Consolidated financial statements

Year ended 31 March 2007

CONSOLIDATED INCOME STATEMENTS

(in € million)	Note	Year ended 31 March 2007	2006	2005 *(*)*
SALES	(6)	**14,208**	**13,413**	**12,920**
Of which products		*10,225*	*9,773*	*9,127*
Of which services		*3,983*	*3,640*	*3,793*
Cost of sales		(11,586)	(11,080)	(10,886)
Selling expenses		(567)	(569)	(535)
Research and development expenditure	(7)	(456)	(364)	(405)
Administrative expenses		(642)	(654)	(623)
INCOME FROM OPERATIONS	(6)	**957**	**746**	**471**
Other income	(8)	18	233	67
Other expenses	(8)	(248)	(252)	(589)
EARNINGS BEFORE INTEREST AND TAXES	(6)	**727**	**727**	**(51)**
Financial income (expenses), net	(9)	(111)	(222)	(381)
PRE-TAX INCOME (LOSS)		**616**	**505**	**(432)**
Income tax charge	(10)	(145)	(125)	(163)
Share in net income (loss) of equity investments		-	(1)	-
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**471**	**379**	**(595)**
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(11)	**(32)**	**(198)**	**(32)**
NET PROFIT (LOSS)		**439**	**181**	**(627)**
Attributable to:				
- Group share		448	178	(628)
- Minority interests		(9)	3	1
Earnings per share (in €)				
From continuing and discontinued operations				
- Basic	(12)	3.17	1.27	(5.76)
- Diluted	(12)	3.10	1.26	(5.76)
From continuing operations				
- Basic	(12)	3.40	2.68	(5.47)
- Diluted	(12)	3.34	2.65	(5.47)
From discontinued operations				
- Basic	(12)	(0.23)	(1.41)	(0.29)
- Diluted	(12)	(0.22)	(1.39)	(0.29)

(*) Restated in accordance with IFRS, with the exception of IAS 32/39 and IFRS 5 applied from 1 April 2005 (see Note 4-b)

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

CONSOLIDATED BALANCE SHEETS

(in € million)	Note	At 31 March 2007	At 31 March 2006	At 1 April 2005 (*)	At 31 March 2005 (**)
ASSETS					
Goodwill	(13)	3,510	3,323	3,417	3,417
Intangible assets	(13)	1,191	1,197	1,222	1,222
Property, plant and equipment	(14)	1,370	1,361	1,707	1,707
Associates and other investments	(15)	34	99	118	118
Other non-current assets	(16)	1,245	1,250	1,290	1,935
Deferred taxes	(10)	1,280	1,249	1,204	1,207
Total non-current assets		**8,630**	**8,479**	**8,958**	**9,606**
Inventories	(17)	1,770	1,488	1,654	1,654
Construction contracts in progress, assets	(18)	2,858	2,229	2,601	2,601
Trade receivables	(19)	2,886	2,291	2,323	2,392
Other current assets related to operating activities	(20)	1,494	1,454	1,619	1,398
Marketable securities and other current financial assets	(21)	197	22	26	26
Cash and cash equivalents		1,907	1,301	1,404	1,404
Total current assets		**11,112**	**8,785**	**9,627**	**9,475**
Assets held for sale	(30)	**-**	**1,144**	**637**	**-**
TOTAL ASSETS		**19,742**	**18,408**	**19,222**	**19,081**
LIABILITIES					
Equity attributable to the equity holders of the parent		2,229	1,782	1,515	1,398
Minority interests		42	58	68	68
Total equity		**2,271**	**1,840**	**1,583**	**1,466**
Bonds reimbursable with shares		**-**	**-**	**-**	**133**
Non-current provisions	(25)	549	581	680	680
Accrued pension and other employee benefit costs	(26)	512	792	824	824
Non-current borrowings	(27)	1,922	2,018	2,355	2,401
Non-current obligations under finance leases	(27)	775	193	243	867
Deferred taxes	(10)	47	39	59	59
Total non-current liabilities		**3,805**	**3,623**	**4,161**	**4,831**
Current provisions	(25)	1,512	1,539	1,642	1,642
Current borrowings	(27)	85	320	445	448
Current obligations under finance leases	(27)	40	40	38	51
Construction contracts in progress, liabilities	(18)	7,239	5,401	5,520	5,484
Trade payables		2,976	2,872	3,316	3,437
Other current liabilities	(28)	1,814	1,630	1,880	1,589
Total current liabilities		**13,666**	**11,802**	**12,841**	**12,651**
Liabilities directly associated with assets held for sale	(30)	**-**	**1,143**	**637**	**-**
TOTAL LIABILITIES		**19,742**	**18,408**	**19,222**	**19,081**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4–b)
(**) Restated in accordance with IFRS, with the exception of IAS 32/39 and IFRS5 applied from 1 April 2005 (see Note 4-b)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in € million)	Note	Year ended 31 March 2007	2006	2005 *(*)*
Net profit (loss) from continuing operations		**471**	**379**	**(595)**
Depreciation, amortisation and share-based payments		352	424	497
Changes in prepaid and accrued employee defined benefit costs	(26)	(325)	-	9
Net (gains) losses on disposal of non-current assets and investments		90	(147)	(51)
Share in net income (loss) of associates (net of dividends received)		-	1	-
Changes in deferred taxes	(10)	(23)	(30)	145
Net cash provided by operating activities - before changes in net working capital		**565**	**627**	**5**
Changes in net working capital	(22)	**524**	**158**	**189**
Net cash provided by operating activities - continuing operations		**1 089**	**785**	**194**
Proceeds from disposal of tangible and intangible assets		17	60	51
Capital expenditure		(395)	(294)	(255)
Decrease (increase) in other non-current assets	(16)	727	16	(361)
Cash expenditure for acquisition of investments, net of net cash acquired		(232)	(13)	-
Cash proceeds (expenditure) from sale of investments, net of net cash sold		1	257	928
Net cash provided by investing activities - continuing operations		**118**	**26**	**363**
Capital increase		-	6	2,022
Issuance (conversion) of bonds reimbursable with shares		-	-	(19)
Issuance (repayment) of current and non-current borrowings		(377)	(369)	(2,310)
Issuance (repayment) of obligations under finance leases		(38)	(42)	(41)
Decrease (increase) in marketable securities and other current financial assets	(21)	(175)	6	-
Dividends paid including minorities		(6)	(4)	(5)
Net cash used in financing activities - continuing operations		**(596)**	**(403)**	**(353)**
Decrease in cash and cash equivalents - discontinued operations	(11) (30)	-	(215)	(198)
Transfer to/from assets held for sale	(11) (30)	29	(317)	-
Net effect of exchange rate variations		(30)	24	15
Other changes		(4)	(3)	34
Increase (decrease) in cash and cash equivalents		**606**	**(103)**	**55**
Cash and cash equivalents at the beginning of the period		**1,301**	**1,404**	**1,349**
Cash and cash equivalents at the end of the period		**1,907**	**1,301**	**1,404**
Cash paid for income taxes		170	85	92
Cash paid for net interest		87	171	204
Net debt variation analysis:				
Increase (decrease) in cash and cash equivalents		606	(103)	55
Increase (decrease) in marketable securities and other financial assets		175	(2)	(24)
(Issuance) repayment of current and non-current borrowings		335	369	2,310
(Issuance) repayment of obligations under finance leases		38	42	41
Net cash used in financing activities - discontinued operations		29	103	(13)
Net effect of exchange rate and other		1	(6)	1
Decrease (increase) in net debt		1 184	403	2,370
(Net debt) / net cash at the beginning of the period (**)		(1,248)	(1,651)	(4,718)
(Net debt) / net cash at the end of the period (**)		(64)	(1,248)	(2,348)

(*) Restated in accordance with IFRS, with the exception of IAS 32, IAS 39 and IFRS 5 applied from 1 April 2005 (see Note 4-b)

(**) The net debt corresponds to financial debt (see Note 27) less cash and cash equivalents, marketable securities and other current financial assets (see Note 21) and non current financial assets directly associated to liabilities included in financial debt (see Note 16)

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 2007	2006	2005 *(*)*
Net income (loss) for the year	**439**	**181**	**(627)**
Fair value gains (losses), gross of tax			
- on available-for-sale financial assets	-	-	-
- on cash flow hedges	-	-	-
Currency translation adjustments	(5)	52	(19)
Recognition of actuarial gains (losses) in equity	-	-	-
Tax effect	(9)	-	-
Total income and expense recognised directly in equity	**(14)**	**52**	**(19)**
Total recognised income and expense for the year	**425**	**233**	**(646)**
Attributable to:			
- Equity holders of the parent	436	227	(648)
- Minority interests	(11)	6	2

(*) Restated in accordance with IFRS, with the exception of IAS 32/39 and IFRS 5 applied from 1 April 2005 (see Note 4-b)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

(in € million, except for number of shares)	Note	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Translation adjustments	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 1 April 2004		**1,056,657,572**	**1,321**	**64**	**(1,383)**	**-**	**2**	**66**	**68**
Total income and expense recognised in equity		-	-	-	-	(20)	(20)	1	(19)
Net income (loss) for the period		-	-	-	(628)	-	(628)	1	(627)
Total recognised income and expense		-	-	-	(628)	(20)	(648)	2	(646)
Conversion of ORA	(23)	15,473,425	14	5	-	-	19	-	19
Conversion of TSDDRA	(23)	240,000,000	300	-	-	-	300	-	300
Capital decrease		-	(1,175)	(64)	1,239	-	-	-	-
Capital increase	(23)	4,185,080,412	1,464	261	-	-	1,725	-	1,725
Impact first application IAS 32/39		0	-	112	5	-	117	-	117
At 1 April 2005 *(*)*		**5,497,211,409**	**1,924**	**378**	**(767)**	**(20)**	**1,515**	**68**	**1,583**
Total income and expense recognised in equity		-	-	-	-	49	49	3	52
Net income (loss) for the period		-	-	-	178	-	178	3	181
Total recognised income and expense		-	-	-	178	49	227	6	233
Conversion of ORA	(23)	1,121,044	10	(10)	-	-	-	-	-
Consolidation of shares	(23)	(5,360,161,677)	-	-	-	-	-	-	-
Change in scope		-	-	-	-	-	-	(16)	(16)
Share-based payments		-	-	-	40	-	40	-	40
At 31 March 2006		**138,170,776**	**1,934**	**368**	**(549)**	**29**	**1,782**	**58**	**1,840**
Total income and expense recognised in equity		-	-	-	-	(12)	(12)	(2)	(14)
Net income (loss) for the period		-	-	-	448	-	448	(9)	439
Total recognised income and expense		-	-	-	448	(12)	436	(11)	425
Conversion of ORA	(23)	444,925	6	(2)	(8)	-	(4)	-	(4)
Change in scope and other		-	-	-	-	-	-	1	1
Dividends paid to minority interests		-	-	-	-	-	-	(6)	(6)
Share-based payments		1,500	-	-	15	-	15	-	15
At 31 March 2007	**(23)**	**138,617,201**	**1,940**	**366**	**(94)**	**17**	**2,229**	**42**	**2,271**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4-b)

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 6.

Note 2 – Basis of preparation of the consolidated financial statements

Following the coming into force of the European Reporting Regulation n°1606/2002, companies listed in the European Union are required to adopt International Financial Reporting Standards (IFRS/IAS) as endorsed by the European Union in the preparation of their consolidated financial statements covering periods beginning on or after 1 January 2005.

In compliance with IFRS 1 on first-time adoption of IFRS, the opening balance sheet at 1 April 2004 and the consolidated financial statements for the fiscal year ended 31 March 2005 have been restated in accordance with IFRS standards endorsed by the European Union at the date of preparation of the consolidated financial statements for the year ended 31 March 2006, with the exception of IAS 32-39 and IFRS 5 standards applied from 1 April 2005.

ALSTOM consolidated financial statements for the year ended 31 March 2007 have been prepared using:

- the IAS/IFRS standards and interpretations applicable for annual periods beginning on or prior to 1 April 2005;
- the accounting policies and measurement methods as set out in Note 3;
- the historical cost convention, with the exception of certain assets and liabilities in accordance with applicable IFRS standards. Categories of assets and liabilities concerned are mentioned in Note 3.

The consolidated financial statements are presented in euro, and have been authorised for issue by the Board of Directors held on 11 May 2007.

(a) Newly effective standards and interpretations

The following standards and interpretations become effective for the preparation of consolidated financial statements at 31 March 2007:

- Amendment to IAS 19 "Employee benefits: actuarial gains and losses, group plans and disclosures"
  The option providing for the elimination of the corridor method and for the recognition of actuarial gains and losses directly in equity has not been used for the preparation of the year-end consolidated financial statements at 31 March 2007.
  Additional requirements regarding disclosures have been fulfilled in the notes to the consolidated financial statements for the year ended 31 March 2007.
- IAS 21 revised "Effect of changes in foreign exchange rates"
  This revision, which modifies the accounting treatment of exchange differences related to investments in foreign operations, has no significant impact on the year-end consolidated financial statements at 31 March 2007.
- Amendment to IAS 39 on fair value option
  This amendment limits the ability for an entity to designate any financial asset or financial liability as "at fair value" through profit or loss. The Group does not use fair value option at 31 March 2007.
- Amendment to IAS 39 on cash flow hedge with respect to future intra-group transactions
  The implementation of this amendment has no impact on the year-end consolidated financial statements at 31 March 2007 since, starting from the implementation of IAS 39 on 1 April 2005, fair value hedge accounting has been applied to intra-group firm commitments, provided that the foreign currency risk affects the consolidated income statement; forecast intra-group transactions that have not yet turned into firm commitments are not hedged.

- IFRIC 4 “Determining whether an arrangement contains a lease”
  IFRIC 4 provides guidance to determine whether arrangements that do not take the legal form of a lease should nonetheless be accounted for in accordance with IAS 17 “Leases”. The implementation of this interpretation has no significant impact on the year-end consolidated financial statements at 31 March 2007.
- IFRIC 7 “Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary economies”
  The implementation of this interpretation has no impact on the year-end consolidated financial statements at 31 March 2007.

(b) Accounting standards, amendments and interpretations published but not yet effective

The Group has not opted for an early application of the following standards and interpretations which are not yet effective at the date of authorisation of the year-end consolidated financial statements for the year ended 31 March 2007:

- Amendment to IAS 1 “Capital disclosures”,
- IFRS 7 “Financial instruments disclosures”,
- IFRIC 8 “Scope of IFRS 2 Share-based payments”,
- IFRIC 9 “Reassessment of embedded derivatives”.

The application of the amendment to IAS 1 and IFRS 7 will have no impact on the Group’s financial position but will modify the disclosures in the notes to the financial statements.
Regarding IFRIC 8 and IFRIC 9, and based on current analysis, their application is expected not to have any material impact.

Note 3 – Summary of accounting policies

(a) Consolidation methods

- Subsidiaries

Entities over which the Group exercises effective control are fully consolidated. 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 Group’s equity. 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 interests of the Group, 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

Joint ventures are companies over which the Group has joint control. They are consolidated by the proportionate method with the Group’s share of the joint ventures’ results, assets and liabilities 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.

A list of the Group's major consolidated subsidiaries, joint ventures and associates with the applicable method of consolidation is provided in Note 36.

(b) Use of estimates and critical accounting policies

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

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 Group's deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised taking into account future taxable income and tax planning strategies in assessing the need for a valuation allowance.

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 to the amount of the employee benefit expense and to the amounts of prepaid or accrued benefit costs reported in the balance sheet.

Appraisal of assets

Goodwill is tested for impairment annually on 31 March 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. Valuation allowance for 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 case of construction contracts, claims are considered in the determination of contract revenue 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 (such as material and labour) and indirect costs, including warranty 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

Whatever the type of contracts, sales are recognised only when the outcome of the transaction can be assessed reliably.

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 to be recognised 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 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 downpayments received from customers.

- Recognition of overhead expenses

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

(d) Income (loss) from operations

Income (loss) from operations includes gross margin, administrative and selling expenses and research and development expenses. It includes in particular the service cost of employee defined benefits, cost of share-based payments, 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, a portion of costs of employee defined benefits (amortisation of actuarial gains and losses, unrecognised prior service cost and impacts of curtailments and settlements) and impairment losses on assets.

(f) Financial income and expenses

Financial income and expenses include:
- Interest charges and income related to the financial debt which consists of bonds, the liability component of compound instruments and other borrowings including 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 individual financial statements of the Group's foreign subsidiaries, joint ventures and associates are presented in their own functional currency; i.e. the currency of the primary economic environment in which the entity operates as reporting currency.

For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in euro, which is the functional currency of the Group and the presentation currency for the consolidated financial statements. Assets and liabilities of foreign subsidiaries located outside the euro zone are translated into euro at the rate of exchange of the period end, and their income statements and cash flow statements are converted at the average rate of exchange for the period. The resulting translation adjustment is included as a component of shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(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, it takes significant levels of forward cover relating to this exposure. These derivatives are recognised on the balance sheet at 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 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.

- 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 effective portion of the gain or loss on 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 as "foreign currency translation adjustment". 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 spot rate at inception of 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 contracts to hedge its currency exposure on certain long-term contracts during the open bid as well as after the award of the contracts. During the bid period, such insurance contracts are not remeasured on the balance sheet. If the commercial contract is awarded, insurance contracts are accounted for, using a similar treatment as forward foreign currency exchange 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, licensing agreements) and internally generated intangible assets (mainly development costs).

Acquired intangible assets
Acquired intangible assets are measured initially at cost and are 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 contracts and activities involved. The amortisation expense is recorded in cost of sales, research and development expenses, selling expenses or administrative expenses, based on the function of the underlying assets.

Internally generated intangible assets
Research expenditure are expensed as incurred. Development costs are expensed as incurred unless the project they relate to meet 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.

Development costs capitalised 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 6.

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 in the local and international sector, 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

Financial assets include loans and deposits, long-term rental receivables, investments, debt securities, derivative financial instruments with a positive marked to market and receivables.

- 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, whose fair value 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 (see Note 33). 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. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. 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.

(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

Deferred taxes are calculated for each taxable entity for temporary differences arising between the tax value and book value of assets and liabilities and are accounted for using the balance sheet method. Deferred tax liabilities are recognised for all taxable temporary differences with the exception of taxable temporary differences arising from investments in subsidiary or associates, and investments in joint ventures, which are not recognised when the Group is able to control their reversal and it is probable that these temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the enacted tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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".
At completion date, 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 reduce or close facilities, or 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

Financial liabilities include bonds and borrowings, obligations under finance leases, derivative financial instruments with a negative marked to market and payables.

- 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 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 options 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 various types of post-employment and other long-term benefits to its employees including post-retirement medical benefits to some retired employees in certain countries principally in the United States. The type of benefits offered to an individual employee is related to local legal requirements as well as operating practices of the specific subsidiaries. The Group also provides other long-term employee benefits such as jubilee awards and deferred compensation scheme.

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. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life span and probable turn-over of beneficiaries.
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.

At year end, the Group reviews plan assets and obligations. The effects of any change in actuarial assumptions together with the differences between forecasted and actual experience are assessed. If the cumulative of these differences exceeds 10% of the greater of the defined benefit obligations or the market value of plan assets, on a plan by plan basis, the unrecognised gains/losses in excess are amortised over the average remaining service life of active employees (corridor method).

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 actuarial net losses (gains) as well as unrecognised prior service cost and the impacts of curtailments and settlements are recognised in other expenses. Financial elements of the benefit cost such as interest cost and asset returns are included in financial income (expenses).

The Group also participates in multi-employer defined benefit plans, which are accounted for as defined contribution plans (see below), mainly in the United States and in Canada.

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 recognised immediately and no corridor is applied.

(v) Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will 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 either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- 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 presented 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 bonds reimbursable with shares to be converted.

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, increased by the weighted average number of bonds reimbursable with shares to be converted and by the effect of any other dilutive instruments.

(x) Borrowing costs

The Group does not capitalise interest expense 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 2007		At 31 March 2006		At 31 March 2005	
€ for 1 monetary unit	**Average**	**Closing**	**Average**	**Closing**	**Average**	**Closing**
British pound	1.474594	1.471021	1.465784	1.435956	1.463325	1.452433
Swiss franc	0.629045	0.615498	0.643819	0.632871	0.650036	0.645745
US dollar	0.774747	0.750863	0.825792	0.826173	0.791901	0.771367
Brazilian real	0.360684	0.368202	0.360145	0.377223	0.278889	0.287584
Indian rupee	0.017185	0.017446	0.018647	0.018509	0.017626	0.017673
Chinese yuan	0.098198	0.097300	0.101717	0.103029	0.095632	0.093300

Note 4 – Impacts of first-time adoption of IFRS

(a) Options taken at first-time adoption of IFRS on 1 April 2004 (transition date)

IFRS 1 – First-time Adoption of International Financial Reporting Standards – permits certain exceptions to the retrospective application of IFRS at the transition date. Accordingly, the Group prepared the opening balance sheet at 1 April 2004 using the following options :

- the Group has elected not to retrospectively apply IFRS 3 – Business combinations;
- the Group has elected to adopt the complete retrospective application of IAS 19 – Employee benefits – a portion of actuarial gains and losses on post-employment defined benefit plans existing is thus left unrecognised at the transition date;
- the Group has elected not to apply the exemption allowing fair value of property, plant and equipment and other intangible assets at the transition date to be used as their deemed cost;
- the cumulative translation differences at 1 April 2004 have been set to zero through a transfer to retained earnings;
- IFRS 2 – Share-based payments – has been applied for all plans granted after 7 November 2002 and not fully vested at 1 January 2005.

(b) First-time application of IAS 32-39 and IFRS 5 standards on 1 April 2005

As permitted by IFRS 1, the comparative information related to the year ended 31 March 2005 has been prepared in accordance with all IFRS standards and interpretations effective and endorsed by the European Union for annual periods beginning on 1 April 2005, with the exception of:

- IFRS 5 " Non current assets held for sale and discontinued operations"
- IAS 32 "Financial instruments: disclosure and presentation"
- IAS 39 "Financial instruments: recognition and measurement".

Those three standards have been adopted from 1 April 2005. The impact of their first application on the balance sheet is presented below:

(in € million)	At 31 March 2005	IAS 32/39	IFRS 5	At 1 April 2005
ASSETS				
Total non-current assets	**9,606**	**2**	**(650)**	**8,958**
out of which				
- Other non-current assets	1,935	5	(650)	1,290
- Deferred taxes	1,207	(3)		1,204
Total current assets	**9,475**	**139**	**13**	**9,627**
out of which				
- Trade receivables	2,392	(69)		2,323
- Other current assets	1,424	208	13	1,645
Assets held for sale	**-**		**637**	**637**
TOTAL ASSETS	**19,081**	**141**	**-**	**19,222**
LIABILITIES				
Total equity	**1,466**	**117**		**1,583**
Bonds reimbursable with shares	**133**	**(133)**		**-**
Total non-current liabilities	**4,844**	**(46)**	**(637)**	**4,161**
out of which				
- Non-current financial debt	3,281	(46)	(637)	2,598
Total current liabilities	**12,638**	**203**	**-**	**12,841**
out of which				
- Current financial debt	486	(3)		483
- Construction contracts in progress, liabilities	5,484	36		5,520
- Trade payables	3,437	(121)		3,316
- Other current liabilities	1,589	291		1,880
Liabilities directly associated with assets held for sale	**-**		**637**	**637**
TOTAL LIABILITIES	**19,081**	**141**	**-**	**19,222**

Impact of application of IAS 32-39

The impact of the application of the IAS 32-39 standards is detailed as follows:

(in € million)	Recognition of equity and debt components of ORA	Remeasurement of financial debt using effective interest rate	Immediate recognition in equity of transaction costs on equity instrument	Adoption of hedge accounting	Reclassification of investments	**IAS 32/39**
ASSETS						
Total non-current assets	**(1)**	**-**	**3**	**(5)**	**5**	**2**
out of which						
- Other non-current assets	-	-	-	-	5	5
- Deferred taxes	(1)	-	3	(5)	-	(3)
Total current assets	**(3)**	**(60)**	**(8)**	**215**	**(5)**	**139**
out of which						
- Trade receivables	-	-	-	(69)	-	(69)
- Other current assets	(3)	(60)	(8)	284	(5)	208
TOTAL ASSETS	**(4)**	**(60)**	**(5)**	**210**	**-**	**141**
LIABILITIES						
Capital	**-**	**-**	**-**	**-**	**-**	**-**
Paid-in capital	117	-	(5)	-	-	112
Retained earnings	4	(1)	-	2	-	5
Total equity	**121**	**(1)**	**(5)**	**2**	**-**	**117**
Bonds reimbursable with shares	**(133)**	**-**	**-**	**-**	**-**	**(133)**
Total non-current liabilities	**10**	**(56)**	**-**	**-**	**-**	**(46)**
out of which						
- Non-current financial debt	10	(56)	-	-	-	(46)
Total current liabilities	**(2)**	**(3)**	**-**	**208**	**-**	**203**
out of which						
- Current financial debt	(2)	(1)	-	-	-	(3)
- Construction contracts in progress, liabilities	-	-	-	36	-	36
- Trade payables	-	-	-	(121)	-	(121)
- Other current liabilities	-	(2)	-	293	-	291
TOTAL LIABILITIES	**(4)**	**(60)**	**(5)**	**210**	**-**	**141**

Recognition of equity and debt components of bonds reimbursable with shares ("ORA")

Bonds reimbursable with shares issued by the Group during the year ended 31 March 2004 constitute a compound financial instrument which, in accordance with IAS 32 must be broken down between its equity component and its debt component.

Re-measurement of financial debt using effective interest rate

Under French GAAP, bank fees related to debt issues were booked as an asset in the balance sheet and amortised on a straight-line basis through financial result over the life of the debt instrument. Under IFRS, such fees are booked as a reduction of financial debt and amortised over the life of the debt instrument according to the effective interest method.

Immediate recognition in equity of transaction costs on equity instruments

Under French GAAP, transaction costs related to equity instruments were booked as an asset in the balance sheet and amortised on a straight-line basis over five years. Under IFRS, such costs are debited directly to equity.
The negative impact on equity represents the portion of costs not yet amortised under French GAAP at 31 March 2005.

Adoption of hedge accounting

Hedge accounting rules elected by the Group are described in Note 3-h of the present notes.
Following the adoption of fair value hedge accounting for foreign currency hedging relationships, current assets and liabilities existing under French GAAP have been re-measured in accordance with the new rules and the following new items have been recognised:

- Derivative instruments: additional other current assets and liabilities amounting to €264 million and €192 million, respectively;
- Changes in the fair value of unrecognised firm commitments: additional other current assets and liabilities amounting to €40 million and €148 million, respectively.

Reclassification of investments

A portion of securities previously classified as short-term investments under French GAAP has been reclassified to non-current assets.

Impact of application of IFRS 5

At 1 April 2005, assets and liabilities attributable to leases of trains and associated equipment of the Transport Sector have been classified as group of assets held for sale and presented separately in the balance sheet as they were expected to be sold within twelve months. These leases relate to a 1995 agreement with London Underground (Northern Line) to which the Group leases trains and associated equipment for a period of 30 years starting 1997 and makes them available to this operator.

The proceeds of disposal were expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the date of the classification of these operations as held for sale.

Note 5 – Changes in consolidated companies

The main changes in the scope of consolidated companies for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 are the following:

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.

- 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.

- 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. 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 shares. At the same date, Bouygues has the option to:
  - sell its 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.

  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, as disclosed in Note 27, obligations towards Bouygues are recorded as a financial liability at initial fair value plus accrued interests for €153 million at 31 March 2007.

- 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.

- 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 of up to €125 million depending on the financial performance.

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.

Year ended 31 March 2005

- Pending local regulatory approvals, in particular in India, certain non significant entities of the former T&D Sector were not included in the scope of T&D entities disposed of during the year ended 31 March 2004. These transactions were authorised during the year ended 31 March 2005 and an agreement for the disposal of outstanding entities was signed. In this context, after the signature in April 2005 of a share purchase agreement, the sale of the former T&D Indian units was completed on 8 August 2005. These units have been deconsolidated from 1 August 2005.

Note 6 – 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 2007, the Group is organised in three Sectors, following the sale of the Marine Sector during the year.

- ***Power Systems***

Power Systems provides steam turbines, gas turbines, generators and power plant engineering, including 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 and services to customers 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 service.

- ***Other sectors***

The Power Conversion business which was sold during the year ended 31 March 2006 was still included in the segmental information as at 31 March 2006 and 31 March 2005.

The Marine sector is excluded from the sector and geographic information following the classification of its operations as discontinued operations and the classification of its assets and liabilities as disposal group held for sale at 31 March 2006 and 31 March 2005. Marine has been deconsolidated from 31 May 2006.

Some units, not material to the sector presentation, have been transferred between sectors. The revised sector composition has not been reflected on a retroactive basis.

At 31 March 2007

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimination	Total
Sales	5,975	3,386	5,288	49	(490)	14,208
Inter sector elimination	(302)	(188)	-	-	490	-
Total Sales	**5,673**	**3,198**	**5,288**	**49**	**-**	**14,208**
Income (loss) from operations	201	510	350	(104)	-	957
Earnings before interest and taxes	**175**	**499**	**277**	**(224)**	**-**	**727**
Financial income (expenses)						(111)
Income tax						(145)
Share in net loss of equity investments						-
Net profit from continuing operations						**471**
Net loss from discontinued operations						(32)
NET PROFIT						**439**
Segmental assets (2)	**5,386**	**4,381**	**5,079**	**436**	**-**	**15,282**
Deferred taxes (assets)						1,280
Prepaid pension and other employee benefit costs						422
Financial assets						2,758
TOTAL ASSETS						**19,742**
Segmental liabilities (3)	**6,034**	**2,253**	**5,119**	**684**	**-**	**14,090**
Deferred taxes (liabilities)						47
Accrued pension and other employee benefit costs						512
Financial debt						2,822
Total equity						2,271
TOTAL LIABILITIES						**19,742**
Capital employed (4)	**(648)**	**2 128**	**(40)**	**(248)**	**-**	**1,192**
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) Segmental assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, other non current assets (excluding prepaid pension and other employee benefit costs 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) Segmental 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 segmental assets *minus* segmental 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 (see Note 16) classified in the sector "Corporate & other" at 31 March 2006.

At 31 March 2006

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimination	Total
Sales	5,396	3,062	5,129	376	(550)	13,413
Inter sector elimination	(317)	(209)	(1)	(23)	550	-
Total Sales	**5,079**	**2,853**	**5,128**	**353**	**-**	**13,413**
Income from operations	101	442	324	(121)	-	746
Earnings before interest and taxes	**75**	**407**	**256**	**(11)**	**-**	**727**
Financial income (expenses)						(222)
Income tax						(125)
Share in net loss of equity investments						(1)
Net profit from continuing operations						**379**
Net loss from discontinued operations						(198)
NET PROFIT						**181**
Segmental assets (2)	**4,633**	**3,890**	**4,224**	**1,558**	**-**	**14,305**
Deferred taxes (assets)						1,249
Prepaid pension and other employee benefit costs						387
Current financial assets						1,323
Assets held for sale						1,144
TOTAL ASSETS						**18,408**
Segmental liabilities (3)	**5,072**	**2,078**	**4,099**	**774**	**-**	**12,023**
Deferred taxes (liabilities)						39
Accrued pension and other employee benefit costs						792
Financial debt						2,571
Total equity						1,840
Liab. associated with assets held for sale						1,143
TOTAL LIABILITIES						**18,408**
Capital employed (4)	**(439)**	**1 812**	**125**	**784**	**-**	**2,282**
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 in Australia, New Zealand and India that are not allocated to sectors and Power Conversion, which was sold during the year ended 31 March 2006.

(2) Segmental assets are defined as the closing position of goodwill, intangible assets, property, plant and equipment, other non current assets (excluding prepaid pension and other employee benefit costs) and current assets (excluding trading investments, available-for-sale investments, held-to-maturity investments and cash and cash equivalents).

(3) Segmental 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 segmental assets minus segmental liabilities. The decrease in the capital employed from 31 March 2005 to 31 March 2006 is partly explained by the reclassification in the Transport sector of assets and liabilities attributable to leases of trains and associated equipment from other non current assets at 31 March 2005 (included in the definition of capital employed) to assets held for sale and liabilities associated at 31 March 2006 (excluded from the definition of capital employed).

At 31 March 2005

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimination	Total
Sales	4,777	3,116	5,124	828	(925)	12,920
Inter sector elimination	(587)	(284)	(24)	(30)	925	-
Total Sales	**4,190**	**2,832**	**5,100**	**798**	**-**	**12,920**
Income from operations	**(107)**	**412**	**218**	**(52)**	**-**	**471**
Loss before interest and taxes	**(331)**	**365**	**145**	**(230)**	**-**	**(51)**
Financial income (expenses)						(381)
Income tax						(163)
Share in net income of equity investments						-
Net loss from continuing operations						**(595)**
Net loss from discontinued operations						**(32)**
NET LOSS						**(627)**
Segmental assets (2)	**4,727**	**4,028**	**4,900**	**2,426**	**-**	**16,081**
Deferred taxes (assets)						1,207
Prepaid pension and other employee benefit costs						374
Current financial assets						1,419
TOTAL ASSETS						**19,081**
Segmental liabilities (3)	**5,166**	**2,153**	**3,968**	**1,545**	**-**	**12,832**
Deferred taxes (liabilities)						59
Accrued pension and other employee benefit costs						824
Financial debt						3,767
Total equity						1,466
Bonds reimbursable with shares						133
TOTAL LIABILITIES						**19,081**
Capital employed (4)	**(439)**	**1,875**	**932**	**881**	**-**	**3,249**
Capital expenditure	**88**	**24**	**85**	**58**	**-**	**255**
Depreciation and amortisation in EBIT	**135**	**69**	**172**	**76**	**-**	**452**

(1) Corporate & Other includes all units bearing Corporate costs, the Group International Network and overseas entities in Australia, New Zealand and India that are not allocated to sectors and Power Conversion which was sold during the year ended 31 March 2006. In accordance with IFRS 5, Marine operations have been retrospectively classified as discontinued operations in the income statement for the year ended 31 March 2005 whereas the presentation of the associated assets and liabilities in the balance sheet at 31 March 2005 remains unchanged (see Note 4 – b).

(2) Segmental assets are defined as the closing position of goodwill, intangible assets, net, property, plant and equipment, net, other non current assets, net (excluding prepaid pension and other employee benefit costs) and current assets, net (excluding trading investments, available-for-sale investments, held-to-maturity investments and cash and cash equivalents).

(3) Segmental 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 segmental assets *minus* segmental liabilities.

b) Geographical data

Sales by country of destination and capital expenditure by country

Year ended 31 March 2007

(in € million)	**Sales by country of destination**	**Capital Expenditure *(*)***	
		Tangible	**Intangible *(2)***
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**

(*) Excluding €115 million of capitalisation of development costs (see Note 7), capital expenditure amounts to €280 million

Year ended 31 March 2006

(in € million)	**Sales by country of destination**	**Capital Expenditure**	
		Tangible	**Intangible *(2)***
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**

Year ended 31 March 2005

(in € million)	**Sales by country of destination**	**Capital Expenditure**	
		Tangible	**Intangible *(2)***
Euro Zone *(1)*	4,559	83	34
Rest of Europe	2,227	49	50
North America	1,945	14	-
South & Central America	534	3	-
Asia & Pacific	2,465	19	-
Middle East & Africa	1,190	3	-
Total Group	**12,920**	**171**	**84**

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

(2) Including development costs.

Note 7 – Research and development expenditure

(in € million)	Year ended 31 March 2007	2006	2005
Research and development expenditure	**(456)**	**(364)**	**(405)**
of which			
- Capitalisation of developments costs (see Note 13 - b)	115	87	70
- Amortisation of development costs (See Note 13 - b)	(72)	(43)	(83)
- Amortisation of acquired technology	(59)	(59)	(59)
Research and development expenditure before capitalisation and amortisation	**(440)**	**(349)**	**(333)**

Note 8 – Other income and other expenses

(in € million)	Year ended 31 March 2007	2006	2005
Capital gains on disposal of investments/activities (1)	11	221	59
Capital gains on disposal of intangible and tangible assets	-	12	8
Other	7	-	-
Other income	**18**	**233**	**67**
Capital losses on disposal of investments/activities (1)	(98)	(89)	(101)
Capital losses on disposal of intangible and tangible assets	(1)	-	-
Restructuring costs (2)	(68)	(80)	(350)
Pension and other employee benefit costs (3)	(72)	(61)	(47)
Other	(9)	(22)	(91)
Other expenses	**(248)**	**(252)**	**(589)**

(1) In the year ended 31 March 2007, capital losses mainly originate 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 include 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).

In the year ended 31 March 2006, capital gains mainly relate to the disposal of Transport activities in Australia and New Zealand, the sale of the Power Conversion activities and the sale of the Industrial Boilers Business in Australia. Capital losses relate to the disposal of former T&D Indian units and the FlowSystems business. They also include costs incurred or accruals and claim adjustments on past disposals.

In the year ended 31 March 2005, capital gains include the gains on disposal of activities including the freight locomotive business in Spain. Losses on disposal include costs and provisions on guarantees, claims and price adjustments on past disposals.

(2) In the years ended 31 March 2007 and 31 March 2006, restructuring costs mainly relate to plans implemented in Europe in the Transport Sector. A €7 million asset write-off was included for the year ended 31 March 2006 but none was recorded for the year ended 31 March 2007.
In the year ended 31 March 2005, the restructuring costs correspond to costs accrued for a net amount of €335 million relating to the downsizing of activities including closure of plants or activities and headcount reduction mainly in the Power Systems and Transport Sectors, and an asset write-off of €15 million.

(3) Amortisation of actuarial gains and losses and unrecognised prior service cost, plus curtailments and settlements - See Note 26.

Note 9 – Financial income (expenses)

(in € million)	Year ended 31 March 2007	2006	2005
Net interest expenses (1)	(75)	(122)	(198)
Securitisation expenses	-	(7)	(19)
Foreign currency gains (losses)	(14)	30	(23)
Pension and other employee benefit costs (see Note 26)	(8)	(15)	(16)
Other financial income (expenses) (2)	(14)	(108)	(125)
Financial income (expenses)	**(111)**	**(222)**	**(381)**

(1) Of which interests related to obligations under finances leases of €9 million, €14 million and €13 million for the years ended 31 March 2007, 31 March 2006 and 31 March 2005, respectively.

(2) Other financial income (expenses) include fees and commitment fees paid on guarantees, syndicated loans and other financing facilities of €11 million, €75 million and €105 million for the years ended 31 March 2007, 31 March 2006 and 31 March 2005, respectively.

Note 10 – Taxation

(a) Analysis by nature

(in € million)	Year ended 31 March 2007	2006	2005
Current income tax charge	(168)	(155)	(18)
Deferred income tax (charge) credit	23	30	(145)
Income tax charge	**(145)**	**(125)**	**(163)**
Effective tax rate	**24.8%**	**40.7%**	**-**

(b) Effective income tax rate

The effective income tax rate can be analysed as follows:

(in € million)	Year ended 31 March 2007	%	2006	%	2005
Pre-tax income (loss) from continuing operations	**616**		**505**		**(432)**
Pre-tax loss from discontinued operations	**(32)**		**(198)**		**(32)**
Statutory income tax rate of the parent company	34.43%		34.43%		34.93%
Expected tax (charge) credit	**(201)**	34.4	**(106)**	34.4	**162**
Impact of :					
- difference in rate of taxation	62	(10.6)	45	(14.6)	13
- reduced taxation of capital gain and disposal effects	(50)	8.6	-	-	(23)
- non recognition of deferred tax assets and change in estimate of tax assets and liabilities	111	(19.0)	(18)	5.9	(228)
- tax rate change impact on net deferred tax asset opening balance	(6)	1.0	(14)	4.6	-
- other permanent differences	(61)	10.4	(32)	10.4	(87)
Income tax charge	**(145)**		**(125)**		**(163)**
Effective tax rate	**24.8%**	24.8	**40.7%**	40.7	**-**

The Group consolidates most of its country operations for tax purposes, in particular in France, the United Kingdom, the United States and Germany.

(c) Deferred taxation

The deferred tax assets and liabilities can be broken down as follows:

(in € million)	At 1 April 2005 (*)	At 31 March 2006	Deferred income tax (charge) credit	Changes in scope of consolidation	Translation Adjustments and other changes	At 31 March 2007
Differences between carrying amount and tax basis of tangible assets	78	82	11	-	-	93
Differences between carrying amount and tax basis of intangible assets	343	314	(35)	-	(7)	272
Profit sharing, annual leave, pension and other employee benefit costs accruals not yet deductible	109	102	3	-	(4)	101
Provisions and other expenses not yet deductible	537	616	85	-	3	704
Tax loss carry forwards	1,504	1,475	105	(3)	(22)	1,555
Other	121	207	(78)	-	(9)	120
Total gross deferred tax assets	**2,692**	**2,796**	**91**	**(3)**	**(39)**	**2,845**
Unrecognised deferred tax assets	**(920)**	**(919)**	**(32)**	**-**	**25**	**(926)**
Netting by tax grouping or by legal entity	**(568)**	**(628)**	**(11)**	**-**	**-**	**(639)**
Deferred tax assets	**1,204**	**1,249**	**48**	**(3)**	**(14)**	**1,280**
Gross deferred tax liabilities	**(627)**	**(667)**	**(36)**	**-**	**17**	**(686)**
Netting by tax grouping or by legal entity	**568**	**628**	**11**	**-**	**-**	**639**
Deferred tax liabilities	**(59)**	**(39)**	**(25)**	**-**	**17**	**(47)**
Net deferred tax assets	**1,145**	**1,210**	**23**	**(3)**	**3**	**1,233**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

The Group is satisfied as to the recoverability of deferred tax assets, net at 31 March 2007 of €1,233 million, 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 its net tax loss carry forwards and other net timing differences over a period of four to twelve years, this reflecting the long-term nature of the Group's operations.

The detail of bases of tax loss carry forwards by maturity is as follows:

		At 31 March		
(in € million)		**2007**	**2006**	**2005**
Expiring within	1 year	43	24	36
	2 years	128	33	26
	3 years	127	184	34
	4 years	71	218	182
	5 years and more	1,049	1,080	1,532
	Not subject to expiry	3,139	2,730	2,679
Total		**4,557**	**4,269**	**4,489**

The basis of tax loss carry forwards after valuation allowance amounts to €2,062 million at 31 March 2007 (€1,720 million at 31 March 2006); of this amount €622 million (€783 million at 31 March 2006) expire within 15 years and €1,440 million (€937 million at 31 March 2006) are not subject to expiry.

The significant losses incurred between April 2002 and March 2005 have led to a detailed review of the deferred tax assets by jurisdiction. This review took into account current and past performance, length of carry back, carry forwards and expiry periods, existing contracts in the order book, budget and three-year plan. This review led to a valuation allowance on deferred tax assets of €926 million at 31 March 2007 (€919 million at 31 March 2006 and €920 million at 31 March 2005). Most of deferred tax assets currently subject to valuation allowance remain available to be utilised in the future.

Note 11 – Discontinued operations

Operations of the Marine sector have been classified as discontinued operations in the years ended 31 March 2007 and 31 March 2006 and retrospectively in the year ended 31 March 2005. They are analysed as follows:

	Year ended 31 March		
(in € million)	**2007**	**2006**	**2005**
Sales	**417**	**439**	**607**
Loss from operations	**(38)**	**(15)**	**(104)**
Other income (expenses)	6	(187)	89
Loss before interest and taxes	**(32)**	**(202)**	**(15)**
Net loss (1)	**(32)**	**(198)**	**(32)**

(1) Related income tax effects have not been presented as discontinued operations since companies included in the former Marine Sector are part of the French tax grouping.

The consequences of the Marine Sector's disposal were recorded at 31 March 2006. The losses recorded over the fiscal year ending 31 March 2007 are related to the three LNG tankers, the contracts of which were not part of the sale to the buyer and were finalised over the period (see Note 30).

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

	Year ended 31 March		
(in € million)	**2007**	**2006**	**2005**
Net cash used in operating activities	(90)	(199)	(204)
Net cash provided by (used in) investing activities	(196)	84	(10)
Net cash provided by (used in) financing activities	-	(103)	13
Net effect of exchange rate variations	-	(2)	3
Other changes	(2)	5	-
Decrease in cash and cash equivalents	**(288)**	**(215)**	**(198)**
Transfer to continued operations	**(29)**	**-**	**-**
Net cash (net debt) at the beginning of the period	**317**	**532**	**730**
Net cash (net debt) at the end of the period	**-**	**317**	**532**

For the year ended 31 March 2007, the €196 million net cash used in investing activities are the consequence of the disposal of Marine activities.

Note 12 – Earnings per share

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to Group shares is based on the following data:

	Year ended 31 March		
	2007	**2006**	**2005** ***(*)***
Earnings ***(in € million)***			
Net profit (loss) - Group share	**448**	**178**	**(628)**
Financial interests related to bonds reimbursable with shares, net of tax	(2)	1	-
Earnings used to calculate basic and diluted earnings per share	**446**	**179**	**(628)**
Number of shares			
Weighted average number of ordinary shares, including bonds reimbursable with shares to be converted, for the purposes of basic earnings per share	**140,428,778**	**140,401,599**	**108,978,200**
Effect of other dilutive potential ordinary shares:			
- Stock options (1)	2,664,400	1,434,534	-
- Free shares (2)	600,000	225,000	-
Weighted average number of ordinary shares used to calculate diluted earnings per share	**143,693,178**	**142,061,133**	**108,978,200**

(*) Restated in accordance with IFRS, with the exception of IAS 32/39 and IFRS 5 applied from 1 April 2005 (see Note 4-b)

(1) Stock options used to calculate the diluted earnings per share only relate to plans 7, 8 and 9 at 31 March 2007 (see Note 24), the other plans being out of the money.

(2) Prorata temporis as at 31 March 2006 (see Note 24 (f)).

(b) From continuing operations

(in € million)	Year ended 31 March 2007	2006	2005 (*)
Earnings used to calculate basic and diluted earnings per share	446	179	(628)
Less: loss for the period from discontinued operations	32	198	32
Earnings used to calculate basic and diluted earnings per share from continuing operations	**478**	**377**	**(596)**

(*) Restated in accordance with IFRS, with the exception of IAS 32/39 and IFRS 5 applied from 1 April 2005 (see Note 4-b)

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

(c) From discontinued operations

Based on the loss from discontinued operations of €32 million (€198 million and €32 million for the years ended 31 March 2006 and 31 March 2005, respectively) and the denominators detailed above, basic earnings per share for discontinued operations for the year ended 31 March 2007 is €(0.23) per share (€(1.41) and €(0.29) per share for the years ended 31 March 2006 and 31 March 2005, respectively) and diluted earnings per share for the discontinued operations is €(0.22) per share (€(1.39) and €(0.29) per share for the years ended 31 March 2006 and 31 March 2005 respectively).

Note 13 – Goodwill and intangible assets

(a) Goodwill

(in € million)	Net value at 31 March 2006	Acquisitions/ disposals	Impairment	Translation adjustments and other changes	Transfer to assets held for sale	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**	**192**	**-**	**(5)**	**-**	**3,510**
of which						
Gross value	3,323	192	-	(5)	-	3,510
Impairment	-	-	-	-	-	-

(in € million)	Net value at 31 March 2005	Acquisitions/ disposals	Impairment	Translation adjustments and other changes	Transfer to assets held for sale	Net value at 31 March 2006
Power Systems	818	(14)	-	-	-	804
Power Service	1,991	1	-	-	-	1,992
Transport	526	(3)	-	4	-	527
Marine	2	-	(2)	-	-	-
Power Conversion	80	(80)	-	-	-	-
Goodwill	**3,417**	**(96)**	**(2)**	**4**	**-**	**3,323**
of which						
Gross value	3,417	(96)	-	4	(2)	3,323
Impairment	-	-	(2)	-	2	-

Increase of goodwill shown as acquisition relates mainly to the Power Service Sector acquisition of assets and liabilities of Power Systems Manufacturing on 22 March 2007. This goodwill amounts to € 153 million and is the result of the preliminary allocation of the purchase price upon acquisition. Valuation of identifiable assets acquired and liabilities assumed will be taken into account during the allocation period (12 months from the acquisition date).

At 31 March 2007, 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 2007 (in € million)	803	2 184	523
Value elected as representative of the recoverable value of the CGU *(1)*	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 2007	2.00%	2.00%	2.00%
Long term growth rate at 31 March 2006	2.00%	2.00%	2.00%
Long term growth rate at 31 March 2005	1.50%	1.50%	1.50%
After tax discount rate at 31 March 2007 *(2)*	9.00%	9.00%	8.50%
After tax discount rate at 31 March 2006 *(2)*	8.50%	8.50%	8.50%
After tax discount rate at 31 March 2005 *(2)*	9.50%	9.50%	9.50%

(1) Cash generating units

(2) 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 2006 and 31 March 2005, no impairment loss would have had to be recognised.

At 31 March 2006, goodwill of the Marine sector had been classified as assets held for sale (see Note 30).

(b) Intangible assets

(in € million)	At 31 March 2006	Acquisitions / disposals / amortisation	Translation adjustments and other changes	Transfer from assets held for sale	At 31 March 2007
Development costs	510	115	(4)	-	621
Acquired technology	1,157	-	(3)	-	1,154
Other intangible assets	64	7	24	6	101
Gross value	**1,731**	**122**	**17**	**6**	**1,876**
Development costs	(175)	(72)	-	-	(247)
Acquired technology	(326)	(59)	2	-	(383)
Other intangible assets	(33)	(1)	(16)	(5)	(55)
Accumulated amortisation and impairment	**(534)**	**(132)**	**(14)**	**(5)**	**(685)**
Development costs	335	43	(4)	-	374
Acquired technology	831	(59)	(1)	-	771
Other intangible assets	31	6	8	1	46
Net value	**1,197**	**(10)**	**3**	**1**	**1,191**

(in € million)	At 31 March 2005	Acquisitions / disposals / amortisation	Translation adjustments and other changes	Transfer to assets held for sale	At 31 March 2006
Development costs	436	87	(13)	-	510
Acquired technology	1,160	-	(3)	-	1,157
Other intangible assets	59	6	5	(6)	64
Gross value	**1,655**	**93**	**(11)**	**(6)**	**1,731**
Development costs	(135)	(43)	3	-	(175)
Acquired technology	(269)	(59)	2	-	(326)
Other intangible assets	(29)	(7)	(2)	5	(33)
Accumulated amortisation and impairment	**(433)**	**(109)**	**3**	**5**	**(534)**
Development costs	301	44	(10)	-	335
Acquired technology	891	(59)	(1)	-	831
Other intangible assets	30	(1)	3	(1)	31
Net value	**1,222**	**(16)**	**(8)**	**(1)**	**1,197**

Acquired intangible assets mainly result from the allocation of the cost of the acquisition of ABB ALSTOM Power in 1999 and 2000. They are representative of technology and licensing agreements.

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

Note 14 – Property, plant and equipment

(in € million)	At 31 March 2006	Acquisitions/ depreciation/ impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	Transfer from assets held for sale	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
Tools, furniture, fixtures and other	551	128	(35)	6	(44)	-	606
Gross value	**3,735**	**267**	**(216)**	**(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)
Tools, furniture, fixtures and other	(382)	(42)	29	3	8	-	(384)
Accumulated depreciation and impairment	**(2,374)**	**(211)**	**195**	**15**	**55**	**-**	**(2,320)**
Land	108	-	(9)	2	14	-	115
Buildings	646	(28)	(30)	4	(21)	-	571
Machinery and equipment	438	(2)	24	(4)	5	-	461
Tools, furniture, fixtures and other	169	86	(6)	9	(35)	-	223
Net value	**1,361**	**56**	**(21)**	**11**	**(37)**	**-**	**1,370**

(in € million)	At 31 March 2005	Acquisitions/ depreciation/ impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	Transfer to assets held for sale	At 31 March 2006
Land	146	-	(20)	(7)	-	(6)	113
Buildings	1,390	23	(53)	(47)	8	(148)	1,173
Machinery and equipment	2,248	99	(237)	(89)	(22)	(101)	1,898
Tools, furniture, fixtures and other	695	90	(177)	(47)	13	(23)	551
Gross value	**4,479**	**212**	**(487)**	**(190)**	**(1)**	**(278)**	**3,735**
Land	(9)	(10)	1	-	7	6	(5)
Buildings	(599)	(119)	37	18	(7)	143	(527)
Machinery and equipment	(1,718)	(170)	228	72	31	97	(1,460)
Tools, furniture, fixtures and other	(446)	(58)	82	36	(17)	21	(382)
Accumulated depreciation and impairment	**(2,772)**	**(357)**	**348**	**126**	**14**	**267**	**(2,374)**
Land	137	(10)	(19)	(7)	7	-	108
Buildings	791	(96)	(16)	(29)	1	(5)	646
Machinery and equipment	530	(71)	(9)	(17)	9	(4)	438
Tools, furniture, fixtures and other	249	32	(95)	(11)	(4)	(2)	169
Net value	**1,707**	**(145)**	**(139)**	**(64)**	**13**	**(11)**	**1,361**

The amounts of tangible assets held under finance leases and included in the above data are as follows:

(in € million)	At 31 March 2007	2006	2005
Land	13	-	2
Buildings	123	169	199
Machinery and equipment	17	22	36
Tools, furniture, fixtures and other	15	18	24
Net value of tangible assets held under finance leases	**168**	**209**	**261**

Note 15 – Associates and other investments

(a) Associates

(in € million)	At 31 March 2007	2006	2005
Termoeléctrica del Golfo and Termoeléctrica Peñoles	-	66	66
Other	4	4	4
Total	**4**	**70**	**70**

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) Other investments

(in € million)	At 31 March 2007			2006	2005	2007 % interest
	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%
Ballard Power Systems Inc (2)	-	-	-	-	7	-
Birecik Baraj ve Hidroelektrik Santrali Tesis ve Isletme AS (3)	-	-	-	-	15	-
Other (4)	42	(28)	14	13	10	-
Total	**58**	**(28)**	**30**	**29**	**48**	

(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) During the fiscal year ended 31 March 2006, the Group disposed of its 1.8% shareholding in Ballard. At 31 March 2005, the interests in Ballard Power Systems Inc were depreciated to align with the stock price on the Toronto Stock Exchange.

(3) During the fiscal year ended 31 March 2005, the Group signed a sale agreement for its 13.6% shareholding in Birecik Baraj ve Hidroelektrik Santrali Tesis ve Isletme AS for a consideration close to the net book value but subject to the obtaining of approvals from external parties. These approvals were obtained subsequent to 31 March 2005.

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

Information on the main other investments at 31 March 2007 is based on the most recent financial statements available and is the following:

(in € million)	Net income	Share in Net Equity
Tramvia Metropolita SA	4	8
Tramvia Metropolita del Besos	2	9

Note 16 – Other non-current assets

	At 31 March		At 1 April
(in € million)	2007	2006	2005 *(*)*
Deposits securing the Bonding Guarantee Facility (1)	-	700	700
Other long-term loans and deposits (2)	132	91	129
Prepaid pension and other employee benefit costs (see Note 26)	422	387	374
Financial non-current assets associated to financial debt (3)	654	-	-
Other	37	72	87
Other non-current assets	**1,245**	**1,250**	**1,290**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

(1) It corresponds to a cash deposit made by the Group with a 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.

(2) Including earn-out accounted for €60 million related to the sale of Marine Sector to Aker Yards at 31 March 2007 (see Note 5).

(3) At 31 March 2007, these non-current assets relate to receivables (€628 million) and deposits (€26 million) of long-term rental trains and associated equipment to a London metro operator. At 31 March 2006 and 1 April 2005, these non-current assets were considered as a group of assets held for sale (see Notes 30).

Note 17 – Inventories

(in € million)	At 31 March 2007	2006	2005
Raw materials and supplies	663	582	629
Work in progress	1,291	1,134	1,154
Finished products	116	47	69
Inventories, gross	**2,070**	**1,763**	**1,852**
Valuation allowance	(300)	(275)	(198)
Inventories	**1,770**	**1,488**	**1,654**

Note 18 – Construction contracts in progress

(in € million)	At 31 March 2007	2006	At 1 April 2005 *(*)*
Construction contracts in progress, assets	2,858	2,229	2,601
Construction contracts in progress, liabilities	(7,239)	(5,401)	(5,520)
Construction contracts in progress	**(4,381)**	**(3,172)**	**(2,919)**

(in € million)	At 31 March 2007	2006	At 1 April 2005 *(*)*
Contract costs incurred *plus* recognised profits *less* recognised losses to date	35,197	32,593	33,968
Less progress billings	(37,084)	(33,640)	(34,994)
Construction contracts in progress before down payments received from customers	**(1,887)**	**(1,047)**	**(1,026)**
Down payments received from customers	(2,494)	(2,125)	(1,893)
Construction contracts in progress	**(4,381)**	**(3,172)**	**(2,919)**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

Note 19 – Trade receivables

	At 31 March		At 1 April
(in € million)	**2007**	**2006**	**2005 (*)**
Trade receivables, gross	2,965	2,369	2,463
Valuation allowance	(79)	(78)	(140)
Trade receivables	**2,886**	**2,291**	**2,323**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

Trade receivables include retentions for an amount of €217 million at 31 March 2007 (€163 million at 31 March 2006).

Note 20 – Other current assets related to operating activities

	At 31 March		At 1 April
(in € million)	**2007**	**2006**	**2005 (*)**
Down payments made to suppliers	385	360	339
Corporate income tax	57	122	108
Other tax	409	335	298
Prepaid expenses	85	127	171
Other receivables	308	312	399
Derivatives relating to operating activities	157	135	264
Remeasurement of off balance sheet commitments	93	63	40
Other current assets related to operating activities	**1,494**	**1,454**	**1,619**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

Note 21 – Marketable securities and other current financial assets

	At 31 March		At 1 April
(in € million)	**2007**	**2006**	**2005 (*)**
Derivatives related to financing activities	4	-	-
Marketable securities	175	-	-
Available-for-sale investments	-	16	13
Held-to-maturity securities	18	6	13
Marketable securities and other current financial assets	**197**	**22**	**26**

Marketable securities of €175 million have a daily liquidity. They correspond to the €175 million increase in marketable securities and other current financial assets in the consolidated statement of cash flows for the period ended 31 March 2007.

Note 22 – Working capital

(in € million)	At 31 March 2007	2006	Variation	At 1 April 2005 (*)
Inventories	1,770	1,488	282	1,654
Construction contracts in progress, assets	2,858	2,229	629	2,601
Trade receivables	2,886	2,291	595	2,323
Other current assets related to operating activities	1,494	1,454	40	1,619
Assets	**9,008**	**7,462**	**1,546**	**8,197**
Non-current provisions	549	581	(32)	680
Current provisions	1,512	1,539	(27)	1,642
Contruction contracts in progress, liabilities	7,239	5,401	1,838	5,520
Trade payables	2,976	2,872	104	3,316
Other current liabilities	1,814	1,630	184	1,880
Liabilities	**14,090**	**12,023**	**2,067**	**13,038**
Net working capital	**(5,082)**	**(4,561)**	**(521)**	**(4,841)**

Net working capital at 31 March 2006	**(4,561)**
Changes in net working capital resulting from operating activities (**)	(524)
Changes in net working capital resulting from disposals of activities (***)	(44)
Translation adjustments and other changes	47
Total changes in net working capital	**(521)**
Net working capital at 31 March 2007	**(5,082)**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)
(**) See changes in net working capital in the consolidated statement of cash flows
(***) Items of working capital included in cash proceeds from sale of investments in the consolidated statement of cash flows

Note 23 – Equity

At 31 March 2007

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Translation adjustments	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 31 March 2006	**138,170,776**	**1,934**	**368**	**(549)**	**29**	**1,782**	**58**	**1,840**
Total income and expense recognised in equity	-	-	-	-	(12)	(12)	(2)	(14)
Net income (loss) for the period	-	-	-	448	-	448	(9)	439
Total recognised income and expense	-	-	-	448	(12)	436	(11)	425
Conversion of ORA	444,925	6	(2)	(8)	-	(4)	-	(4)
Change in scope and other	-	-	-	-	-	-	1	1
Dividend paid to minority interests	-	-	-	-	-	-	(6)	(6)
Share-based payments	1,500	-	-	15	-	15	-	15
At 31 March 2007	**138,617,201**	**1,940**	**366**	**(94)**	**17**	**2,229**	**42**	**2,271**

At 31 March 2007, the share capital of ALSTOM amounted to €1,940,640,814, consisting of 138,617,201 ordinary shares with a par value of €14 each. For the year ended 31 March 2007, the weighted average number of ordinary shares outstanding amounted to 140,428,778 and the weighted average number of ordinary and dilutive shares stood at 143,693,178.
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 represents 1,785,919 shares to be issued.

At 31 March 2006

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Translation adjustments	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**
Total income and expense recognised in equity	-	-	-	-	49	49	3	52
Net income (loss) for the period	-	-	-	178	-	178	3	181
Total recognised income and expense	-	-	-	178	49	227	6	233
Conversion of ORA	1,121,044	10	(10)	-	-	-	-	-
Consolidation of shares	(5,360,161,677)	-	-	-	-	-	-	-
Change in scope	-	-	-	-	-	-	(16)	(16)
Share-based payments	-	-	-	40	-	40	-	40
At 31 March 2006	**138,170,776**	**1,934**	**368**	**(549)**	**29**	**1,782**	**58**	**1,840**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4-b)

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.

At 31 March 2005

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Translation adjustments	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 1 April 2004	**1,056,657,572**	**1,321**	**64**	**(1,383)**	**-**	**2**	**66**	**68**
Total income and expense recognised in equity	-	-	-	-	(20)	(20)	1	(19)
Net income (loss) for the period	-	-	-	(628)	-	(628)	1	(627)
Total recognised income and expense	-	-	-	(628)	(20)	(648)	2	(646)
Conversion of ORA	15,473,425	14	5	-	-	19	-	19
Conversion of TSDDRA	240,000,000	300	-	-	-	300	-	300
Capital decrease	-	(1,175)	(64)	1,239	-	-	-	-
Capital increase	4,185,080,412	1,464	261	-	-	1,725	-	1,725
Impact first application IAS 32/39	0	-	112	5	-	117	-	117
At 1 April 2005 *(*)*	**5,497,211,409**	**1,924**	**378**	**(767)**	**(20)**	**1,515**	**68**	**1,583**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4-b)

On 7 July 2004, following the European Commission's approval, the subordinated bonds reimbursable in shares "Titres Subordonnés à Durée Déterminée Remboursables en Actions" held by the French Republic were repaid into 240,000,000 new shares at a par value of €1.25.

The ALSTOM shareholders' equity at 31 March 2004 constituted less than 50% of its share capital. Therefore, in accordance with article L. 225-248 of the French Code de commerce, the shareholders were requested and agreed, at the Extraordinary General Shareholders' Meeting held on 9 July 2004 not to liquidate the company by anticipation. Further, it was decided to reduce ALSTOM's share capital, from €1,631,815,076.25 to €456,908,221.35. This reduction in the share capital was implemented through the reduction in the nominal value of one ALSTOM ordinary share from €1.25 per share to €0.35 per share

On 12 and 13 August 2004, two simultaneous capital increases were completed :

- A capital increase with preferential subscription rights to be subscribed either in cash or by set-off against certain of the Group outstanding debt was subscribed for a total amount of €1,508 million as follows:
  - €1,277 million amount consisting of 3,192,826,907 new shares issued at €0.40 having a par value of €0.35 subscribed in cash.
  - €231 million amount consisting of 462,438,861 new shares issued at €0.50 having a par value of €0.35, subscribed by set-off against debt.
- A second capital increase which was reserved for certain Group's creditors to be subscribed by set off against certain of our outstanding debts was subscribed for a total amount of €240 million consisting of 480,000,000 new shares issued at €0.50 having a par value of €0.35.

On 6 December 2004, a share capital increase reserved for the employees of the Group and consisting of 49,814,644 new shares issued at a par value of €0.35 was completed

During the year ended 31 March 2005, 14,112,541 bonds reimbursable in shares "Obligation Remboursables en Actions" were converted into shares initially on the basis of one share for one bond and, as from 16 August 2004, on the basis of the adjusted ratio of 1.2559 share for one bond, resulting in the issue of 15,473,425 new shares. The 94,618,915 bonds reimbursable in shares outstanding at 31 March 2005 represented 118 831 895 shares to be issued.

Note 24 – Share-based payments

(a) Detail of stock option plans

	Plan # 3	Plan # 5	Plan # 6	Plan # 7	Plan # 8	Plan # 9
Date of shareholders meeting	24 July 2001	24 July 2001	24 July 2001	9 July 2004	9 July 2004	9 July 2004
Grant date	24 July 2001	8 Jan. 2002	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006
Exercise price (1)	€ 1,320.00	€ 523.60	€ 240.00	€ 17.20	€ 35.75	€ 74.66
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
Expiry date	23 July 2009	7 Jan. 2010	6 Jan. 2011	16 Sept. 2014	26 Sept. 2015	26 Sept. 2016
Number of beneficiaries	1,703	1,653	5	1,007	1,030	1,053
Number of options initially granted	105,000	105,000	30,500	2,783,000	1,401,500	1,683,750
Number of options exercised since the origin	-	-	-	(1,000)	(500)	-
Number of options cancelled	(50,238)	(47,504)	-	(124,000)	(43,000)	(7,500)
Number of options forfeited	-	-	-	-	-	-
Adjusted number of remaining options at 31 March 2007 (2)	114,293	119,803	47,489	2,658,000	1,358,000	1,676,250
Number of shares that may be subscribed by the present members of the executive committee	3,105	4,229	46,709	517,500	265,000	320,000

(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) or the nominal value of the share when the average share price is lower.
(2) Plans n°3, 5 and 6 have been adjusted in compliance with French law as a result of the completion of the 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 and 9, granted between 2004 and 2006, become vested after a period of three years. The exercise period then covers seven years for each plan.

In plan 9, the total number of options effectively exercisable will depend on the level of the Group's operating margin for the financial year 2007/08.
- if the 2007/08 Group's operating margin is above 7.5%, 1,683,750 options will be exercisable;
- if the 2007/08 Group's operating margin is between 7% and 7.5%, 1,347,000 options will be exercisable;
- if the 2007/08 Group's operating margin is below 7%, 673,500 options will be exercisable.

Plan 7 was also 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% (percentage applicable to free cash flow and operating margin under IFRS standards). At 31 March 2006, these conditions were fulfilled. Below these thresholds, the conditional options would have been partially exercisable. They would have been forfeited if the free cash flow had been negative at more than € 500 million or if the operating margin had been below 5%.

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

	SARs # 7	SARs # 8	Notional SARs	SARs # 9
Grant date	1 Dec. 2004	18 Nov. 2005	16 Dec. 2005	28 Sept. 2006
Exercise price (1)	€ 17.20	€ 44.90	€ 35.75	€ 74.66
Vesting date	17 Sept. 2007	27 Sept. 2008	27 sept. 2008	28 Sept. 2009
Expiry date	1 April 2010	18 Nov. 2015	1 April 2011	28 Sept. 2016
Number of beneficiaries	114	120	120	134
Number of SARs initially granted	233,000	116,000	116,000	170,625
Additional grants	6,000	1,000	-	-
Number of SARs exercised since the origin	(5,000)	-	-	-
Number of SARs cancelled	(39,000)	(10,500)	(9,500)	(8,750)
Number of SARs forfeited	-	-	-	-
Number of remaining SARs at 31 March 2007	195,000	106,500	106,500	161,875
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	60% of the options granted depending on performance conditions based on the Group operating margin at 31 March 2008

(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) or the nominal value of the share when the average share price is lower.

In the SARs plan 9, the number of SARs effectively settled will depend on the level of the Group's operating margin for the financial year 2007/08:

- if the 2007/08 Group's operating margin is above 7.5%, 170,625 SARs will be exercisable;
- if the 2007/08 Group's operating margin is between 7% and 7.5%, 136,500 SARs will be exercisable;
- if the 2007/08 Group's operating margin is below 7%, 68,250 SARs will be exercisable.

Plan 7 SARs was subject to the same granting conditions as stock option plan 7.
When vested, plan 7 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.

(c) Movements in stock option plans and stock appreciation rights plans

- Stock option plans:

	Number of options	Weighted average exercise price per share in €
Outstanding at 1 April 2004	**321,389**	**506.00**
Granted	2,783,000	17.20
Exercised	-	-
Cancelled	(59,040)	286.80
Outstanding at 31 March 2005	**3,045,349**	**63.60**
Granted	1,401,500	35.75
Exercised	-	-
Cancelled	(76,906)	32.78
Outstanding at 31 March 2006	**4,369,943**	**55.17**
Granted	1,683,750	74.66
Exercised	(1,500)	23.38
Cancelled	(78,358)	94.83
Outstanding at 31 March 2007	**5,973,835**	**60.15**

As at 31 March 2007, 5,973,835 stock options are outstanding, of which 281,585 are exercisable (291,443 as at 31 March 2006).

- SARs plans:

	Number of SARs	Weighted average exercise price per share in €
Outstanding at 1 April 2004	**-**	**-**
Granted	239,000	17.20
Exercised	-	-
Cancelled	(5,000)	17.20
Outstanding at 31 March 2005	**234,000**	**17.20**
Granted	232,000	35.75
Exercised	(2,000)	17.20
Cancelled	(28,000)	21.15
Outstanding at 31 March 2006	**436,000**	**29.24**
Granted	171,625	74.66
Exercised	(3,000)	17.20
Cancelled	(34,750)	41.78
Outstanding at 31 March 2007	**569,875**	**42.17**

As at 31 March 2007, 569,875 SARs are outstanding, none of them yet exercisable.

(d) Valuation of stock option plans

In compliance with the transitional measures of IFRS 2 standard, only stock option plans granted after 7 November 2002 and not fully vested at 1 January 2005 are subject to a valuation, ie plans 6, 7, 8 and 9 only.

Share-based payment expense recorded in that respect amounts to €15 million for the year ended 31 March 2007 (€10 million for the year ended 31 March 2006 and €3 million for the year ended 31 March 2005).

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
Grant date	7 Jan. 2003	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006
End of vesting period	7 Jan. 2006	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009
Expected life of options	4 years	4 years	4 years	4 years
Exercise price (€)	154.40	17.20	35.75	74.66
Share price at grant date (€)	150.97	17.60	36.80	72.10
Volatility	51%	51%	34%	22%
Risk free interest rate	3.2%	3.0%	2.5%	3.5%
Average dividend yield (%)	0%	0.67%	1.33%	1.0%
Weighted average fair value (€)	63.76	7.32	10.33	12.9
Expense for the year ended 31 March 2007 (in € million)	-	7	5	3
Expense for the year ended 31 March 2006 (in € million)	1	7	2	-

(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 upon 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 €11 million for the year ended 31 March 2007 (€5 million for the year ended 31 March 2006 and €0.3 million for the year ended 31 March 2005). At 31 March 2007, liabilities related to these four SARs plans are recorded in the balance sheet for an amount of €17 million.

	SARs # 7	SARs # 8	Notional SARs (*)	SARs # 9
Grant date	1 Dec. 2004	18 Nov. 2005	27 Sept. 2005	28 Sept. 2006
End of vesting period	17 Sept. 2007	27 Sept. 2008	27 Sept. 2008	28 Sept. 2009
Expected life of SARs	4 years	4 years	4 years	4 years
Exercise price (€)	17.20	44.90	35.75	74.66
Share price at 31 March 2007 (€)	97.15	97.15	(*)	97.15
Share price at 31 March 2006 (€)	69.20	69.20	(*)	-
Volatility	22%	22%	22%	22%
Risk free interest rate	4.1%	4.1%	4.1%	4.0%
Average dividend yield (%)	1.0%	1.0%	1.0%	1.0%
Weighted average fair value (€)	79.4	54.4	8.0	32.5
Expense for the year ended 31 March 2007 (in € million)	8	2	-	1
Expense for the year ended 31 March 2006 (in € million)	5	-	-	-

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

(f) 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 was subject to two conditions: a Group's operating margin of at least 5% and a positive free cash flow. These conditions have been fulfilled at 31 March 2006 and this attribution confirmed by the Board of Directors.

For the year ended 31 March 2006, an expense of €40 million has therefore been recorded on the following basis:

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 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 portion to be settled in shares of €27 million has been recorded through equity. The remaining portion to be settled in cash and the social charges for the whole attribution of €13 million have been recorded in liabilities in the balance sheet.
At 31 March 2007, the free SARs have been revalued and cumulated liabilities recorded in the balance sheet amount to €17 million.

Note 25 - Provisions

(in € million)	At 31 March 2005	At 31 March 2006	Addition	Releases	Applied	Translation adjustments and other	At 31 March 2007
Warranties	602	538	209	(107)	(96)	(75)	469
Litigation and claims	1,040	1,001	607	(398)	(253)	86	1,043
Current provisions (1)	**1,642**	**1,539**	**816**	**(505)**	**(349)**	**11**	**1,512**
Tax risks and litigation	28	41	10	(5)	(2)	3	47
Restructuring (2)	440	262	76	(26)	(84)	(9)	219
Other non-current provisions	212	278	102	(59)	(41)	3	283
Non-current provisions	**680**	**581**	**188**	**(90)**	**(127)**	**(3)**	**549**
Total provisions	**2,322**	**2,120**	**1 004**	**(595)**	**(476)**	**8**	**2,061**

(1) Current provisions relate to warranties, litigations and claims on completed contracts.

(2) Relates to implementation of restructuring plans launched during previous fiscal years in order to improve operational performance and optimization of cost base. These plans are mainly located in Europe.

Note 26 – Pension and other employee benefits

Change in benefit obligations

	At 31 March		
(in € million)	2007	2006	2005
Benefit obligations at beginning of year	**(4,601)**	**(4,256)**	**(4,137)**
Service cost	(84)	(85)	(80)
Plan participant contributions	(26)	(27)	(29)
Interest cost	(208)	(215)	(217)
Plan amendments	(12)	-	(5)
Business combinations / disposals	10	(3)	(17)
Curtailments	3	27	17
Settlements	-	30	102
Actuarial gains (losses) - due to experience	(60)	(12)	(58)
Actuarial gains (losses) - due to changes in assumptions	42	(282)	(216)
Benefits paid	229	225	283
Foreign currency translation	29	(3)	101
Benefit obligations at end of year	**(4,678)**	**(4,601)**	**(4,256)**
Of which:			
Funded schemes	(4,251)	(3,702)	(3,362)
Unfunded schemes	(427)	(899)	(894)

Change in plan assets

	At 31 March					
(in € million)		2007		2006		2005
Fair value of plan assets at beginning of year		**3,168**		**2,827**		**2,800**
Actual return on assets		299		393		286
Expected return on assets	*200*		*200*		*200*	
Actuarial gains (losses) - due to experience	*99*		*193*		*86*	
Company contributions		433		112		99
Plan participant contributions		26		26		28
Business combinations /disposals		3		7		19
Settlements		-		(27)		(115)
Benefits paid from plan assets		(172)		(166)		(210)
Foreign currency translation		(15)		(4)		(80)
Fair value of plan assets at end of year		**3,742**		**3,168**		**2,827**

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

	At 31 March		
(in € million)	**2007**	**2006**	**2005**
Funded status of the plans	**(936)**	**(1,433)**	**(1,429)**
Unrecognised actuarial losses (gain)	898	1,050	1,009
Unrecognised past service cost	(24)	(24)	(30)
Impact of asset ceiling	(28)	(2)	-
Transfer to liabilities associated with assets held for sale	-	4	-
(Accrued) prepaid benefit cost after asset ceiling	**(90)**	**(405)**	**(450)**
Of which:			
Accrued pension and other employee benefit costs	**(512)**	**(792)**	**(824)**
Prepaid pension and other employee benefit costs (see Note 16)	**422**	**387**	**374**

Components of plan assets

	At 31 March					
(in € million)	**2007**	%	**2006**	%	**2005**	%
Equities	1,415	37.8	1,597	50.4	1,430	50.6
Bonds	1,909	51.0	1,175	37.1	1,032	36.5
Properties	322	8.6	257	8.1	246	8.7
Others	96	2.6	139	4.4	119	4.2
Total	**3,742**	100	**3,168**	100	**2,827**	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 2007, the plan assets do not include any of the Group's capital stock.

Assumptions (weighted average rates)

(in %)	Au 31 March 2007	2006	2005
Discount rate	4.90	4.72	5.09
Rate of compensation increase	3.18	2.68	2.97
Expected return on plan assets	6.22	6.46	7.07

Actuarial assumptions used vary by business unit and country, based upon local considerations.

Regarding the expected return on plan assets, the same basis has been applied in all countries where the Group has assets covering its pension liabilities. The expected return on plan assets 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 2007 and reduces thereafter to an ultimate rate of 5.6% from 2011 onwards.

A 100-basis point increase in assumed healthcare cost trend rates would lead to a 5.8% increase in the service cost and a 4.4% increase in the benefit obligation for post-employment medical schemes. On the contrary, a 100-basis point decrease would lead to a 4.6% decrease of the service cost and a 4.0% decrease in the benefit obligation for such schemes.

Analysis of actuarial gains (losses)

(in € million)	Au 31 March 2007	2006	2005
Actuarial gains (losses) created during the period:			
- due to changes in assumptions	42	(282)	(216)
- due to experience	39	181	28
Total	**81**	**(101)**	**(188)**

The following table shows the amounts of total benefit expense for each of the three years ended 31 March 2007:

(in € million)	Year ended 31 March 2007	2006	2005
Service cost	(84)	(85)	(80)
Interest cost	(208)	(215)	(217)
Expected return on plan assets	200	200	200
Amortisation of actuarial net gains (losses)	(66)	(68)	(57)
Amortisation of unrecognised past service cost	(7)	3	5
Impact of asset ceiling	-	(2)	-
Curtailments/settlements	1	6	4
Net benefit expense	**(164)**	**(161)**	**(145)**
Multi-employer contributions and defined contributions	(106)	(90)	(89)
Total benefit expense	**(270)**	**(251)**	**(234)**

Total cash spent in the year ended 31 March 2007 for defined benefit and defined contribution plans was €594 million (€261 million for the year-ended 31 March 2006), 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 2008 is approximately €260 million, of which €130 million of employer contributions with respect to defined benefits plans.

The breakdown of the benefit expense in the consolidated income statement is as follows:

	Year ended 31 March		
(in € million)	**2007**	**2006**	**2005**
Service cost	(84)	(85)	(80)
Multi-employer contributions and defined contributions	(106)	(90)	(89)
Income from operations	**(190)**	**(175)**	**(169)**
Amortisation of actuarial net gains (losses)	(66)	(68)	(57)
Amortisation of unrecognised past service cost	(7)	3	5
Impact of asset ceiling	-	(2)	-
Curtailments/settlements	1	6	4
Other expenses (1)	**(72)**	**(61)**	**(48)**
Interest cost	(208)	(215)	(217)
Expected return on plan assets	200	200	200
Financial income (expenses) (1)	**(8)**	**(15)**	**(17)**
Total benefit expense (2)	**(270)**	**(251)**	**(234)**

(1) For the year ended 31 March 2005, differences with employee benefit costs included in other expenses (see Note 8) and employee benefit costs included in financial expenses (see Note 9) relate to Marine activities, classified in discontinued operations.

(2) At 31 March 2007, excludes the net impact of €22 million related to the disposals of the UK train heavy renovation and Industrial Boiler Business in Germany classified in capital losses on disposal of investments/activities (see Note 8). At 31 March 2006, excludes the net impact of €19 million of curtailment related to the disposal of Power Conversion activities (see Note 8).

Note 27 – Financial debt

(a) Analysis by nature

(in € million)	At 31 March 2007	At 31 March 2006	At 1 April 2005 (*)
Redeemable preference shares (1)	-	-	205
Bonds reimbursable with shares (debt component)	3	5	10
Subordinated notes	-	5	5
Bonds (2)	1,677	2,189	1,194
Syndicated loans (3)	-	-	998
Bilateral loans	-	-	33
Commercial paper (4)	-	-	14
Future receivables securitised, net	-	-	49
Other borrowing facilities (5)	126	106	245
Commitments related to options and earn-out (6)	185	-	-
Derivatives relating to financing activities	7	-	-
Accrued interests	9	33	47
Borrowings	**2,007**	**2,338**	**2,800**
Non current	*1,922*	*2,018*	*2,355*
Current	*85*	*320*	*445*
Obligations under finance leases	187	217	268
Other obligations under long-term rental (7)	628	16	13
Obligations under finance leases	**815**	**233**	**281**
Non current	*775*	*193*	*243*
Current	*40*	*40*	*38*
Total financial debt	**2,822**	**2,571**	**3,081**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

(1) On 30 March 2001, a wholly-owned subsidiary of ALSTOM Holdings issued perpetual, cumulative, non voting, preference shares for a total amount of €205 million. The preference shares had no voting rights. They were not redeemable, except at the exclusive option of the issuer, in whole but not in part, on or after the 5th anniversary of the issuance date or at any time in case of certain limited specific pre-identified events. Included in these events were changes in tax laws and the issuance of share capital. In July 2002, a share capital issuance was made, triggering the contractual redemption of the preferred shares at 31 March 2006 at a price equal to their par value together with dividends accrued but not yet paid. At 31 March 2006, the €205 million of preferred shares were redeemed.

(2) At 31 March 2007, 31 March 2006 and 1 April 2005, remaining bonds, measured at amortised cost, are as follows:

Redemption date	31 March 2007	31 March 2006	1 April 2005
26 July 2006	-	226	231
28 July 2008	369	399	-
16 March 2009	527	595	-
3 March 2010	781	969	963
TOTAL	**1,677**	**2,189**	**1,194**

At 31 March 2007, the Group holds two swaps of €100 million each that exchange fixed rate to floating rate (see note 33) in order to swap 3 March 2010 bonds.
During the year ended 31 March 2007:

- €226 million of bonds were redeemed at maturity date;
- €200 million of bonds redeemable on 3 March 2010 have been bought back and cancelled,
- €70 million of bonds redeemable on 16 March 2009 have been bought back and cancelled,
- €30 million of bonds redeemable on 28 July 2008 have been bought back and cancelled.

During the year ended 31 March 2006, the Group issued:

- floating rate notes bearing a 2.20% above the 3-month Euribor coupon and redeemable at par in March 2009 for a nominal value of €600 million;
- floating rates notes bearing 0.85% above the 3-month Euribor coupon redeemable at par in July 2008 for a nominal value of €400 million.

(3) On 28 February 2006, a 2010 Revolving Credit Facility subject to the financial covenants described in Note 27 (b) has been signed for €700 million. On 22 March 2007, an amendment to the Revolving Credit Facility was signed for an increase of the amount to €1,000 million and a new maturity to 22 March 2012 with the possibility to extend the maturity to 22 March 2014. The full amount of €1,000 million is available for drawdown at 31 March 2007.

At 31 March 2006, the €700 million 2010 Revolving Credit Facility was totally available for drawdown while the subordinated debt facility and the multicurrency revolving facility syndicated in previous years had been cancelled and outstanding amounts fully repaid.

At 31 March 2005, the syndicated loans were as follows:

- 2008 Subordinated Debt Facility

  The Facility was signed on 30 September 2003 with a syndicate of banks and financial institutions for an initial amount up to €1,563 million comprising two parts:
    - "Tranche A" : term loan of €1,200 million fully drawn down at inception
    - "Tranche B": revolving credit facility of €363 million.

  Following the partial redemption of this loan into ALSTOM shares in August 2004, the nominal values of the term loan and of the credit facility were respectively reduced to € 1 039 million and € 281 million.
  At 1 April 2005, the outstanding portion of the loan " Tranche A" measured at amortised cost, amounted to € 998 million, while the full amount of the residual credit facility was available for drawdown.

- 2006 Multicurrency Revolving Credit Facility:
  This credit facility initially signed for an amount up to €1,110 million, had been subsequently reduced to € 704 million, due to a partial redemption into ALSTOM shares. At 31 March 2005, the residual credit facility was totally available for draw down.

(4) The total authorised commercial paper program was €2,500 million, its availability being subject to market conditions.
At 31 March 2007 and 31 March 2006, there is no outstanding amount on this programme.
At 31 March 2005, €14 million of commercial paper were outstanding on this programme.

(5) At 31 March 2005, other borrowing facilities included €94 million of borrowings borne by one special-purpose entity and which have been reimbursed in March 2006.

(6) At 31 March 2007, €185 million of commitments related to options and earn-out include a €153 million put option following the Hydro agreement. Such put option was granted in connection with the sale of 50 % Hydro activities to Bouygues during fiscal year ended 31 March 2007 (see Note 5).

(7) At 31 March 2007, the amount of €628 million relates to lease obligations on trains and associate equipment that are no longer classified as liabilities directly associated with assets held for sale (see Note 30).

Analysis of the fair value by nature

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.

	At 31 March		At 1 April
(in € million)	**2007**	**2006**	**2005 (*)**
Redeemable preference shares	-	-	210
Bonds reimbursable with shares (debt component)	3	5	10
Subordinated notes	-	5	5
Bonds	1,758	2,299	1,244
Syndicated loans	-	-	1,044
Bilateral loans	-	-	33
Commercial paper	-	-	14
Future receivables securitised, net	-	-	49
Commitments related to options and earn-out	185	-	-
Derivatives relating to financing activities	7	-	-
Other borrowing facilities	126	106	245
Accrued interests	9	33	47
Fair value of financial debt, excluding fair value of finance leases	**2,088**	**2,448**	**2,901**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

(b) Financial covenants

At 31 March 2007, the €1,000 million revolving credit facility is subject to the following financial covenants:

Covenants	**Minimum Interest Cover**	**Minimum Consolidated net worth**	**Maximum Net debt leverage**
	(a)	**(b)** *(in € million)*	**(c)**
From March 2007 to September 2013	3	1,360	3.6

(a) Ratio of EBITDA (see (d) below) to consolidated net financial expense (interest expenses including securitisation expenses less interest income but excluding interest related to obligation under finance lease, pension and other employee benefit interest cost and the consolidated net financial expense of special purpose entities which were not consolidated subsidiaries as of 31 March 2004). The interest cover at 31 March 2007 amounts to 17.7.

(b) Sum of total equity (excluding the cumulative impact of any deferred tax asset impairments arising after 31 March 2004) and of the debt component of Bonds Reimbursable with Shares "ORA" (this covenant will not apply if and as long as the Group's rating is Investment Grade). The consolidated net worth at 31 March 2007 to compare with the covenant above is €2,468 million.

(c) Ratio of total net debt (total financial debt excluding the finance lease obligations less short-term investments or trading investments and cash and cash equivalents) to EBITDA (see (d) below). The net debt leverage as at 31 March 2007 is 0.

(d) Earnings Before Interest and Tax plus Depreciation and Amortisation, less capital gains and losses on disposal of investments, as set out in Consolidated Statements of Cash Flows.

(c) Analysis by maturity and interest rate

Amounts presented below are based on the nominal values except for derivatives presented at fair value.

At 31 March 2007 *(in € million)*	**Total**	**Short term** within 1 year	**Long term** 1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Bonds reimbursable with shares	3	-	3	-	-	-	-
Bonds	1,700	-	900	800	-	-	-
Other borrowing facilities	125	69	23	5	12	3	13
Commitments related to options	185	-	-	185	-	-	-
Derivatives relating to financing activities	7	7	-	-	-	-	-
Accrued interests	9	9	-	-	-	-	-
Borrowings	**2,029**	**85**	**926**	**990**	**12**	**3**	**13**
Obligations under finance leases	815	40	43	46	47	53	586
Financial debt	**2,844**	**125**	**969**	**1 036**	**59**	**56**	**599**

At 31 March 2006 *(in € million)*	**Total**	**Short term** within 1 year	**Long term** 1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Bonds reimbursable with shares	5	-	-	5	-	-	-
Subordinated notes	5	5	-	-	-	-	-
Bonds	2,224	224	-	1,000	1,000	-	-
Other borrowing facilities	106	55	12	3	3	21	12
Accrued interests	33	33	-	-	-	-	-
Borrowings	**2,373**	**317**	**12**	**1,008**	**1,003**	**21**	**12**
Obligations under finance leases	233	40	22	20	18	17	116
Financial debt	**2,606**	**357**	**34**	**1,028**	**1,021**	**38**	**128**

The nominal and effective interest rates for the bonds are as follows:

At 31 March 2007		**Nominal interest rate**	**Effective interest rate**
Bonds			
	July 2008	Euribor 3M+ 0.9%	4.1%
	March 2009	Euribor 3M+ 2.2%	5.4%
	March 2010	6.3%	7.2%

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

	At 31 March		At 1 April
(in € million)	**2007**	**2006**	**2005 (*)**
Financial debt at fixed rate	1,895	1,565	1,656
Financial debt at floating rate	949	1,041	1,474
Financial debt	**2,844**	**2,606**	**3,130**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

(d) Analysis by currency

Amounts presented below are based on nominal values.

	At 31 March		At 1 April
(in € million)	**2007**	**2006**	**2005 (*)**
Euro	2,020	2,415	2,820
US Dollar	40	31	132
British Pound	647	43	47
Other currencies	137	117	131
Financial debt	**2,844**	**2,606**	**3,130**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

Note 28 – Other current liabilities

	At 31 March		At 1 April
(in € million)	**2007**	**2006**	**2005 (*)**
Staff and associated costs	652	602	663
Corporate income tax	105	146	107
Other taxes	248	169	213
Derivatives relating to operating activities	90	87	192
Remeasurement of off balance sheet commitments	193	159	148
Other	526	467	557
Other current liabilities	**1,814**	**1,630**	**1,880**

(*) Balance sheet at 1 April 2005 including the first time application of IAS 32-39 and IFRS 5 standards (see Note 4 – b)

Note 29 – Employee benefit expense and headcount

(in € million, except for headcount)	Year ended 31 March 2007	2006	2005
Total wages and salaries	2,778	2,668	2,723
Of which executive officers	*7*	*8*	*6*
Social charges	680	642	744
Post-employment and other long-term benefit expense (see Note 26)	269	251	234
Share-based payment expense (see Note 24)	30	54	3
Total employee benefit expense	**3,757**	**3,615**	**3,704**
Staff of consolidated companies			
Managers, Engineers and professionals	24,721	22,548	23,691
Other employees	41,848	42,690	45,903
Total Headcount	**66,569**	**65,238**	**69,594**

The information above includes the Marine sector for the years ended 31 March 2006 and 31 March 2005.

Note 30 – Assets held for sale and liabilities directly associated

At 1 April 2005, assets and liabilities attributable to leases of trains and associated equipment were classified as assets held for sale and liabilities directly associated and were presented separately in the balance sheet as they were expected to be sold within twelve months. Assets held for sale and liabilities directly associated amounted to €613 million at 31 March 2006.

At 31 March 2007, these assets are no longer classified as assets held for sale. The planned disposal of the entity carrying the obligations under the long-term rental agreement was not completed. Related liabilities (€628 million) are shown as financial debt (see Note 27) and associated assets (€628 million) included in other non-current assets (see Note 16).

At 31 March 2006, other groups of assets held for sale were related to 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 (see Note 11).
During fiscal year ended 31 March 2007, the sale was completed. Marine activities remain presented as discontinued operations for the full year.

At 31 March 2007, the 25% interest held by the Group is accounted for in investments. The remaining stake 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.

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

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

The operations of the Marine sector have been classified as discontinued operations for the year ended 31 March 2007, 31 March 2006 and retrospectively for the year ended 31 March 2005 (see Notes 4-b and 11).

Note 31 – Off balance sheet commitments and other obligations

a) Off balance sheet commitments

	At 31 March		
(in € million)	2007	2006	2005
Guarantees related to contracts (1) (*)	4,972	4,816	4,789
Guarantees related to vendor financing (2)	362	432	429
Commitments to purchase fixed assets	3	8	1
Other guarantees (**)	177	242	119
TOTAL	**5,514**	**5,498**	**5,338**

(*) The amount reported as at 31 March 2006 and as at 31 March 2005 included previously €2.7 billion of ABB parent company guarantee detailed here-below.

(**) 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.

(1) Guarantees related to contracts

<u>Banks and insurance companies bonds:</u>

In accordance with industry practice, the above instruments can, in the normal course, extend from the tender period up 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 are 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.

	At 31 March		
(in € million)	**2007**	**2006**	**2005**
Bid bonds	95	124	130
Performance bonds	3,967	3,569	3,353
Warranty/retention bonds	755	922	962
Other bank and insurance bonds	155	201	344
TOTAL	**4,972**	**4,816**	**4,789**

The above figures however exclude:

- €3.6 billion at 31 March 2007 (€4.3 billion at 31 March 2006 and €3.8 billion at 31 March 2005) of advance and progress payments related to unconditional guarantees, which payments have been included in the balance sheet in the line "Construction contracts in progress, assets or liabilities";
- €2.1 billion at 31 March 2007 (€2.3 billion at 31 March 2006 and €2.1 billion at 31 March 2005) 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 €10.7 billion at 31 March 2007 (€11.4 billion at 31 March 2006 and €10.7 billion at 31 March 2005).

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 €1.7 billion at 31 March 2007 (€2.7 billion at 31 March 2006 and €2.7 billion at 31 March 2005). 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 bonding programme:

At 31 March 2007, the Group has 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.

All instruments under that programme are fully unsecured and will remain so for as long as the operating result of the company and its headroom remain above specific levels of both Operating Margin[1] and Headroom[2] on given testing dates failing which a security package in the form of a new cash collateral will be activated (the "Extended Security Package"):

[1] Is expressed as a percentage of income or loss from operations to sales
[2] Cash and cash equivalents and undrawn credit lines

- Level 0: The Extended Security Package will remain at 0 if the operating margin remains above the following levels on a 12-month rolling basis:

Testing date	31/03/2007	30/09/2007	31/03/2008
Operating margin	5.75%	6.125%	6.5%

- Level 1: The Extended Security Package will be raised to €175 million if the operating margin remains above the following levels on a 12-month rolling basis but below level 0 here-above:

Testing date	31/03/2007	30/09/2007	31/03/2008
Operating margin	5.5%	5.875%	6.25%

- Level 2: The Extended Security Package will be raised to 5% of the then outstanding bonding programme amount if the operating margin remains above the following levels on a 12-month rolling basis but below level 1 here-above:

Testing date	31/03/2007	30/09/2007	31/03/2008
Operating margin	4.5%	4.875%	5.25%

- Level 3: The Extended Security Package will be raised to 10% of the then outstanding bonding programme amount if the operating margin falls below the following levels on a 12-month rolling basis:

Testing date	31/03/2007	30/09/2007	31/03/2008
Operating margin	4.5%	4.875%	5.25%

If on any such testing date or as at the date falling six months after such testing date the headroom falls below €800 million, Extended Security Package level 3 will be activated. The bonding related to this programme amounted to €6.2 million at 31 March 2007.

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

At 31 March 2007, €148 million of bonds and guarantees relating to units sold as part of disposals were still held by the Group (€88 million at 31 March 2006).

(2) Vendor financing

Several years ago, the Group provided some financial support, referred to as vendor financing, to certain financial institutions financing (i) certain purchasers of its ships (for shipbuilding contracts signed up to fiscal year 1999) or (ii) certain Transport equipment. The off-balance sheet "vendor financing" amounts to €362 million at 31 March 2007.

The table below sets forth the breakdown of the outstanding off-balance sheet vendor financing by sector:

	At 31 March		
(in € million)	**2007**	**2006**	**2005**
Marine	**55**	**126**	**120**
Renaissance / Festival	*-*	*41*	*38*
Other	*55*	*85*	*82*
Transport	**307**	**306**	**309**
European metro operator (1)	*260*	*254*	*257*
Other	*47*	*52*	*52*
Total vendor financing commitments (2)	**362**	**432**	**429**

(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

Renaissance / Festival

At 31 March 2007, with the termination of the guarantees provided and the current liquidation of the credit lines formerly granted for the repossession and maintenance costs of the former Renaissance and Festival ships, there remain no outstanding commitments.

Other

At 31 March 2007, the outstanding commitment corresponds to the residual value guarantee of €55 million ($74 million) on one cruise-ship formerly granted till March 2008 by the Group.

Transport

At 31 March 2007, guarantees given as part of vendor financing arrangements in Transport Sector amount to €307 million. Included in this amount are guarantees totalling US$63 million (€47 million, €52 million and €49 million at 31 March 2007, 31 March 2006 and 31 March 2005 respectively) given with respect to equipment sold to a US train operator, and also guarantees 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 (£177 million were equivalent to €260 million at 31 March 2007, €254 million and €257 million at 31 March 2006 and 31 March 2005, respectively). The £177 million is included in the £427 million (€628 million) amount of "Other obligations under long-term rental" within "Non-current obligations under finance leases" detailed in Note 27 (a) (7).

b) Lease obligations

(in € million)	Total	Maturity Within 1 year	1 to 5 years	Over 5 years
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**
Long term rental *(1)*	650	13	86	551
Capital leases	335	46	118	171
Operating leases	403	57	183	163
Total at 31 March 2005	**1,388**	**116**	**387**	**885**

(1) Assets related to leases of trains and associated equipment to London Underground Limited (see Notes 6 and 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 around €360 million in one particular dispute.

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 September 2006, one of the Group's French subsidiaries was fined 75,000 euros by a criminal court (tribunal correctionnel) for breach of the law protecting employees against asbestos dust. By a provisional enforcement order, the court has also granted each defendant € 10,000 as compensation for damages. The subsidiary has decided to appeal this decision, objecting to the court's qualification of ALSTOM having deliberately endangered the employees' health.

Although no assurance can be given, the Group believes that the cases where it may be required to bear the financial consequences of these 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 2007, the Group was also subject to approximately 19 other asbestos-related personal injury lawsuits in the United States involving approximately 474 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. The Group believes that the FBI inquiry is dormant and cannot predict when the SEC's investigation will be completed or its outcome. 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, all claims against ALSTOM (but not ATI) relating to its US Transport business, 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 14 March 2006, the plaintiffs filed a second amended consolidated complaint which re-asserts, among other things, claims against ALSTOM relating to its US Transport business. In a decision dated 29 September 2006, the Court denied the motion to dismiss of ALSTOM and ALSTOM USA and permitted the plaintiffs to proceed with the claims re-pleaded in this second complaint. The case currently is in the discovery phase.

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 2007, 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 liabilities in relation to the delivery of a vessel equipped with pod propulsion systems ("Pods") to Raddison 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 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, 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 Czech Republic have ordered fines against ALSTOM with respect to the same alleged anti-competitive practices which do not exceed in total €5 million. ALSTOM has contested these decisions before the local courts.

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 limited 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 – Market-related exposures

(a) Currency risk

In the course of its operations, the Group is exposed to currency risk arising from tenders for business submitted in foreign currency, and from awarded contracts or "firm commitments" under which revenues and costs are denominated in foreign currency. The principal currencies to which the Group has significant exposure in fiscal year ended 31 March 2007 is the US dollar, the British pound and the Swiss franc.

Due to this exposure, a significant portion of the Group cash flows is denominated in foreign currencies. The Group acquires derivative financial instruments to hedge exposure on anticipated transactions and notably firm commitments. Instruments used are exchange rate guarantees obtained through export insurance companies, forward exchange contracts and options.

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

With respect to anticipated transactions:

- During the tender period, depending on the probability to obtain the project and market conditions, the Group generally hedges a portion of its tenders using options or export insurance contracts when possible. The guarantees granted by these contracts become firm if and when the underlying tender is accepted.

- Once the contract is signed, forward exchange contracts or currency swaps are used to adjust the hedging position to actual exposure during the life of the contract (either as the only hedging instruments or as a complement to existing export insurance contracts).

At 31 March 2007 and 31 March 2006, the nominal and fair value of foreign exchange instruments are detailed as follows:

Derivative instruments qualifying for hedge accounting (forward contracts and currency swaps)

	At 31 March 2007				At 31 March 2006			
(in € million)	Purchased		Sold		Purchased		Sold	
	Nominal	Fair value	Nominal	Fair value	Nominal	Fair value	Nominal	Fair value
- British pound	87	-	399	(4)	2	-	375	1
- Brazilian real	-	-	58	(7)	33	(8)	29	1
- Polish zloti	276	4	301	(4)	149	-	252	(2)
- Swedish krona	310	(3)	234	3	227	(3)	279	2
- US dollar	607	(88)	1,884	166	713	(64)	2,462	104
- Australian dollar	116	2	150	(8)	163	(4)	150	3
- Singapore dollar	39	-	24	-	16	-	39	-
- Swiss franc	1,807	(38)	1,520	34	1,889	(21)	2,139	31
- Other	458	-	475	4	345	3	297	2
Total	**3,700**	**(123)**	**5,045**	**184**	**3,537**	**(97)**	**6,022**	**142**

Derivative instruments not qualifying for hedge accounting (forward contracts, currency option contracts)

(in € million)	Purchased		Sold		Purchased		Sold	
	Nominal	Fair value	Nominal	Fair value	Nominal	Fair value	Nominal	Fair value
- Currency option contracts - US dollar	23	-	72	-	1	-	34	
- Currency option contracts - other currencies	16	-	6	-	-	-	19	-
- Forward contracts - US dollar	-	-	158	8	146	(3)	193	4
- Forward contract - Swiss franc	-	-	135	1	95	2	9	-
- Forward contract - Swedish krona	-	-	23	-	71	1	8	-
- Forward contract - Other currencies	-	-	125	(3)	56	(1)	41	-
Total	**39**	**-**	**519**	**6**	**369**	**(1)**	**304**	**4**

The fair value of these 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 31 March 2007 and 31 March 2006.

Export insurance contracts related to tenders are insurance contracts that are not marked to market. Export insurance contracts that hedge firm commitments are considered as acting as forward contracts and were marked to market for the purpose of the disclosure.

At 31 March 2007 the nominal value of derivative instruments by maturity is as follows:

Derivative instruments qualifying for hedge accounting (forward contracts, currency swaps)

(in € million)	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
- British pound	487	408	75	4
- Brazilian real	58	49	9	-
- Polish zloti	577	315	262	-
- Swedish krona	544	421	123	-
- US dollar	2,491	1,698	788	5
- Australian dollar	265	145	120	-
- Singapore dollar	63	55	8	-
- Swiss franc	3,327	2,463	864	-
- Other	933	792	142	(1)
Total	**8,745**	**6,346**	**2,391**	**8**

Derivative instruments not qualifying for hedge accounting (forward contracts, currency option contracts)

(in € million)	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
- Currency option contracts - US dollar	95	95	-	-
- Currency option contracts - Other currencies	22	22	-	-
- Forward contracts - US dollar	159	146	12	1
- Forward contract - Swiss franc	135	120	15	-
- Forward contract - Swedish krona	23	19	4	-
- Forward contract - Other currencies	124	94	29	1
Total	**558**	**496**	**60**	**2**

(b) Interest rate risk

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

Sensitivity to interest rates

(in € million)	At 31 March 2007	< 1 year	1-5 years	> 5years
Financial assets at floating rate	2,140	2,125	4	11
Financial assets at fixed rate	665	51	106	508
Financial assets not bearing interests	119	34	60	25
Financial assets	**2,924**	**2,210**	**170**	**544**
Financial debt at floating rate	(949)	(32)	(917)	-
Financial debt at fixed rate	(1,873)	(93)	(1,181)	(599)
Financial debt	**(2,822)**	**(125)**	**(2,098)**	**(599)**
Net position at floating rate before swaps (*)	1,191	2,093	(913)	11
Net position at fixed rate before swaps (*)	(1,208)	(42)	(1,075)	(91)
Net position not bearing interests	119	34	60	25
Net position before hedging	**102**	**2,085**	**(1,928)**	**(55)**
Net position at floating rate after swaps (*)	991	2,093	(1,113)	11
Net position at fixed rate after swaps (*)	(1,008)	(42)	(875)	(91)
Net position not bearing interests	119	34	60	25
Net position after hedging	**102**	**2,085**	**(1,928)**	**(55)**

(*)At 31 March 2007, the Group holds swaps from fixed rate to floating rate with a nominal value of €200 million and a fair value of €(4) million. At 31 March 2006, the Group held swaps from fixed rate to floating rate with a nominal value of €200 million and a fair value of €(1) million. At 31 March 2005, the Group held a swap from fixed rate to floating rate with a nominal value of €94 million and a fair value of €3 million.

The net short-term loan position at floating rate after swaps amounts to €2,093 million at 31 March 2007.

A 1% increase in market rates would have decreased the net interest expense before swaps by €12 million, representing 16.0% of the net interest expense for the year ended 31 March 2007.
A 1% increase in market rates would have decreased the net interest expense after swaps by €10 million, representing 13.3% of the net interest expense for the year ended 31 March 2007.

(c) Credit risk

- Risk related to customers

The Group hedges up to 90% of the credit risk on certain contracts using export credit insurance contracts. The Group believes the risk of counterparty failure 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.

- Risk related to cash and cash equivalents

As part of the central treasury management, 39% of cash and cash equivalents at 31 March 2007 are invested with bank counterparts of first rank noted "Investment Grade", and 61% are invested in euro monetary funds.

(d) Liquidity risk

The analysis by maturity and interest rate of the Group's debt is set out in Note 27(c). Details of short-term liquidity are set out below.

The Group's available liquidity within one year at 31 March 2007, 31 March 2006 and 31 March 2005 is as follows:

	At 31 March		
(in € million)	**2007**	**2006**	**2005**
Available credit line	1,000	700	1,202
Marketable securities *(1)*	175	-	-
Cash available at parent Company	1,640	950	796
Cash equivalents at subsidiary level *(2)*	267	351	608
Available liquidity	**3,082**	**2,001**	**2,606**
Financial debt to be reimbursed within one year *(3)*	(125)	(360)	(444)
Available credit line to be reimbursed within one year	-	-	(27)
Available liquidity for the coming year	**2,957**	**1,641**	**2,135**

(1) Marketable securities having daily liquidity.
(2) At 31 March 2007, this amount includes €205 million of cash and cash equivalents held in countries subject to legal or statutory restrictions (€229 million at 31 March 2006). Such restrictions can limit the use of such cash and cash equivalents by the parent company and the other group's subsidiaries.
(3) See Note 27 (a).

Note 34 – Related parties

The consideration and related benefits of the CEO and Chairman of the Board of Directors amount to €2.8 million for the year ended 31 March 2007 (€2.2 million for the year ended 31 March 2006 and €1.6 million for the year ended 31 March 2005). The consideration and related benefits comprise a fixed and a variable portion, charges related to retirement compensation and complementary pension scheme.

Directors' fees amount to €365,000 for the year ended 31 March 2007 (€342,500 for the year ended 31 March 2006 and €326,250 for the year ended 31 March 2005). The CEO and Chairman of the Board of Directors has waived his directors' fees for the years ended 31 March 2007 and 31 March 2006 (€52,500 for the year ended 31 March 2005).

Note 35 – Subsequent events

No main subsequent events to report.

Note 36 – 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 €50 million at 31 March 2007.

Companie	Country	Ownership %	Consolidation Method
ALSTOM SA (holding)	France	-	Parent company
ALSTOM (Switzerland) Ltd.	Switzerland	100%	Full consolidation
ALSTOM Australia Holdings LTD (holding)	Australia	100%	Full consolidation
ALSTOM Beizhong Power (Beijing)	China	60%	Full consolidation
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 Espana IB SA Holding	Spain	100%	Full consolidation
ALSTOM Ferroviaria S.p.A	Italy	100%	Full consolidation
ALSTOM GmbH (holding)	Germany	100%	Full consolidation
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Hydro (Switzerland) Ltd	Switzerland	100%	Full consolidation
ALSTOM Hydro Canada Inc.	Canada	100%	Full consolidation
ALSTOM Hydro Energia Brasil Ltda (1)	Brazil	100%	Full consolidation
ALSTOM Hydro Holding	France	100%	Full consolidation
ALSTOM Inc (holding)	USA	100%	Full consolidation
ALSTOM K.K.	Japan	100%	Full consolidation
ALSTOM LHB GmbH	Germany	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Mexicana S.A. de C.V. (2)	Mexico	100%	Full consolidation
ALSTOM Mexico SA de CV (holding)	Mexico	100%	Full consolidation
ALSTOM Norway AS	Norway	100%	Full consolidation
ALSTOM NV (holding)	Netherlands	100%	Full consolidation
ALSTOM Philippines- Inc.	Philippine	100%	Full consolidation
ALSTOM Power (Thailand) Ltd.	Thailand	100%	Full consolidation
ALSTOM Power AG (holding)	Germany	100%	Full consolidation
ALSTOM Power Boiler GmbH - Stuttgart	Germany	100%	Full consolidation
ALSTOM Power Centrales	France	100%	Full consolidation
ALSTOM Power Energy Recovery GmbH	Germany	100%	Full consolidation
ALSTOM Power Environment SA	France	100%	Full consolidation
ALSTOM Power Generation AG	Germany	100%	Full consolidation
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM Power Hydraulique	France	100%	Full consolidation
ALSTOM Power Hydro	France	100%	Full consolidation
ALSTOM Power Inc.	USA	100%	Full consolidation
ALSTOM Power Italia Spa	Italy	100%	Full consolidation
ALSTOM Power Limited	Australia	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 Turbomachines	France	100%	Full consolidation
ALSTOM Projects India Ltd	India	69%	Full consolidation
ALSTOM Signalling Inc.	USA	100%	Full consolidation

ALSTOM Spa (holding)	Italy	100%	Full consolidation
ALSTOM Sweden AB (holding)	Sweden	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Transportation Inc.	USA	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
ALSTOM UK Holdings Ltd	United Kingdom	100%	Full consolidation
ALSTOM USA Inc (holding)	USA	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
APComPower Inc.	USA	100%	Full consolidation
PT ALSTOM Power Energy Systems Indonesia	Indonesia	87%	Full consolidation
Tianjin ALSTOM Hydro Co. Ltd	China	99%	Full consolidation
West Coast Traincare	United Kingdom	100%	Full consolidation

(1) Change of name
(2) ALSTOM Transporte SA merged into ALSTOM Power Mexico SA de CV (newly named ALSTOM Mexicana SA de CV)

Companies included in the list of major companies at 31 March 2007 for which sales were below €50 million at 31 March 2006:

ALSTOM Beizhong Power (Beijing)	China	60%	Full consolidation
ALSTOM Philippines- Inc.	Philippine	100%	Full consolidation

Companies included in the list of major companies at 31 March 2006 for which sales are below €50 million at 31 March 2007:

ALSTOM Australia	Australia	100%	Full consolidation
ALSTOM Controls Ltd	United Kingdom	100%	Full consolidation
ALSTOM NL Service Provision Ltd	United Kingdom	100%	Full consolidation
ALSTOM Power Asia Pacific Sdn Bhd	Malaysia	100%	Full consolidation
ALSTOM Power Conversion Gmbh	Germany	100%	Full consolidation
ALSTOM Transport BV	Netherlands	100%	Full consolidation
Eukorail Limited	South Korea	100%	Full consolidation

Please refer to Note 5 for further explanation regarding Hydro entities.

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