006 and to a lesser extent in its other Sectors. The Group is subject to asbestos-related legal proceedings or claims including in France, the United States and the United Kingdom.

Some of the Group's subsidiaries are the subject in France of judicial civil proceedings instituted 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 of competent jurisdiction have made findings of inexcusable fault, the damages in most of these proceedings have been borne to date by the general French Social Security (medical) funds.

As for criminal law, in March 2008, the Court of Appeal of Douai confirmed the decision from the criminal court of first instance pursuant to which one of the Group's French subsidiaries was fined €75,000 for breach of the law protecting employees against asbestos dust.

The Group believes that the cases where it may be required to bear the financial consequences of such civil or criminal proceedings do not represent a material exposure and therefore no provisions have been recorded.

Certain subsidiaries of the Group were subject in the United States to various asbestos-related personal injury lawsuits alleged to involve products manufactured by Combustion Engineering, Inc. ("CE"), a US subsidiary of ABB Ltd ("ABB"), or CE's former subsidiaries and to two putative class action lawsuits asserting fraudulent conveyance claims against various Alstom and ABB entities in relation to CE. CE filed a plan of reorganisation in the United States Bankruptcy Court that was modified and became effective on 21 April 2006. Alstom believes that under the terms of the CE plan of reorganisation, it is protected against pending and future personal injury asbestos claims, or fraudulent conveyance claims, arising out of the past operations of CE.

In addition, as of 31 March 2008, the Group was also subject to approximately 12 other asbestos-related personal injury lawsuits in the United States involving approximately 467 claimants that, in whole or in part, assert claims against Alstom which are not related to the Power Generation Business purchased from ABB or as to which the complaint does not provide details sufficient to permit a determination to be made regarding the applicability of the ABB indemnity. Many of these lawsuits are in the preliminary stages of the litigation process and they each involve multiple defendants. The allegations in these lawsuits are often very general and therefore difficult to evaluate at preliminary stages in the litigation process. In those cases where Alstom's defence has not been assumed by a third party and meaningful evaluation is practicable, the Group believes that it has valid defences and, with respect to a number of lawsuits, the Group is asserting rights to indemnification against a third party. For purposes of the foregoing discussion, the Group considers a claim to no longer be pending against it if the plaintiff's attorneys have executed a notice or stipulation of dismissal or non-suit, or other similar document.

While the outcome of the existing asbestos-related cases described above is not predictable, the Group believes that those cases will not have any material adverse effect on its financial condition. It can give no assurance, however, that asbestos-related cases against it will not grow in number or that those it has at present, or may face in the future, may not have a material adverse impact on its financial condition.

- Product liability

The Group designs, manufactures, and sells several products of large individual value that are used in major infrastructure projects. In this environment, product-related defects have the potential to create liabilities that could be material. If potential product defects become known, a technical assessment occurs whereby products of the affected type are quantified and studied. If the results of the study indicate that a product liability exists, provisions are recorded. The Group believes that it has made adequate provisions to cover currently known product-related liabilities, and regularly revises its estimates using currently available information. Neither the Group nor any of its businesses are aware of product-related liabilities which are expected to exceed the amounts already recognised and the Group believes it has provided sufficient amounts to satisfy its litigation, environmental and product liability obligations to the extent they can be estimated.

- SEC investigation

The Group, certain of its subsidiaries and certain current and former officers, employees and members of its Board of Directors have been involved in U.S. regulatory investigations regarding potential securities law violations.

On 30 June 2003, the Group announced that it was conducting an internal review, assisted by external lawyers and accountants, following receipt of anonymous letters alleging accounting improprieties on a railcar contract being executed at the New York facility of Alstom Transportation Inc. ("ATI"), one of its U.S. subsidiaries. The United States Securities and Exchange Commission ("SEC") and the United States Federal Bureau of Investigation ("FBI") began informal inquiries and in August 2003, the SEC issued a formal order of investigation in connection with its earlier review.

The Group has fully cooperated with the SEC and the FBI in this matter and intends to continue to do so. Any adverse developments in connection with this matter, including, but not limited to, any enforcement action against the Group or any of its personnel, could result in civil or criminal sanctions against the Group or any of its personnel or could otherwise materially negatively impact its business.

- United States Putative Class Action Lawsuit

The Group, certain of its subsidiaries and certain of its current and former Officers and Directors have been named as defendants in a number of putative 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, including but not limited to the matter described above), 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 U.S. investors who purchased Alstom securities on non-U.S. 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. Alstom filed a response to the motion on 8 January 2008 contesting including the non-US persons in the class. The discovery phase of the case is continuing.

The Group's Management has spent and may in the future be required to spend considerable time and effort dealing with these matters. While the Group intends to continue to vigorously defend the putative 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 condition.

- Environmental, health and safety

The Group is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards on the Group regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. These standards expose the Group to the risk of substantial environmental costs and liabilities, including in relation with divested assets and past activities. In most of the jurisdictions in which the Group operates, its industrial activities are subject to obtaining permits, licences and/or authorisations, or to prior notification. The Group's facilities must comply with these permits, licences or authorisations and are subject to regular administrative inspections.

The Group invests significant amounts to ensure that it conducts its activities in order to reduce the risks of impacting the environment and regularly incurs capital expenditure in connection with environmental compliance requirements. Although the Group is involved in the remediation of contamination of certain properties and other sites, it believes that its facilities are in compliance with their operating permits and that its operations are generally in compliance with environmental laws and regulations.

The Group has put in place a global policy covering the management of environmental, health and safety risks.

The procedures for ensuring compliance with environmental, health and safety regulations are decentralised and monitored at each plant. The costs linked to environmental health and safety issues are budgeted at plant or unit level and included in the consolidated income statement.

The outcome of environmental, health and safety matters cannot be predicted with certainty. There can be no assurance that the Group will not incur any environmental, health and safety liabilities in the future and the Group cannot guarantee that the amount that it has budgeted or provided for remediation and capital expenditure for environmental or health and safety related projects will be sufficient to cover the intended loss or expenditure. In addition, the discovery of new conditions and facts or future changes in environmental laws, regulations or case law may result in increased liabilities that could have a material adverse effect on its financial condition or results of operations.

- Claims relating to disposals

From time to time the Group disposes of certain businesses or business segments. As it is usual, certain acquirers make claims against the Group as a result of price adjustment mechanisms and warranties generally foreseen in the sale agreements.

As of 31 March 2008, the Group has received claims in connection with the disposals of certain of its activities which mainly concern its former T&D Sector including with respect to investigation by a number of national competition authorities notably the European Commission, of alleged anti-competitive arrangements among suppliers in certain T&D activities which are mentioned below.

In addition, the Group has retained some liabilities in relation to the delivery of a vessel equipped with pod propulsion systems ("Pods") to Radisson Seven Seas (nka Regent Seven Seas Cruises, Inc. "Regent"). Regent brought suit in Miami, Florida, against various affiliates of the Group and Rolls Royce (as consortium partner) in relation to alleged defects. The case is being strongly contested in US Federal Court in Miami by the Group's affiliates, Convertim and Rolls Royce.

- Alleged violation of laws

Although the markets of the Group are frequently fiercely competitive, there are at times allegations of anti-competitive activity due to the relatively small number of participants. 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" equipments), a product of its former T&D business, following investigations that began in 2004. On 24 January 2007, the European Commission has 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. Moreover, the competition authorities in Hungary and in the Czech and Slovakian Republics have levied fines of €4.3 million against Alstom with respect to the same alleged anti-competitive practices. Alstom is contesting these decisions before the local courts. A number of competition authorities of non European countries have also launched investigations in relation to GIS equipments. In addition the Group is subject to a class-action lawsuit in Israel in relation to GIS equipments, along with 12 other companies. The Group is contesting the validity of this procedure as well as the legal basis of the claim.

The Group conducts a significant proportion of its business with governmental agencies and public-sector entities. The Group actively strives to ensure compliance with all laws and regulations in particular those relating to competition and illegal payments and has established internal compliance programmes to control the risk of such illegal activities and appropriately address any problems that may arise. However, a small number of current and former employees and agents of the Group have been or are currently being investigated with respect to alleged illegal payments in various countries. Certain of these procedures may result in fines and the exclusion of its subsidiaries from public tenders in the relevant country for a defined period.

The Group considers that there are no matters outstanding and unprovided that are capable of estimation that are likely to have a material adverse impact on the consolidated financial statements.

Note 33 – 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 2008, Bouygues holds a 30% stake in Alstom share capital (see Note 4 for agreements related to Alstom Hydro activities)

Associates and non consolidated entities
During the year ended 31 March 2008, the Group and a third party venturer have established Alstom Atomenergomash, a joint venture dedicated to manufacturing the conventional islands of Russian nuclear power plants. The joint venture, in which the Group holds 49%, is accounted for under the equity method. The joint venture has received intangible assets (technology) from Alstom and tangible assets (land & building) from JSC Atomenergomash (see Note 4).

The Group has not recorded any other sale or purchase of goods and services with Alstom Atomenergomash for the period ended 31 March 2008.

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 meant by IAS 24 are the members of the Executive Committee.

(in € thousand)	**Year ended 31 March**		
	2008	**2007**	**2006**
Short-term benefits	**7,613**	**7,366**	**6,892**
Fixed gross salaries	3,613	3,633	3,416
Variable gross salaries	3,414	3,209	2,978
Non monetary benefits	*39*	*39*	*39*
Post-employment benefits	*118*	*120*	*117*
Directors' fees (1)	*429*	*365*	*342*
Other benefits	**4,745**	**4,187**	**2,459**
Post-employment benefits	1,491	1,783	*760*
Share-based payments (2)	3,254	2,404	1,699
Total	**12,358**	**11,553**	**9,351**

(1) Since 1 April 2005, the Chairman and Chief Executive Officer has waived his Directors's fees
(2) Expense recorded in the income statement in respect of stock option plans and performance shares

Note 34 – Subsequent event

Change in functional currency in Switzerland
In application of IAS 21, 11 entities located in Switzerland and representing Power activities changed their functional currency from CHF to EUR on 1 April 2008.

This conversion results from the significant increase, over the last years, of Euro denominated business in Alstom Switzerland's activities. This trend is the consequence of Alstom's numerous intercompany flows within its strong European industrial base as well as customers readiness to be invoiced in EUR.

As regards the current commitments of these entities in currencies other than EUR are concerned, derivatives were negotiated at the end of March to enable Alstom to hedge future cash flows. They will qualify for hedge accounting on 1 April 2008. The notional amount of those derivatives is €3,707 million. Considering their temporary "trading" nature, they were not included in the IFRS 7 sensitivity analysis presented in Note 27. However, as trading derivatives, they were recorded at mark to market through profit and loss for the purpose of March 2008 closing and at that date, their fair value amounted to €5 million.

Note 35 – 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
- Sales above €100 million for the year ended 31 March 2008.

Parent company

Companies	Country	Ownership %	Consolidation Method
ALSTOM SA	France	-	Parent company

Holding companies

Companies	Country	Ownership %	Consolidation Method
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Inc	United States	100%	Full consolidation
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM UK Holdings Ltd	United Kingdom	100%	Full consolidation

Industrial companies

Companies	Country	Ownership %	Consolidation Method
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Canada Inc.	Canada	100%	Full consolidation
ALSTOM Ferroviaria S.p.A	Italy	100%	Full consolidation
ALSTOM Hydro Energia Brasil Ltda	Brazil	100%	Full consolidation
ALSTOM Hydro France	France	100%	Full consolidation
ALSTOM Hydro Switzerland Ltd	Switzerland	100%	Full consolidation
ALSTOM K.K.	Japan	100%	Full consolidation
ALSTOM LHB GmbH	Germany	100%	Full consolidation
ALSTOM Ltd	Australia	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Norway AS	Norway	100%	Full consolidation
ALSTOM Power Centrales	France	100%	Full consolidation
ALSTOM Power Energy Recovery GmbH	Germany	100%	Full consolidation
ALSTOM Power Generation AG	Germany	100%	Full consolidation
ALSTOM Power Inc.	United States	100%	Full consolidation
ALSTOM Power Italia Spa	Italy	100%	Full consolidation
ALSTOM Power SA	Spain	100%	Full consolidation
ALSTOM Power Service	France	100%	Full consolidation
ALSTOM Power Service Arabia Ltd.	United Arab Emirates	100%	Full consolidation
ALSTOM Power Service GmbH	Germany	100%	Full consolidation
ALSTOM Power Sp.z o.o.	Poland	100%	Full consolidation
ALSTOM Power Sweden AB	Sweden	100%	Full consolidation
ALSTOM Power System GmbH	Germany	100%	Full consolidation
ALSTOM Power Turbomachines	France	100%	Full consolidation
ALSTOM Projects India Ltd	India	69%	Full consolidation
ALSTOM Switzerland Ltd.	Switzerland	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Transportation Inc.	United States	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
AP Com Power Inc.	United States	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
Ecotecnia Energias Renovables S.L.	Spain	100%	Full consolidation
Tianjin ALSTOM Hydro Co. Ltd	China	99%	Full consolidation
West Coast Traincare	United Kingdom	100%	Full consolidation

A list of all consolidated companies is available upon request at the head office of the Group.