

Interim consolidated financial statements

Half-year ended 30 September 2007

INTERIM CONSOLIDATED INCOME STATEMENTS

<i>(in € million)</i>	Note	Half-year ended 30 September		Year ended 31 March
		2007	2006 (*)	2007 (*)
SALES	(5)	8,004	6,608	14,208
Cost of sales		(6,547)	(5,409)	(11,586)
Selling expenses		(298)	(264)	(567)
Research and development expenditure	(6)	(252)	(205)	(456)
Administrative expenses		(334)	(317)	(642)
INCOME FROM OPERATIONS	(5)	573	413	957
Other income	(7)	53	18	18
Other expenses	(7)	(65)	(25)	(149)
EARNINGS BEFORE INTEREST AND TAXES	(5)	561	406	826
Financial income (expenses), net	(8)	(41)	(61)	(111)
PRE-TAX INCOME		520	345	715
Income tax charge	(9)	(129)	(78)	(145)
Share in net income of equity investments		1	-	-
NET PROFIT FROM CONTINUING OPERATIONS		392	267	570
NET LOSS FROM DISCONTINUED OPERATIONS	(10)	-	(15)	(32)
NET PROFIT		392	252	538
Attributable to:				
- Equity holders of the parent		388	261	547
- Minority interests		4	(9)	(9)
Earnings per share (in €)				
From continuing and discontinued operations				
- Basic	(11)	2.76	1.84	3.88
- Diluted	(11)	2.69	1.81	3.80
From continuing operations				
- Basic	(11)	2.76	1.95	4.11
- Diluted	(11)	2.69	1.91	4.02
From discontinued operations				
- Basic	(11)	-	(0.11)	(0.23)
- Diluted	(11)	-	(0.10)	(0.22)

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

INTERIM CONSOLIDATED BALANCE SHEETS

<i>(in € million)</i>	Note	At 30 September 2007	At 31 March 2007 (*)
ASSETS			
Goodwill	(12)	3,463	3,510
Intangible assets	(12)	1,242	1,191
Property, plant and equipment	(13)	1,381	1,370
Associates and other investments		35	34
Other non-current assets	(14)	755	812
Deferred taxes	(9)	1,181	1,307
Total non-current assets		8,057	8,224
Inventories		2,200	1,770
Construction contracts in progress, assets	(15)	2,666	2,858
Trade receivables		3,298	2,886
Other current assets related to operating activities	(16)	1,682	1,494
Marketable securities and other current financial assets	(17)	132	197
Cash and cash equivalents		2,668	1,907
Total current assets		12,646	11,112
TOTAL ASSETS		20,703	19,336
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent	(19)	1,782	1,333
Minority interests	(19)	49	42
Total equity	(19)	1,831	1,375
Non-current provisions	(21)	519	549
Accrued pension and other employee benefits	(22)	793	999
Non-current borrowings	(23)	1,260	1,922
Non-current obligations under finance leases	(23)	743	775
Deferred taxes	(9)	8	50
Total non-current liabilities		3,323	4,295
Current provisions	(21)	1,494	1,512
Current borrowings	(23)	485	85
Current obligations under finance leases	(23)	41	40
Construction contracts in progress, liabilities	(15)	8,310	7,239
Trade payables		3,234	2,976
Other current liabilities	(24)	1,985	1,814
Total current liabilities		15,549	13,666
TOTAL EQUITY AND LIABILITIES		20,703	19,336

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

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in € million)</i>	Note	Half-year ended		Year ended
		30 September		31 March
		2007	2006 (*)	2007 (*)
Net profit from continuing operations		392	267	570
Depreciation, amortisation and share-based payments		185	152	352
Changes in prepaid and accrued employee defined benefits		(52)	(49)	(391)
Net (gains) losses on disposal of non-current assets and investments		(7)	(10)	57
Share in net income of associates (net of dividends received)		(1)	-	-
Changes in deferred taxes	(9)	49	(14)	(23)
Net cash provided by operating activities - before changes in net working capital		566	346	565
Changes in net working capital	(18)	842	486	524
Net cash provided by operating activities - continuing operations		1 408	832	1 089
Proceeds from disposal of tangible and intangible assets		12	6	17
Capital expenditure		(172)	(125)	(395)
Decrease in other non-current assets	(14)	18	19	727
Cash expenditure for acquisition of investments		(63)	(26)	(232)
Cash (expenditure) proceeds from sale of investments, net of net cash sold		(67)	(44)	1
Net cash used in or provided by investing activities - continuing operations		(272)	(170)	118
Capital increase		11	-	-
Issuance (repayment) of current and non-current borrowings		(351)	(201)	(377)
Issuance (repayment) of obligations under finance leases		(15)	(28)	(38)
Decrease (increase) in marketable securities and other current financial assets		107	(162)	(175)
Dividends paid including payments to minorities		(116)	(5)	(6)
Net cash used in financing activities - continuing operations		(364)	(396)	(596)
Decrease in cash and cash equivalents - discontinued operations		-	(89)	-
Transfer to/from assets held for sale		-	-	29
Net effect of exchange rate variations		(11)	(21)	(30)
Other changes		-	(2)	(4)
Increase in cash and cash equivalents		761	154	606
Cash and cash equivalents at the beginning of the period		1,907	1,301	1,301
Cash and cash equivalents at the end of the period		2,668	1,455	1,907
Cash paid for income taxes		74	91	170
Cash paid for net interest		11	14	87
Net debt / net cash variation analysis:				
Increase in cash and cash equivalents		761	154	606
Increase (decrease) in marketable securities and other current financial assets		(107)	162	175
(Issuance) repayment of current and non-current borrowings		351	201	335
(Issuance) repayment of obligations under finance leases		15	28	38
Increase in net debt arising from acquisition of investments		(68)	-	-
Net cash used in financing activities - discontinued operations		-	89	29
Net effect of exchange rate and other		13	3	1
Decrease in net debt		64	637	1 184
Increase in net cash		901	-	-
Net debt at the beginning of the period (**)		(64)	(1,248)	(1,248)
Net debt at the end of the period (**)		-	(611)	(64)
Net cash at the end of the period (**)		901	-	-

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

(**) The net debt / net cash is defined as financial debt (see Note 23) less cash and cash equivalents, marketable securities and other current financial assets (see Note 17) and non current financial assets directly associated to liabilities included in financial debt (see Note 14)

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

INTERIM CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES

<i>(in € million)</i>	Half year ended 30 September 2007	Year ended 31 March 2007 (*)
Net income for the period	392	538
<i>Fair value gains (losses), gross of tax</i>		
- on available-for-sale financial assets	-	-
- on cash flow hedges	-	-
Currency translation adjustments	5	(3)
Actuarial gains (losses) (**)	161	51
Tax effect	(13)	(5)
Total movements in income and expense directly recognised in equity	153	43
Total recognised income and expense for the period	545	581
Attributable to:		
- Equity holders of the parent	541	592
- Minority interests	4	(11)

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

(**) See Note 2-a and Note 22

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Note 1 – Description of business

ALSTOM (“the Group”) serves the power generation market through its Power Systems and Power Service Sectors, and the rail transport market through its Transport Sector. The Group designs, supplies, and services a complete range of technologically-advanced products and systems for its customers, and possesses a unique expertise in systems integration and through-life maintenance and services.

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

Note 2 – Basis of preparation of the interim consolidated financial statements

ALSTOM interim consolidated financial statements for the half-year ended 30 September 2007 have been prepared:

- in accordance with the IAS/IFRS standards and interpretations effective for the preparation of the year-end consolidated financial statements at 31 March 2007 and endorsed by the European Union,
- in accordance with IAS 34 standard “Interim Financial Reporting”,
- using the same accounting policies and measurement methods as at 31 March 2007, with the exception of the method of recognition of actuarial gains and losses on post-employment defined benefit plans (see (a) below).

As they are condensed financial statements, they do not include all the information required by IAS/IFRS standards for the year-end financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 March 2007.

In the interim consolidated financial statements the Group has not opted for an application of standards and interpretations which will become effective for the preparation of the year-end financial statements at 31 March 2008 or subsequently.

The interim consolidated financial statements are presented in millions of euros and have been authorised for issue by the Board of Directors held on 7 November 2007.

(a) Change in accounting method

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

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

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

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

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

<i>(in € million)</i>	Half-year ended	Year ended
	30 September	31 March
	2006	2007
Earnings before interest and taxes	34	99
Net income	34	99

The published financial statements before the change in accounting method were as follows:

<i>(in € million)</i>	Half-year ended	Year ended
	30 September	31 March
	2006	2007
SALES	6,608	14,208
Cost of sales	(5,409)	(11,586)
Selling expenses	(264)	(567)
Research and development expenditure	(205)	(456)
Administrative expenses	(317)	(642)
INCOME FROM OPERATIONS	413	957
Other income	18	18
Other expenses	(59)	(248)
EARNINGS BEFORE INTEREST AND TAXES	372	727
Financial income (expenses), net	(61)	(111)
PRE-TAX INCOME	311	616
Income tax charge	(78)	(145)
Share in net income (loss) of equity investments	-	-
NET PROFIT FROM CONTINUING OPERATIONS	233	471
NET (LOSS) FROM DISCONTINUED OPERATIONS	(15)	(32)
NET PROFIT (LOSS)	218	439
Attributable to:		
- Equity holders of the parent	227	448
- Minority interests	(9)	(9)

Earnings per share (in €)	Half-year ended	Year ended
	30 September	31 March
	2006	2007
From continuing and discontinued operations		
- Basic	1.60	3.17
- Diluted	1.57	3.11
From continuing operations		
- Basic	1.71	3.40
- Diluted	1.67	3.33
From discontinued operations		
- Basic	(0.11)	(0.23)
- Diluted	(0.10)	(0.22)

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

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

The following standards are not applicable in condensed interim financial statements and will be fully applied in the consolidated financial statements as of 31 March 2008:

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

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

- IFRIC 8 "Scope of IFRS 2 – Share-based payments".
- IFRIC 9 "Reassessment of embedded derivatives"
- IFRIC 10 "Interim financial reporting and impairment"
- IFRIC 11 "Group and Treasury share transactions".

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

The Group has not opted for an early application in the interim financial statements at 30 September 2007 of the following standards and interpretations:

- Interpretations which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2009:
 - IFRIC 12 "Service Concession arrangements", and
 - IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"
- Standards and Interpretations which, subject to endorsement by the European Union, will become effective for the preparation of the Group's consolidated financial statements for the year ended 31 March 2010:
 - Revised IAS 1 "Presentation of financial statements",
 - Amendment to IAS 23 "Borrowing costs",
 - IFRS 8 "Operating segments", and
 - IFRIC 13 "Customer loyalty programs".

Note 3 – Summary of accounting policies

(a) Consolidation methods

- Subsidiaries

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

Inter company balances and transactions are eliminated.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the equity holders of the parent. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the equity attributable to the equity holders of the parent, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

- Interests in joint ventures

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.

(b) Use of estimates

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 employee benefit expense recognised in the income statement, actuarial gains and losses recognised through equity and prepaid and accrued benefits.

Appraisal of assets

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

Conversely, penalties are taken into account in reduction of contract revenue as soon as they are probable.

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

Selling and administrative expenses are excluded from production costs.

- Recognition of sales and costs

Revenue on sale of manufactured products and short-term service contracts (duration of less than one year) is recognised when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery or performance of the related service. All production costs incurred or to be incurred in respect of the sale are charged to cost of sales at the date of recognition of sales.

Revenue on construction contracts and long-term service agreements is recognised based on the percentage of completion method: the stage of completion is assessed by milestones which ascertain the completion of a physical proportion of the contract work or the performance of services provided for in the agreement. The excess of revenue measured according to the percentage of completion over the revenue recognised in prior periods is the revenue for the period.

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

When the outcome of a contract cannot be estimated reliably but the contract overall is expected to be profitable, revenue is still recognised based on milestones, but margin at completion is adjusted to nil.

When it is probable that contract costs at completion will exceed total contract revenue, the expected loss is recognised immediately as an expense.

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

The caption "Construction contracts in progress, liabilities" also includes down-payments received from customers.

- Recognition of overhead expenses

Selling and administrative expenses are expensed as incurred.

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

(d) Income (loss) from operations

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

(e) Other income and other expenses

Other income includes capital gains on disposal of investments or activities and capital gains on disposal of tangible assets arising from activities disposed of or facing restructuring plans as well as any income associated to past disposals. Other expenses include capital losses on disposal of investments or activities and capital losses on disposal of tangible assets arising from activities disposed of or facing restructuring plans as well as any costs associated to past disposals, restructuring costs, a portion of costs of employee defined benefits (amortisation of unrecognised prior service cost, impacts of curtailments and settlements and amortisation of actuarial gains and losses referring to other long-term benefits such as jubilees) 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 debt component of compound instruments, other borrowings and lease-financing liabilities;
- Other expenses paid to financial institutions for financing operations;
- Interest charges and bank fees relating to securitisation of receivables;
- The financial component of the cost of employee defined benefits (interest cost and expected return on assets);
- Dividends received from non consolidated investments;
- Foreign exchange gains and losses including hedge accounting impacts associated to financing transactions;
- Other income or expense from cash and cash equivalents and marketable securities.

(g) Translation of financial statements denominated in foreign currencies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of entities whose functional currency is other than the euro are designated as assets and liabilities of those entities and are therefore denominated in their functional currencies and translated at the closing rate at the end of each reporting period.

(h) Foreign currency transactions

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

Since the Group is exposed to foreign currency volatility, the Group puts in place significant volume of hedges to cover 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 through equity. When the forecast transaction results in the recognition of a financial asset or liability, the amounts previously recognised directly in equity are recycled into the income statement. When the forecast transaction results in the recognition of a non financial asset or liability (for instance, inventories or construction contracts in progress), the gain or loss that was directly recognised in equity is included in the carrying amount of the asset or liability.

- Fair value hedge

When fair value hedge accounting applies, changes in the fair value of derivatives and changes in the fair value of hedged items are both recognised in the income statement and offset each other, up to the 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 policies to hedge its currency exposure on certain contracts during the open bid as well as after the award of the contracts. During the bid period, those insurance instruments are not recognised on the balance sheet. If the contract is awarded, insurance instruments are recognised and remeasured in the same way as 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 and 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 underlying contracts and activities. The amortisation expense is recorded in cost of sales, research and development expenditure, selling expenses or administrative expenses, based on the function of the underlying assets.

Internally generated intangible assets

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

- The project is clearly defined and its related costs are separately identified and reliably measured,
- The technical feasibility of the project is demonstrated,
- The intention exists to complete the project and to use or sell it,
- Adequate financial resources are available to complete the project,
- It is probable that the future economic benefits attributable to the project will flow to the Group.

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.

(1) Impairment of goodwill, tangible and intangible assets

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

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

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

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

Recoverable values are significantly impacted by estimates of future prices of products and services, the evolution of costs, economic trends, the expectations on long-term development of emerging markets and other factors. They also depend on the discount rates and perpetual growth rates used.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised immediately in the income statement.

In case of an impairment loss attributable to a cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non current assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. The impairment loss is immediately recognised in the income statement.

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

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

(m) Financial assets

- Loans and deposits

Loans are initially measured at their fair value, plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Deposits are reported as financial assets when their initial maturity is more than three months and as cash and cash equivalents in case of demand deposits or when the initial maturity is less than three months.

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

- Investments and debt securities

Investments in non-consolidated companies are designated as available-for-sale financial assets under IAS 39 classification. They are initially measured at their fair value, plus directly attributable transaction costs and subsequently measured at fair value.

The fair value of listed securities corresponds to the market value at the balance sheet date. A valuation model is used in case of unlisted securities. Changes in fair value are directly recognised in shareholders' equity until the security is disposed of or is determined to be impaired. On disposal or in case of significant or prolonged decline in the fair value, the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit and loss for an investment in an equity instrument are not reversed through profit and loss. Conversely, if, in a subsequent period, the fair value of an investment in a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

Investments in non consolidated companies, 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. They are designated as financial asset at fair value through profit or loss under IAS 39 classification. Changes in fair value are therefore reported as financial income or expense.

- Derivative financial instruments

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

- Receivables

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

(n) Inventories

Raw materials and supplies, work in progress and finished products are stated at the lower of cost, using the weighted average cost method, or net realisable value. Inventory cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(o) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

(p) Taxation

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

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

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

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

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

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(q) Provisions

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

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

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

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

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

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

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

(r) Financial liabilities

- Bonds and borrowings

Bonds and interest-bearing bank loans are initially recognised at fair value, less any transaction costs directly attributable to the issuance of the liability. Bond issuance costs and premiums are not included in the initial cost, but are taken into account in calculating amortised cost under the effective interest rate method. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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

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

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

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

- Derivative financial instruments

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

- Payables

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

(s) Interest rate derivatives

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

In the case of fair value hedge relationships, the re-measurement of the fixed rate borrowing is offset in the income statement by the movement in the fair value of the derivative. In the case of cash flow hedge relationships, the change in fair value of the derivative is recognised directly in equity. When the forecast transaction results in the recognition of a monetary item, the amounts previously recognised directly in equity are reclassified to the income statement.

(t) Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. In accordance with IFRS 2, only instruments granted after 7 November 2002 and not fully vested at 1 January 2005 are measured and accounted for as employee costs.

- Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non market-based conditions) using the binomial pricing model. The cumulative recognised expense is based on the fair value at grant date and on the estimated number of shares that will eventually vest (including the effect of non market-based vesting conditions). It is recorded in income from operations throughout the vesting period with a counterpart in equity.

- Cash-settled share-based payments

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

The Group may also provide employees with the ability to purchase the Group's ordinary shares at a discounted current market value. In that case, the Group records an expense, based on its estimate of the discount related to shares expected to vest.

(u) Pension and other employee benefits

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

Post-employment defined benefit plans

For single employer defined benefit plans, the Group uses the Projected Unit Credit Method to determine the present value of its obligations and the related current and past service costs/profits. This method considers best estimate actuarial assumptions including the probable future length of the employees' service, the employees' final pay and the expected average life span.

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

Every semester, the Group reviews plan assets and obligations. The effects of any change in actuarial assumptions together with the differences between forecasted and actual experience are assessed. The Group recognises directly through equity the full amount of any actuarial gains and losses as well as the effect of any asset ceiling, as permitted by the December 2004 amendment to IAS 19 (see Note 2-a).

The estimated cost of providing defined benefits to employees is accrued during the years in which the employees render services. In the income statement, the service cost element of benefit costs is included in the income from operations. The amortisation of unrecognised prior service cost/profit and specific events impacts (i.e. curtailments) are recognised in other expenses. Financial elements of the benefit cost such as interest cost and expected asset returns are included in financial income (expenses).

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

Post-employment defined contribution plans

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

Other long-term employee benefits

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

(v) Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount 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 meets both of the following criteria:

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

Amounts included in the income statement and cash flow statement related to these discontinued operations are 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 30 September 2007		At 30 September 2006		At 31 March 2007	
	Average	Closing	Average	Closing	Average	Closing
€ for 1 monetary unit						
British pound	1.471603	1.435132	1.460618	1.475579	1.474594	1.471021
Swiss franc	0.607099	0.602373	0.636084	0.629683	0.629045	0.615498
US dollar	0.734587	0.705268	0.785444	0.789889	0.774747	0.750863
Brazilian real	0.376689	0.382044	0.361242	0.361853	0.360684	0.368202
Indian rupee	0.018025	0.017728	0.017076	0.017247	0.017185	0.017446
Chinese yuan	0.096418	0.093708	0.098379	0.099916	0.098198	0.097300

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

The main change in the scope of consolidated companies for the half-year ended 30 September 2007 is the following:

- On 11 July 2007, the Group launched a general offer on Wuhan Boilers Company, Chinese fourth largest boilermaker for coal-fired power plants, in accordance with current Chinese stock market regulations. The Group acquired 51% of the company for €32.8 million and the acquisition was completed on 25 September 2007.

Other events

- On 29 June 2007, the Group and JSC Atomenergomash signed the constituent documents of a joint venture dedicated to manufacturing the conventional islands of Russian nuclear power plants. The joint venture, in which the Group holds 49%, will be accounted for by the equity method.
- On 25 June 2007, the Group signed a binding agreement for the acquisition of Ecotècnia, a Spanish wind turbine company for €350 million on a debt free/cash free basis. The Group's acquisition of Ecotècnia was finalised on 31 October 2007 once the legal consultations and the procedures necessary to modify the company's structure were successfully completed (see Note 27).

Note 5 – Sector and geographical data

a) Sector data

The Group is managed through sectors of activity and has determined its reportable segments accordingly. At 30 September 2007, the Group is organised in three Sectors.

- ***Power Systems***

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

- ***Power Service***

Power Service promotes the service activities relating to the Power Systems sector in all geographical markets.

- ***Transport***

Transport provides equipment, systems, and customer support for rail transportation activities, including passenger trains, locomotives, signalling equipment, rail components and service.

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimination	Total
Sales	3,677	1,848	2,688	25	(234)	8,004
Inter sector eliminations	(139)	(92)	(2)	(1)	234	-
Total Sales	3,538	1,756	2,686	24	-	8,004
Income (loss) from operations	159	286	186	(58)	-	573
Earnings (loss) before interest and taxes	162	290	179	(70)	-	561
Financial income (expenses)						(41)
Income tax						(129)
Share in net loss of equity investments						1
Net profit from continuing operations						392
Net loss from discontinued operations						-
NET PROFIT						392
Segmental assets (2)	6,166	4,593	4,857	447	-	16,063
Deferred taxes (assets)						1,181
Prepaid pension and other employee benefits						29
Financial assets						3,430
TOTAL ASSETS						20,703
Segmental liabilities (3)	7,511	2,506	4,969	556	-	15,542
Deferred taxes (liabilities)						8
Accrued pension and other employee benefits						793
Financial debt						2,529
Total equity						1,831
TOTAL EQUITY AND LIABILITIES						20,703
Capital employed (4)	(1,345)	2,087	(112)	(109)	-	521
Capital expenditure	54	24	78	16	-	172
Depreciation and amortisation in EBIT	57	37	58	20	-	172

(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 benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(3) 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.

At 30 September 2006

(in € million)	Power Systems	Power Service	Transport	Corporate & other (1)	Elimination	Total
Sales	2,868	1,574	2,370	22	(226)	6,608
Inter sector eliminations	(136)	(90)	-	-	226	-
Total Sales	2,732	1,484	2,370	22	-	6,608
Income from operations	83	238	151	(59)	-	413
Earnings (loss) before interest and taxes (5)	95	237	138	(64)	-	406
Financial income (expenses)						(61)
Income tax						(78)
Share in net income of equity investments						-
Net profit from continuing operations (5)						267
Net loss from discontinued operations						(15)
NET PROFIT (5)						252
Segmental assets (2) (5)	4,871	4,134	4,484	1,316	-	14,805
Deferred taxes (assets) (5)						1,322
Prepaid pension and other employee benefits (5)						44
Financial assets						1,640
Assets held for sale						803
TOTAL ASSETS (5)						18,614
Segmental liabilities (3)	5,702	2,259	4,429	560	-	12,950
Deferred taxes (liabilities) (5)						92
Accrued pension and other employee benefits (5)						1,436
Financial debt						2,251
Total equity (5)						1,025
Liab. associated with assets held for sale						860
TOTAL EQUITY AND LIABILITIES (5)						18,614
Capital employed (4)	(831)	1,875	55	756	-	1,855
Capital expenditure	39	17	51	18	-	125
Depreciation and amortisation in EBIT	58	31	42	18	-	149

(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 benefits) 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.

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

At 31 March 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 eliminations	(302)	(188)	-	-	490	-
Total Sales	5,673	3,198	5,288	49	-	14,208
Income from operations	201	510	350	(104)	-	957
Earnings (loss) before interest and taxes (5)	194	504	293	(165)	-	826
Financial income (expenses) (5)						(111)
Income tax						(145)
Share in net loss of equity investments						-
Net profit from continuing operations (5)						570
Net loss from discontinued operations						(32)
NET PROFIT (5)						538
Segmental assets (2)	5,386	4,359	5,079	436	-	15,260
Deferred taxes (assets) (5)						1,307
Prepaid pension and other employee benefits (5)						11
Financial assets						2,758
TOTAL ASSETS (5)						19,336
Segmental liabilities (3)	6,034	2,253	5,119	684	-	14,090
Deferred taxes (liabilities) (5)						50
Accrued pension and other employee benefits (5)						999
Financial debt						2,822
Total equity (5)						1,375
TOTAL EQUITY AND LIABILITIES (5)						19,336
Capital employed (4)	(648)	2,106	(40)	(248)	-	1,170
Capital expenditure	124	65	157	49	-	395
Depreciation and amortisation in EBIT	113	64	123	47	-	347

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

(2) 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 benefits and financial non-current assets associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents).

(3) 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 30 September 2006 to 31 March 2007 is explained for €700 million by the release of a deposits securing the Bonding Guarantee Facility classified in the sector "Corporate & other" at 30 September 2006.

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

b) Geographical data

Sales by country of destination and capital expenditure by country

Half-year ended 30 September 2007

<i>(in € million)</i>	Sales by country of destination	Capital expenditure (*)	
		Tangible	Intangible (2)
Euro Zone (1)	2,617	45	43
Rest of Europe	1,269	33	17
North America	1,479	19	-
South & Central America	352	3	-
Asia & Pacific	1,563	10	-
Middle East & Africa	724	2	-
Total Group	8,004	112	60

(*) Excluding €56 million of capitalisation of development costs (see Note 6), capital expenditure amounts to €116 million.

Half-year ended 30 September 2006

<i>(in € million)</i>	Sales by country of destination	Capital expenditure (*)	
		Tangible	Intangible (2)
Euro Zone (1)	2,042	33	26
Rest of Europe	1,026	22	15
North America	1,069	9	-
South & Central America	398	3	-
Asia & Pacific	1,288	16	-
Middle East & Africa	785	1	-
Total Group	6,608	84	41

(*) Excluding €42 million of capitalisation of development costs (see Note 6), capital expenditure amounts to €83 million.

Year ended 31 March 2007

<i>(in € million)</i>	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 6), capital expenditure amounts to €280 million.

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

(2) Including development costs

Note 6 – Research and development expenditure

<i>(in € million)</i>	Half-year ended 30 September		Year ended 31 March
	2007	2006	2007
Research and development expenditure	(252)	(205)	(456)
<i>of which</i>			
- Capitalisation of developments costs (see Note 12 - b)	56	42	115
- Amortisation of development costs (See Note 12 - b)	(35)	(24)	(72)
- Amortisation of acquired technology	(31)	(30)	(59)
Research and development expenditure before capitalisation and amortisation	(242)	(193)	(440)

Note 7 – Other income and other expenses

<i>(in € million)</i>	Half-year ended 30 September		Year ended 31 March
	2007	2006 (*)	2007 (*)
Capital gains on disposal of investments/activities (1)	49	18	11
Other	4	-	7
Other income	53	18	18
Capital losses on disposal of investments/activities (1)	(49)	(8)	(76)
Capital losses on disposal of intangible and tangible assets	-	-	(1)
Restructuring costs (2)	(12)	(17)	(68)
Other	(4)	-	(4)
Other expenses	(65)	(25)	(149)

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

(1) In the half-year ended 30 September 2007, capital gains and losses are mainly related to past disposals (Marine, Power Conversion and T&D).

In the year ended 31 March 2007, capital losses mainly originated from the disposal of the Industrial Boilers business in Germany and the Czech Republic as well as the disposal of UK train heavy renovation business located in Glasgow and London. Capital losses also included costs incurred on past disposals and in particular fines imposed by the European Commission related to the T&D business (see Note 26 – claims relating to disposals).

(2) In the year ended 31 March 2007, restructuring costs mainly related to plans implemented in Europe in the Transport Sector. No asset write-off was recorded for the half-year ended 30 September 2007 and for year ended 31 March 2007.

Note 8 – Financial income (expenses)

<i>(in € million)</i>	Half-Year ended 30 September		Year ended 31 March
	2007	2006	2007
Net interest expenses	(41)	(33)	(79)
Net foreign currency losses	(3)	(15)	(14)
Pension and other employee benefit costs (see Note 22)	6	(4)	(8)
Other financial income	2	5	16
Other financial expenses	(5)	(14)	(26)
Other financial	(3)	(9)	(10)
Financial income (expenses)	(41)	(61)	(111)

Net interest expenses include:

- €15 million representing premiums paid to holders of bonds redeemable bought back and cancelled during the half-year ended 30 September 2007 (see Note 23),
- €5 million related to obligations under finance leases (€7 million for the half-year ended 30 September 2006 and €9 million for the year ended 31 March 2007),
- €5 million related to the progressive unwinding of the discount initially recognised on commitments (The €4 million expense charged to the income statement for the year ended 31 March 2007 was presented as other financial expense in the published financial statements and has been reclassified to net interest expense in the above table).

Other financial expenses include €5 million related to fees and commitment fees paid on guarantees, syndicated loans and other financing facilities (€7 million for the half-year ended 30 September 2006 and €11 million for the year ended 31 March 2007).

Note 9 – Taxation

(a) Analysis by nature

<i>(in € million)</i>	Half-Year ended 30 September		Year ended 31 March
	2007	2006	2007
Current income tax charge	(80)	(92)	(168)
Deferred income tax (charge) credit	(49)	14	23
Income tax charge	(129)	(78)	(145)
Effective tax rate	24.8%	23.6%	21.2%

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

(b) Effective income tax rate

A reconciliation between the theoretical income tax expense and the Group's actual income tax expense is presented below:

<i>(in € million)</i>	Half-Year ended 30 September				Year ended 31 March	
	2007	%	2006 (*)	%	2007 (*)	%
Pre-tax income (loss) from continuing operations	520		345		715	
Pre-tax loss from discontinued operations	-		(15)		(32)	
Statutory income tax rate of the parent company	34.43%		34.43%		34.43%	
Expected tax (charge) credit	(179)	34.4	(114)	34.4	(235)	34.4
Impact of :						
- Difference between tax rate applicable in France and tax rate in force in jurisdictions outside France	48	(9.2)	32	(9.6)	62	(9.1)
- Reduced taxation of capital gain and disposal effects	-	-	-	-	(50)	7.3
- Non recognition of deferred tax assets and change in estimate of tax assets and liabilities	38	(7.3)	27	(8.2)	145	(21.2)
Changes in tax rates	(19)	3.6	-	-	(6)	0.9
- Additional tax expense (withholding tax and IRAP in Italy)	(16)	3.1	(13)	3.9	(28)	4.1
- Permanent differences	(1)	0.2	(10)	3.1	(33)	4.8
Income tax charge	(129)		(78)		(145)	
Effective tax rate	24.8%	24.8	23.6%	23.6	21.2%	21.2

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

(c) Deferred taxation

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

<i>(in € million)</i>	At 31 March 2007 (*)	Deferred income tax (charge) credit	Changes in scope of consolidation	Translation Adjustments and other changes	At 30 September 2007
Deferred tax assets					
Differences between carrying amount and tax base of tangible assets	93	(9)	-	18	102
Differences between carrying amount and tax base of intangible assets	272	5	-	(39)	238
Profit sharing, annual leave, pension and other employee benefit costs accruals not yet deductible	385	(1)	-	(52)	332
Provisions and other expenses not yet deductible	704	(107)	-	(55)	542
Tax loss carry forwards	1,555	(48)	-	(33)	1,474
Other	120	2	-	19	141
Total	3,129	(158)	-	(142)	2,829
Unrecognised deferred tax assets	(1,184)	83	-	65	(1,036)
Net deferred tax assets	1,945	(75)	-	(77)	1,793
Deferred tax liabilities					
Differences between carrying amount and tax base of tangible and intangible assets	(184)	(6)	-	102	(88)
Deferred taxation of margin on construction contracts	(196)	56	-	1	(139)
Other	(308)	(24)	-	(61)	(393)
Total	(688)	26	-	42	(620)
Net deferred tax (liabilities) / assets	1,257	(49)	-	(35)	1,173

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

The Group was satisfied as to the recoverability of deferred tax assets, net of €1,257 million at 31 March 2007, 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.

At 30 September 2007, the Group considers that the basis on which it concluded on the recoverability of the deferred tax assets at 31 March 2007 remains unchanged. As every year, the Group will prepare a new three-year plan in the fourth quarter of the financial year. This plan will be available before 31 March 2008, a detailed review of the recoverability of deferred tax assets will be conducted when preparing the financial statements for the year ended 31 March 2008.

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

<i>(in € million)</i>	Assets	Liabilities	Net position
At 31 March 2007	1,307	(50)	1,257
Tax on net income of the period	(75)	26	(49)
Other	(77)	42	(35)
Impact of netting by tax entity of the period	26	(26)	-
At 30 September 2007	1,181	(8)	1,173

Note 10 – Discontinued operations and assets held for sale and liabilities directly associated

Operations of the Marine sector have been classified as discontinued operations in the year ended 31 March 2007 and half-year ended 30 September 2006. They were analysed as follows:

<i>(in € million)</i>	Half-Year ended 30 September 2006	Year ended 31 March 2007
Sales	230	417
Loss from operations	(13)	(38)
Other income (expenses)	(2)	6
Loss before interest and taxes	(15)	(32)
Net loss (1)	(15)	(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.

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

Note 11 – 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:

	Half-year ended 30 September		Year ended 31 March
	2007	2006 (*)	2007 (*)
Earnings (in € million)			
Net profit - Equity holders of the parent	388	261	547
Financial interests related to bonds reimbursable with shares, net of tax	1	(2)	(2)
Earnings used to calculate basic and diluted earnings per share	389	259	545
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	140,509,993	140,402,108	140,428,778
Effect of other dilutive potential ordinary shares:			
- Stock options (1)	3,137,000	2,509,315	2,664,400
- Free shares	600,000	600,000	600,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	144,246,993	143,511,423	143,693,178

(1) Stock options used to calculate the diluted earnings per share only relate to plans 7, 8 and 9 (see Note 20), the other plans being out of the money.

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

(b) From continuing operations

<i>(in € million)</i>	Half-Year ended 30 September		Year ended 31 March
	2007	2006 (*)	2007 (*)
Earnings used to calculate basic and diluted earnings per share	389	259	545
Loss for the period from discontinued operations	-	15	32
Earnings used to calculate basic and diluted earnings per share from continuing operations	389	274	577

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

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

(c) From discontinued operations

Based on the loss from discontinued operations of €15 million and the denominators detailed above, earnings per share for discontinued operations for the half-year ended 30 September 2006 was as follows:

- basic negative earnings of €(0.11)
- diluted negative earnings of €(0.10)

Based on the loss from discontinued operations of €32 million and the denominators detailed above, earnings per share for discontinued operations for the year ended 31 March 2007 was as follows:

- basic negative earnings of €(0.23)
- diluted negative earnings of €(0.22)

Note 12 – Goodwill and intangible assets

(a) Goodwill

<i>(in € million)</i>	Net value at 31 March 2007	Acquisitions/ disposals	Impairment	Translation adjustments and other changes	Net value at 30 September 2007
Power Systems	803	24	-	(1)	826
Power Service	2,184	14	-	(84)	2,114
Transport	523	-	-	-	523
Goodwill	3,510	38	-	(85)	3,463
<i>of which</i>					
Gross value	3,510	38	-	(85)	3,463
Impairment	-	-	-	-	-

The movements of the period arise from:

- Goodwill on new acquisitions of the period, mainly Wuhan Boilers Company in China (see Note 4) and a Power Service company in Finland; and from
- The re-measurement at fair value of assets and liabilities acquired from Power Systems Manufacturing LLC (PSM) on 22 March 2007. The preliminary goodwill on this acquisition amounted to €153 million, as disclosed at 31 March 2007. The re-measurement of the assets and liabilities acquired has resulted in a €83 million reduction of the goodwill, reported as “Translation adjustments and other changes”. The remaining goodwill on PSM acquisition amounts to €70 million.

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 valuation supported the Group’s opinion that goodwill was not impaired. At 30 September 2007, the Group has concluded that no triggering event has occurred that would lead to impairment testing.

(b) Intangible assets

<i>(in € million)</i>	At 31 March 2007	Acquisitions / disposals / amortisation	Translation adjustments and other changes	At 30 September 2007
Development costs	621	56	(7)	670
Acquired technology	1,154	-	46	1,200
Other intangible assets	101	1	23	125
Gross value	1,876	57	62	1,995
Development costs	(247)	(35)	3	(279)
Acquired technology	(383)	(31)	1	(413)
Other intangible assets	(55)	(4)	(2)	(61)
Accumulated amortisation and impairment	(685)	(70)	2	(753)
Development costs	374	21	(4)	391
Acquired technology	771	(31)	47	787
Other intangible assets	46	(3)	21	64
Net value	1,191	(13)	64	1,242

Intangible assets mainly consist of the allocation of the cost of the acquisition of ABB ALSTOM POWER in 1999 and 2000. They are representative of technology and licensing agreements.

Gross value variation during the period consists in the allocation of the preliminary goodwill on Power Systems Manufacturing (see Note 12-a, the amount is included in "Translation adjustments and other changes").

At 30 September 2007, the Group has concluded that no triggering event has occurred that would lead to impairment testing.

Note 13 – Property, plant and equipment

<i>(in € million)</i>	At 31 March 2007	Acquisitions/ depreciation/ impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	At 30 September 2007
Land	119	1	(2)	-	6	124
Buildings	1,061	3	(10)	11	18	1,083
Machinery and equipment	1,903	52	(21)	35	54	2,023
Tools, furniture, fixtures and other	606	56	(11)	3	(56)	598
Gross value	3,689	112	(44)	49	22	3,828
Land	(4)	-	-	-	-	(4)
Buildings	(490)	(20)	6	(4)	-	(508)
Machinery and equipment	(1,442)	(57)	19	(23)	(46)	(1,549)
Tools, furniture, fixtures and other	(384)	(22)	12	-	7	(387)
Accumulated depreciation and impairment	(2,320)	(99)	37	(27)	(39)	(2,448)
Land	115	1	(2)	-	6	120
Buildings	571	(17)	(4)	7	18	575
Machinery and equipment	461	(5)	(2)	12	8	474
Tools, furniture, fixtures and other	223	34	1	3	(49)	212
Net value	1,370	13	(7)	22	(17)	1,381

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

<i>(in € million)</i>	At 30 September 2007	At 31 March 2007
Land	13	13
Buildings	117	123
Machinery and equipment	19	17
Tools, furniture, fixtures and other	13	15
Net value of tangible assets held under finance leases	162	168

Note 14 – Other non-current assets

<i>(in € million)</i>	At 30 September 2007	At 31 March 2007 (*)
Long-term loans and deposits	81	132
Prepaid pension and other employee benefits (see Note 22)	29	11
Financial non-current assets associated to financial debt (1)	630	654
Other	15	15
Other non-current assets	755	812

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

- (1) These non-current assets relate to receivables, €603 million and €628 million, and deposits, €27 million and €26 million, of long-term rental trains and associated equipment to a London metro operator at 30 September 2007 and 31 March 2007, respectively (see Note 23).

Note 15 – Construction contracts in progress

<i>(in € million)</i>	At 30 September 2007	At 31 March 2007
Construction contracts in progress, assets	2,666	2,858
Construction contracts in progress, liabilities	(8,310)	(7,239)
Construction contracts in progress	(5,644)	(4,381)

<i>(in € million)</i>	At 30 September 2007	At 31 March 2007
Contract costs incurred <i>plus</i> recognised profits <i>less</i> recognised losses to date	37,642	35,197
<i>Less</i> progress billings	(40,138)	(37,084)
Construction contracts in progress before down payments received from customers	(2,496)	(1,887)
Down payments received from customers	(3,148)	(2,494)
Construction contracts in progress	(5,644)	(4,381)

Note 16 – Other current assets related to operating activities

<i>(in € million)</i>	At 30 September	At 31 March
	2007	2007
Down payments made to suppliers	411	385
Corporate income tax	37	57
Other tax	397	409
Prepaid expenses	139	85
Other receivables	339	308
Derivatives relating to operating activities	220	157
Remeasurement of off balance sheet commitments	139	93
Other current assets related to operating activities	1,682	1,494

Note 17 – Marketable securities and other current financial assets

<i>(in € million)</i>	At 30 September	At 31 March
	2007	2007
Derivatives related to financing activities	12	4
Marketable securities	99	175
Held-to-maturity securities	21	18
Marketable securities and other current financial assets	132	197

At 30 September 2007, marketable securities of €99 million have a daily liquidity.

Note 18 – Working capital

<i>(in € million)</i>	At 30 September	At 31 March	
	2007	2007	Variation
Inventories	2,200	1,770	430
Construction contracts in progress, assets	2,666	2,858	(192)
Trade receivables	3,298	2,886	412
Other current assets related to operating activities	1,682	1,494	188
Assets	9,846	9,008	838
Non-current provisions	519	549	(30)
Current provisions	1,494	1,512	(18)
Construction contracts in progress, liabilities	8,310	7,239	1,071
Trade payables	3,234	2,976	258
Other current liabilities	1,985	1,814	171
Liabilities	15,542	14,090	1,452
Net working capital	(5,696)	(5,082)	(614)
Net working capital at 31 March 2007	(5,082)		
Changes in net working capital resulting from operating activities (*)	(842)		
Changes in net working capital resulting from disposals of activities (**)	101		
Translation adjustments and other changes	127		
Total changes in net working capital	(614)		
Net working capital at 30 September 2007	(5,696)		

(*) 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 19 – Equity

(in € million,
except for number of shares)

	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Income and expense directly recognised in equity	Equity attributable to the equity holders of the parent	Minority interests	Total equity
At 31 March 2006	138,170,776	1,934	368	(549)	29	1,782	58	1,840
Impact of change in accounting method	-	-	-	80	(1,132)	(1,052)	-	(1,052)
At 31 March 2006 (*)	138,170,776	1,934	368	(469)	(1,103)	730	58	788
Movements in income and expense directly recognised in equity	-	-	-	-	45	45	(2)	43
Net income (loss) for the period	-	-	-	547	-	547	(9)	538
Total recognised income and expense	-	-	-	547	45	592	(11)	581
Conversion of ORA	444,925	6	(2)	(8)	-	(4)	-	(4)
Change in scope and other	-	-	-	-	-	-	1	1
Dividends paid	-	-	-	-	-	-	(6)	(6)
Issue of ordinary shares under stock option plans	1,500	-	-	-	-	-	-	-
Recognition of equity settled share-based payments	-	-	-	15	-	15	-	15
At 31 March 2007 (*)	138,617,201	1,940	366	85	(1,058)	1,333	42	1,375
Movements in income and expense directly recognised in equity	-	-	-	-	153	153	-	153
Net income for the period	-	-	-	388	-	388	4	392
Total recognised income and expense	-	-	-	388	153	541	4	545
Conversion of ORA	27,927	-	-	-	-	-	-	-
Change in scope and other	-	-	-	(1)	-	(1)	8	7
Dividends paid	-	-	-	(111)	-	(111)	(5)	(116)
Issue of ordinary shares under stock option plans	641,235	10	1	-	-	11	-	11
Recognition of equity settled share-based payments	-	-	-	9	-	9	-	9
At 30 September 2007	139,286,363	1,950	367	370	(905)	1,782	49	1,831

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

Share capital

At 30 September 2007, the share capital of ALSTOM amounted to €1,950,009,082 consisting of 139,286,363 ordinary shares with par value of €14 each. For the half-year ended 30 September 2007, the weighted average number of ordinary shares outstanding amounted to 140,509,993 and the weighted average number of ordinary and dilutive shares stood at 144,246,993.

During the half-year ended 30 September 2007, 889,287 bonds reimbursable in shares “Obligations Remboursables en Actions” were converted into 27,927 shares at a par value of €14. The 55,987,100 bonds reimbursable with shares outstanding at 30 September 2007 represent 1,757,995 shares to be issued.

During the half year ended 30 September 2007, 641,235 shares were created due to the exercise of stock options included in plan 7.

Distributions

At the General and Extraordinary Shareholders' Meeting of 26 June 2007, it was decided to distribute €0.80 per share or €111 million in dividends (no dividend was distributed in 2006).

Note 20 – Share-based payments

(a) 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, i.e. plans 6, 7, 8 and 9 only.

Share-based payment expense recorded in that respect amounts to €9 million for the half-year ended 30 September 2007 (€5 million for the half-year ended 30 September 2006 and €15 million for the year ended 31 March 2007).

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 30 September 2007 (in € million)	-	3	2	4
Expense for the year ended 31 March 2007 (in € million)	-	7	5	3

Stock options plans are described in Note 24 to the consolidated financial statements for the year ended 31 March 2007.

(b) 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 €15 million for the half-year ended 30 September 2007 (€5 million for the half-year ended 30 September 2006 and €11 million for the year ended 31 March 2007). At 30 September 2007, liabilities related to these four SARs plans are recorded in the balance sheet for an amount of €29 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 30 September 2007 (€)	142.57	142.57	(*)	142.57
Share price at 31 March 2007 (€)	97.15	97.15	(*)	97.15
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 30 September 2007 (in € million)	9	3	-	3
Expense for the year ended 31 March 2007 (in € million)	8	2	-	1

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

SARs plans are described in Note 24 to the consolidated financial statements for the year ended 31 March 2007.

(c) Long term incentive

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

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

- if the 2009/10 Group's operating margin is above 8.5%, 848,600 options and 30,100 SARs will be exercisable and 126,000 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 8% and 8.5%, 678,880 options and 24,080 SARs will be exercisable and 100,800 performance shares will be delivered;
- if the 2009/10 Group's operating margin is between 7.5% and 8%, 339,440 options and 12,040 SARs will be exercisable and 50,400 performance shares will be delivered;
- if the 2009/10 Group's operating margin is below 7.5%, no options and SARs will be exercisable and no performance shares will be delivered.

LTI Plan has no impact on the interim consolidated financial statements at 30 September 2007.

Note 21 - Provisions

<i>(in € million)</i>	At 31 March 2007	Addition	Releases	Applied	Translation adjustments and other	At 30 September 2007
Warranties	469	91	(58)	(43)	(14)	445
Litigation and claims	1,043	219	(120)	(91)	(2)	1,049
Current provisions (1)	1,512	310	(178)	(134)	(16)	1,494
Tax risks and litigation	47	2	(3)	(1)	2	47
Restructuring (2)	219	10	(8)	(34)	2	189
Other non-current provisions (3)	283	74	(23)	(51)	-	283
Non-current provisions	549	86	(34)	(86)	4	519
Total provisions	2,061	396	(212)	(220)	(12)	2,013

(1) Current provisions relate to warranties, litigations and claims on completed contracts. Detailed explanations are provided in accounting policies (see Note 3-q) and in critical accounting policies (see Note 3-b).

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

(3) Other non-current provisions mainly include provisions covering guarantees given in connection with passed disposals. They also include provisions for employee litigations, commercial disputes and environmental provisions (€20 million for environmental provisions at 30 September 2007 and €14 million at 31 March 2007).

Note 22 – Pension and other employee benefits

The balance sheet position of liabilities and assets related to post employment and other long-term post employment benefits are presented below:

<i>(in € million)</i>	At 30 September	At 31 March		
	2007	2007 (*)	2006 (*)	2005 (*)
Accrued pension and other employee benefits	(793)	(999)	(1 469)	(1 482)
Prepaid pension and other employee benefits	29	11	14	23
Net accrued benefits	(764)	(988)	(1 455)	(1 459)

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

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

<i>(in € million)</i>	Half year ended 30	Year ended	
	September	31 March	
	2007	2007	2006
Opening balance (net loss)	(1 081)	(1 132)	(1 028)
Actuarial gains and losses generated during the period	161	84	(102)
Asset ceiling generated during the period	-	(33)	(2)
Closing balance (net loss)	(920)	(1 081)	(1 132)

Assumptions (weighted average rates)

<i>(in %)</i>	At 30	At 31 March		
	September	2007	2006	2005
Discount rate	5.26	4.90	4.72	5.09
Rate of compensation increase	3.43	3.18	2.68	2.97
Expected return on plan assets	6.25	6.22	6.46	7.07

Actuarial assumptions used vary by country and type of plan. The rate of compensation increase assumptions are determined at business unit level and reviewed centrally.

The expected return on plan assets has been determined according to the same method in all countries where the Group has assets covering its pension liabilities: it is based on long-term market expectations taking into account the asset allocation of each fund.

Analysis of benefit expense

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

<i>(in € million)</i>	Half-Year ended 30 September		Year ended 31 March
	2007	2006 (*)	2007 (*)
Service cost	(38)	(44)	(84)
Multi-employer contributions and defined contributions	(58)	(57)	(106)
Income from operations	(96)	(101)	(190)
Amortisation of unrecognised past service cost	2	1	(7)
Curtailments/settlements	-	-	4
Other income (expenses)	2	1	(3)
Interest cost	(114)	(105)	(208)
Expected return on plan assets	120	101	200
Financial income (expenses)	6	(4)	(8)
Total benefit expense	(88)	(104)	(201)

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

Note 23 – Financial debt

(a) Analysis by nature

<i>(in € million)</i>	At 30 September	At 31 March
	2007	2007
Bonds reimbursable in shares (debt component)	3	3
Bonds (1)	1,277	1,677
Other borrowing facilities	240	126
Commitments related to options and earn-out (2)	183	185
Derivatives relating to financing activities	13	7
Accrued interests	29	9
Borrowings	1,745	2,007
<i>Non current</i>	<i>1,260</i>	<i>1,922</i>
<i>Current</i>	<i>485</i>	<i>85</i>
Obligations under finance leases	181	187
Other obligations under long-term rental (3)	603	628
Obligations under finance leases	784	815
<i>Non current</i>	<i>743</i>	<i>775</i>
<i>Current</i>	<i>41</i>	<i>40</i>
Total financial debt	2,529	2,822

(1) Remaining bonds, measured at amortised cost, are as follows:

Redemption date	30 September 2007	31 March 2007
28 July 2008	301	369
13 March 2009	272	527
3 March 2010	704	781
TOTAL	1,277	1,677

At 30 September 2007, the Group holds two swaps of €100 million each that exchange fixed rate to floating rate in order to swap 3 March 2010 bonds.

During the half-year ended 30 September 2007 the Group repurchased and cancelled bonds:

- €79 million of bonds redeemable on 3 March 2010,
- €258 million of bonds redeemable on 13 March 2009,
- €68 million of bonds redeemable on 28 July 2008.

(2) At 30 September 2007, the €183 million commitments related to options and earn-out include a €158 million put option granted in connection with the sale of 50 % Hydro activities to Bouygues during fiscal year ended 31 March 2007 (€153 million at 31 March 2007).

(3) At 30 September 2007, this debt represents liabilities related to lease obligations on trains and associated equipment (see Note 14).

(b) Financial covenants

At 30 September 2007, a €1,000 million revolving credit facility maturing in March 2012 with option to extend up to March 2014 is fully undrawn; this facility is subject to the following financial covenants:

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

- (a) Ratio of EBITDA (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) 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 30 September 2007 amounts to 19 (18 at 31 March 2007).
- (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 in Shares "ORA" (this covenant will not apply if and as long as the Group's rating is Investment Grade). The consolidated net worth at 30 September 2007 to be compared with the covenant above is about €2,650 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. The net debt leverage as at 30 September 2007 is (0.7) (0 at 31 March 2007).

These covenants have been contractually determined based on IFRS as applied by the Group at 31 March 2006. The agreement states that any change in the accounting standards will be neutralised either through an amendment of the covenants or through the recalculation of the aggregates mentioned above excluding the impact of change in accounting method (see Note 2-a).

(c) Analysis by maturity and interest rate

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

At 30 September 2007 (in € million)	Short term			Long term			
	Total	within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Bonds reimbursable in shares	3	-	3	-	-	-	-
Bonds	1,295	302	272	721	-	-	-
Other borrowing facilities	240	157	29	29	5	4	16
Commitments related to options and earn-out	183	2	9	159	13	-	-
Derivatives relating to financing activities	13	13	-	-	-	-	-
Accrued interests	29	29	-	-	-	-	-
Borrowings	1,763	503	313	909	18	4	16
Obligations under finance leases	783	41	44	46	49	53	550
Financial debt	2,546	544	357	955	67	57	566

At 31 March 2007 (in € million)	Short term			Long term			
	Total	within 1 year	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 and earn-out	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

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

At 30 September 2007	Nominal interest rate	Effective interest rate
Bonds		
July 2008	Euribor 3M+ 0.9%	5.2%
March 2009	Euribor 3M+ 2.2%	6.5%
March 2010	6.3%	7.2%

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:

(in € million)	At 30 September 2007	At 31 March 2007
Financial debt at fixed rate	1,932	1,895
Financial debt at floating rate	614	949
Financial debt	2,546	2,844

(d) Analysis by currency

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

<i>(in € million)</i>	At 30 September	At 31 March
	2007	2007
Euro	1,630	2,020
US Dollar	30	40
British Pound	621	647
Other currencies	265	137
Financial debt	2,546	2,844

Note 24 – Other current liabilities

<i>(in € million)</i>	At 30 September	At 31 March
	2007	2007
Staff and associated costs	629	652
Corporate income tax	83	105
Other taxes	272	248
Derivatives relating to operating activities	112	90
Remeasurement of off balance sheet commitments	281	193
Other	608	526
Other current liabilities	1,985	1,814

Note 25 – Off balance sheet commitments and other obligations

a) Off balance sheet commitments

<i>(in € million)</i>	<u>At 30 September</u> 2007	<u>At 31 March</u> 2007
Guarantees related to contracts (1)	5,372	4,972
Guarantees related to vendor financing (2)	350	362
Commitments to purchase fixed assets	1	3
Other guarantees (*)	278	177
TOTAL	6,001	5,514

(*) 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

Banks and insurance companies bonds:

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.

<i>(in € million)</i>	<u>At 30 September</u> 2007	<u>At 31 March</u> 2007
Bid bonds	115	95
Performance bonds	4,397	3,967
Warranty/retention bonds	704	755
Other bank and insurance bonds	156	155
TOTAL	5,372	4,972

The above figures however exclude:

- €4.1 billion at 30 September 2007 (€3.6 billion at 31 March 2007) of unconditional guarantees related to advance and progress payments, which payments have been included in the balance sheet in the line "Construction contracts in progress, assets or liabilities";
- €2.3 billion at 30 September 2007 (€2.1 billion at 31 March 2007) of surety and conditional bonds where the likelihood of the commitments becoming obligations is considered to be remote.

The bonding guarantees relating to contracts, issued by banks or surety companies, amount to €11.8 billion at 30 September 2007 (€10.7 billion at 31 March 2007).

Parent company guarantees:

In the context of the Share Purchase and Settlement Agreement signed with ABB Ltd in March 2000, pursuant to which the Group purchased ABB's 50% share in the joint venture ABB ALSTOM POWER, the Group agreed to indemnify ABB with respect to parent company guarantees that it had previously issued with respect to certain power contracts, the total outstanding amount of such ABB guarantees being €1.4 billion at 30 September 2007 (€1.7 billion at 31 March 2007). These parent company guarantees are not included in the above figures as they are related to liabilities already included in the consolidated accounts. In the same manner, guarantees given by parent or Group companies relating to liabilities included in the consolidated accounts are excluded.

Bonding lines and syndicated bonding facility

At 31 March 2007, the Group had in place both local bilateral lines in numerous countries and a global €10.5 billion Bonding Programme allowing issuance of new instruments up to July 2008.

During the half-year ended 30 September 2007, the bonding programme has been amended, to keep any bilateral lines and a €8 billion syndicated bonding facility allowing issuance of new instruments up to July 2010.

All these lines are now fully unsecured.

The issuance of new bonds under the bonding facility mentioned above is also subject to the financial covenants disclosed in Note 23.

At 30 September 2007, €36 million of bonds and guarantees relating to units sold as part of disposals were still held by the Group (€148 million at 31 March 2007).

(2) Vendor financing

Several years ago, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of ships or Transport equipments. The off-balance sheet "vendor financing" amounts to €350 million at 30 September 2007.

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

<i>(in € million)</i>	At 30 September 2007	At 31 March 2007
Marine	52	55
<i>Other</i>	<i>52</i>	<i>55</i>
Transport	298	307
<i>European metro operator (1)</i>	<i>254</i>	<i>260</i>
<i>Other</i>	<i>44</i>	<i>47</i>
Total vendor financing commitments (2)	350	362

(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

At 30 September 2007, the outstanding commitment corresponds to a residual value guarantee for €52 million (\$74 million) on one cruise-ship granted till March 2008 by the Group.

Transport

At 30 September 2007, guarantees given as part of vendor financing arrangements in Transport Sector amount to €298 million. Included in this amount are:

- guarantees totalling \$63 million (€44 million and €47 million at 30 September 2007 and 31 March 2007, respectively) given with respect to equipments sold to a US train operator, and
- guarantees totalling £177 million (€254 million and €260 million at 30 September 2007 and 31 March 2007, respectively) given as part of a leasing scheme involving London Underground (Northern Line).

Were London Underground Limited to decide not to extend the contract beyond 2017, and to hand the trains back, the Group has guaranteed to the lessors that the value of the trains and associated equipment, net of the £15 million non extension payment due by London Underground, should not be less than £177 million in 2017. The £177 million is included in the €603 million amount of "Other obligations under long-term rental" (see Note 23-a (3)).

b) Lease obligations

<i>(in € million)</i>	Total	Maturity		
		Within 1 year	1 to 5 years	Over 5 years
Long term rental (1)	603	21	123	459
Capital leases	231	29	94	108
Operating leases	243	19	132	92
Total at 30 September 2007	1 077	69	349	659
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

(1) Assets related to leases of trains and associated equipment to London Underground Limited (see Note 10).

Note 26 – 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 €370 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 appealed this decision, objecting to the court's qualification of ALSTOM having deliberately endangered the employees' health. The court should give its decision beginning of 2008.

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 30 September 2007, the Group was also subject to approximately 13 other asbestos-related personal injury lawsuits in the United States involving approximately 468 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. On 11 June 2007 the plaintiffs filed a motion for class certification which includes in addition to US persons all Canadian, French, English and Dutch persons who may have purchased ALSTOM's shares outside the United States. ALSTOM will file a response to the motion in early 2008 which will contest including the non-US persons in the class. The discovery phase of the case is continuing.

The Group's Management has spent and may in the future be required to spend considerable time and effort dealing with these matters. While the Group intends to continue to vigorously defend the putative class action lawsuit, the Group cannot ensure that there will be no adverse outcome that could have a material adverse effect on its business, results of operations and financial condition.

- Environmental, health and safety

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

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

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

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

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

- Claims relating to disposals

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

As of 30 September 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 some liabilities in relation to the delivery of a vessel equipped with pod propulsion systems ("Pods") to Radisson Seven Seas (nka Regent Seven Seas Cruises, Inc. "Regent"). Regent brought suit in Miami, Florida, against various affiliates of the Group and Rolls Royce (as consortium partner) in relation to alleged defects. The case is being strongly contested in US Federal Court in Miami by the Group's affiliates 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 27 – Subsequent events

Ecotècnia

On 31 October 2007, the Group acquired Ecotècnia, a Spanish wind turbine company for €350 million on a debt free / cash free basis (see Note 4).

Bonds redeemable

On 1 October 2007 the Group launched a partial tender offer to purchase part of the 6.25% bonds redeemable 3 March 2010. On 22 October 2007, €194 million of bonds, based on nominal value, have been bought back for an aggregate cash consideration of €207 million (including accrued interest and the premium paid to bondholders).