

MANAGEMENT REPORT

ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS HALF-YEAR ENDED 30 SEPTEMBER 2008

1. Main events of half year ended 30 September 2008

1.1. Very strong commercial and operational performance

ALSTOM reported another semester of very solid performance during the first half of 2008/09. Benefiting from active Power and Transport markets, ALSTOM set a new record with €15.4 billion of new orders during the first half of 2008/09. This represents a 20% increase vs. last year (22% on an organic basis). Major commercial successes achieved by the Group during the semester include:

- in Power, contracts for the turbine islands of a coal-fired power plant in South Africa, a turnkey oil-fired power plant in Saudi Arabia, a total of 9 gas turbines sold in 6 countries, as well as 2 large long-term operation and maintenance contracts in the United Arab Emirates and in Tunisia;
- in Transport, contracts for the first new-generation AGV™ trains to an Italian private operator, PENDOLINO™ high-speed trains in the UK along with a 10-year maintenance contract, regional trains in Germany, tramways in the United Arab Emirates and metros in Mexico and Brazil.

At 30 September 2008, the backlog reached a record €47 billion (up 26% compared to 30 September 2007) or 31 months of sales.

ALSTOM continued to ramp up its sales which amounted to €9 billion, up 12% compared to last year on both an actual and organic basis. Income from operations was €697 million at 7.8% of sales, showing a 22% increase compared to the first half of 2007/08. This increase is the combined result of the improvement in the quality of the backlog and a higher level of activity, while non-production overheads have been kept under control.

Net profit – Group share – reached €527 million during the first half of 2008/09, a 36% increase compared to last year; the financial income / expense turned positive as a result of the Group's enhanced net cash position. ALSTOM generated a €1.2 billion free cash flow by leveraging its good operational performance and benefiting from a favourable working capital evolution driven by the high level of commercial activity.

1.2. Human resources and corporate responsibility

Human resources management

During the first half of 2008/09, 6,000 new employees joined ALSTOM. 53% were recruited in Europe, 27% in Asia/Pacific, 18% in the Americas and 2% in Middle East/Africa. At 30 September 2008, the Group employed around 79,000 people. These recruitments were combined with a very active training policy.

Launch of the innovation programme

ALSTOM recognizes the importance of innovation, a key factor to meet customer needs, to differentiate from the competition and to optimise its processes. ALSTOM therefore decided to launch a Group-wide innovation programme aimed at increasing the visibility of innovation within the organization, enhancing cross-fertilization and supporting ongoing efforts to leverage innovations within the Group.

ALSTOM Foundation for the Environment

The ALSTOM Corporate Foundation, created in November 2007, rewarded eleven projects in the field of environmental protection. One of the most remarkable initiatives rewarded will permit the implementation of alternative electricity systems in order to preserve biodiversity in a national park of China's Yunnan region. Other selected projects were from Argentina, North Korea, India, Switzerland, USA, Indonesia, Malaysia, Philippines, France and South Africa. These projects, presented and supported by Group employees, are the first to be financed by the Foundation, which will devote €1 million per year to this purpose.

Employee sharing and long-term incentive programmes

On 23 September 2008, the Board of Directors decided on the principle to launch a new employee stock purchase scheme (subject to market conditions), following the success of this initiative in 2007. The maximum number of shares which could be issued under this scheme represents around 0.5 % of the share capital. Its objectives are to align employees' interests with shareholders' ones and pursue the development of a stable employee shareholding base. The Board also decided a new Long Term Incentive Plan comprised of a grant of conditional stock options and of performance shares, depending on the Group's performance in 2010/11. This Plan represents approximately 0.4% of the share capital.

1.3. Delivering ALSTOM's strategy

During the first semester of 2008/09, ALSTOM put a high priority on the execution of its strategy, coupling long-term growth and performance improvement.

In this context, during the first semester 2008/09, ALSTOM dedicated:

- €195 million¹ to capital expenditure, a very substantial increase compared to the €116 million spent last year;
- €274 million to R&D expenses vs. €252 million last year.

In addition, ALSTOM is engaged into strategic partnerships which should provide the Group with access to high-potential markets.

¹ Excluding capitalised development expenses.

Capital expenditure to optimize operations and capture growing markets

ALSTOM has pursued its capital expenditure programme aimed at reinforcing its production capacity in order to deliver its large backlog, while optimizing its cost base. In this context, significant progress has been made on the following projects:

- construction of a new facility in Chattanooga, Tennessee, USA, which will be dedicated to manufacturing rotating equipment and notably steam turbines for nuclear conventional islands. This project will also provide the Group with a large manufacturing platform in this zone, aligned with one of its key markets;
- set-up of a new factory in Wuhan, China, in order to relocate and modernize the old facilities of the recently acquired Wuhan Boilers Company (WBC). This programme will optimize WBC's production while allowing ALSTOM to grow its capacity on a low-cost basis. The new factory also provides ALSTOM with direct access to the large Chinese market for coal-fired equipments;
- construction of a new iron foundry in Elblag, Poland, dedicated to manufacturing key components of turbines, which will allow ALSTOM to significantly increase its capacity.

In addition, ALSTOM announced the creation of a 50/50 joint venture with Brazilian company Bardella to build a new plant in Brazil dedicated to the manufacturing of hydro-mechanical equipment for the Group's hydroelectric projects in the Amazon region.

Cutting-edge research and development

In the Power Sectors, ALSTOM has reached major milestones on its carbon capture and storage technology roadmap. In September 2008, the Group inaugurated the world's first pilot plant based on the oxy-combustion technology. The 30 MW coal-fired pilot plant located at Vattenfall's *Schwarze Pumpe* facility (Germany) is one among several CO₂ projects currently developed by ALSTOM. These projects address all possible CO₂ technologies: oxy-combustion with two pilot plants in Europe, post-combustion with five pilot plants based on chilled ammonia in the USA and Europe as well as a research programme to develop advanced amines in the USA. During the semester, ALSTOM also focused its research and development on optimizing the efficiency of its turbines. In the wind business, ALSTOM installed the first units of its new Ecotècnia-100 3 MW wind turbine.

In the Transport Sector, the AGVTM has started its first dynamic tests in the Czech Republic. The test runs will finalize the development phase and validate this new very high-speed platform. In tramways, the prototype for a new platform aimed at broadening the CITADISTM range is being tested in Germany. In regional trains, the first CORADIATM LIREX will be delivered to their customers in December 2008. In signalling, the Group successfully delivered its state-of-the-art URBALISTM Evolution system on the Beijing Line 2 and the Beijing Airport Link, right on time for the Olympic games. Finally, ALSTOM dedicated significant part of its research and development efforts to promote sustainable rail transport by developing trains featuring low energy consumption, reduced weight, hybrid or bi-modes traction, and low noise pollution.

Promising partnerships on key markets

ALSTOM and Russian Transmashholding (TMH) decided to enter into a strategic partnership relating to the Russian rolling stock market. This agreement provides for technical cooperation between the two companies and gives ALSTOM the possibility to buy a 25% equity share in TMH (subject to due diligence and a final agreement between the parties). In addition, ALSTOM and TMH intend to create a joint venture to respond in October 2008 to a call for tender launched by Russian Railways to manufacture a large number of double-deck passenger cars.

During the first semester of 2008/09, ALSTOM also finalized the creation of its joint venture with Russian company Atomenergomash, which was established in order to provide the turbine islands for Russian nuclear power plants, based on ALSTOM's half-speed technology ARABELLE™. In this context, Alstom Atomenergomash LLC signed an agreement with Atomenergoproekt for the engineering of the turbine generator package and turbine hall equipment for the Seversk nuclear power plant in Siberia, a two-unit power plant with a total capacity of 2,400 MW to be built as of 2010.

1.4. ALSTOM's strengths to face the financial crisis

The world has faced a very deep financial crisis, which had a strong impact on the ability for the banks to refinance themselves and which will negatively impact the world economic growth.

ALSTOM believes it has in hand several assets to face this new situation:

Long-term market drivers remain solid

Long-term drivers remain well oriented both in Power and Transport markets. Growth in emerging markets will support the need for new capacity in power generation and increased transportation systems. Environmental constraints as well as high fuel prices should push for higher technological content in Power and favour rail transportation over other means. Aging of the installed power generation capacity in developed countries should accelerate the replacement cycle and increase the need for services and retrofitting. Finally urbanisation, particularly in emerging countries, increases the need for mass transit and intercity transportation.

ALSTOM's customer base is strong

80% of ALSTOM's Power customers are state-owned or large private utilities. These large groups should be in a better position to attract the required funding to materialize their investment plan. As for Transport, an even higher percentage of customers are state-owned or public operators who are financially strong, even if relying on budgetary spending for new infrastructure.

A record high level of backlog

As at 30 September 2008, ALSTOM's backlog amounted to €47 billion representing more than two and a half years of sales, a record high level. This backlog also gives ALSTOM the necessary visibility to adapt itself, if necessary, such as in case of an extended slowdown in demand.

Strong liquidity position

At 30 September 2008, ALSTOM had a very good liquidity position with a net cash position of € 1.9 billion, a gross cash amounting to €2.7 billion, as well as an undrawn credit line of €1 billion maturing in 2012. During the first half of 2008/09, ALSTOM reimbursed, either at maturity or by anticipation, a total of €387 million of bonds redeemable on 28 July 2008, 13 March 2009 and 3 March 2010. The two remaining bond lines amount to €150 million (maturing on 13 March 2009) and €297 million (maturing on 3 March 2010). In terms of bonds and guarantees, ALSTOM also benefits from an €8 billion committed line and €12 billion bilateral lines (€2 billion and €4 billion being undrawn respectively).

ALSTOM will continue its strategy combining growth and performance improvement, notably by pursuing strategic investments and selective acquisitions to boost its growth. At the same time, ALSTOM has developed the adequate actions to face any change in environment by:

- closely monitoring the evolution of its markets;
- setting up a specific monitoring of suppliers and consortium partners to assess their financial strength;
- strictly controlling its spending : selectivity will apply in all spending including capital expenditure.

2. General comments on activity and results

2.1. Consolidated key financial figures

2.1.1. General comments on the Group's activity

The following table sets out the Group's key performance indicators for the first half of 2008/09.

Total Group Actual figures (in € million)			% Variation	
	1st Half	1st Half	Sept 08 / Sept 07	
	30 Sept. 08	30 Sept. 07	Actual	Organic
Order backlog	46,879	37,226	26%	25%
Orders received	15,401	12,847	20%	22%
Sales	8,956	8,004	12%	12%
Income from operations	697	573	22%	24%
Operating margin	7.8%	7.2%		
Net profit - Group share	527	388	36%	
Free cash flow	1,201	1,248	(4%)	

During the first semester of 2008/09, ALSTOM benefited from active Power and Transport markets:

- the high Power market that prevailed last year proved to continue during the first half of 2008/09, with a balanced demand for all technologies. The market for new equipment has been sustained especially in Europe and in Middle East/Africa, in particular for steam projects. The demand for new coal and hydro plants remained at a high level both in China and India. Finally, the after market on the installed base has brought further retrofit opportunities;

- Transport benefited from a dynamic demand driven mainly by urban congestion, mobility needs and environmental concerns. All rail transport activities experienced growth, with a sustained market for very high speed and mass transit, as well as increased needs for service and signalling.

2.1.2. Orders received

ALSTOM recorded €15.4 billion new orders during the first half of 2008/09, a 20% increase compared to last year (22% on an organic basis). All Sectors achieved major commercial successes:

- Power Systems booked €7.8 billion new orders during the semester compared to €5.5 billion last year (+41%). In steam, major projects were recorded: 6 turbine islands for a coal-fired power plant in South Africa, one turnkey oil-fired power plant in Saudi Arabia, and conventional islands for two nuclear plants in China. In addition, 9 gas turbines were sold (4 GT26 and 5 GT13) in 6 countries. Hydro projects were booked in China, India, Portugal and Panama. Finally, the Group stepped up its commercial presence in Wind, signing a frame agreement with a large customer to supply up to 300 MW of wind turbines;
- Power Service order intake was €2.4 billion in the first half 2008/09, stable at a high level on an organic basis. It includes a high number of small and medium sized contracts and two significant operation and maintenance contracts in the United Arab Emirates and in Tunisia;
- Orders received by Transport amounted to €5.2 billion, growing by 8% on an actual basis and +11% on an organic basis as compared to the first half of 2007/08, even if last year's order intake included an exceptionally large order for very high speed trains in France (€2.2 billion). The Sector booked its first order for its new generation of very high-speed train – the AGVTM – to be supplied to a private Italian operator. Other orders received include the supply and maintenance of high-speed PENDOLINOTM trains in the United Kingdom, as well as various successes in regional trains (Germany), metros (Mexico, Brazil) and tramways (United Arab Emirates, Morocco).

2.1.3. Sales

During the first semester of 2008/09, ALSTOM succeeded in ensuring an efficient delivery of its backlog. Sales reached €8,956 million, up 12% compared to the first half of 2007/08:

- Power Systems' sales were €4,330 million, up 22% vs. last year (17% on an organic basis). Main contracts traded during the semester include major steam and gas projects that were booked in the previous periods in UK, Poland, Bulgaria, and the United Arab Emirates;
- Power Service's sales were €1,954 million, up 11% on an actual basis and 18% on an organic basis, with good performance all across the product range;
- Transport's sales were €2,672 million vs. €2,686 million last year; this represents a 2% increase on an organic basis. Main contracts traded during the semester included metros in the USA and TGV² in France.

² TGV is a trademark of SNCF

2.1.4. Income from operations

Income from operations reached €697 million or 7.8% of sales, compared to €573 million or 7.2% last year:

- Power Systems' income from operations rose to €254 million (+60% vs. last year). The operating margin improved to 5.9% vs. 4.5% last year;
- Power Service posted an income from operations of €327 million (+14% vs. last year). The operating margin went up from 16.3% to 16.7%;
- Transport's income from operations was €176 million (-5% vs. last year), with the operating margin decreasing from 6.9% to 6.6%. This slight reduction stems from stable volume as ramp-ups of some contracts are expected for the end of the fiscal year, coupled with spendings on new platforms.

This significant improvement in the income from operations is the consequence of the Group's higher level of activity combined with its ability to efficiently deliver its higher-quality backlog and to control its costs.

2.1.5. Net profit – Group share

ALSTOM's net profit – Group share – amounted to €527 million, a 36% increase vs. last year. The Group benefited from its higher operational performance, lower non-operating expenses and improved financial income, while the tax rate remained around 25%.

2.1.6. Free cash flow

Building on its high net income and its continuing good commercial performance, which supports the further improvement of its working capital, ALSTOM generated a €1,201 million free cash flow, approximately the same record level that was reached last year.

2.1.7. Net cash

Taking into account a €1,201 million free cash flow and a €228 million dividend payment (excluding minority interests), net cash increased from €904 million at 31 March 2008 to €1,864 million at 30 September 2008.

2.2. Key geographical figures for the first half of 2008/09

2.2.1. Geographical analysis of orders by destination

Total Group	1st Half	% of	1st Half	% of	% Var.
Actual figures, in € million	30 Sept. 08	contrib	30 Sept. 07	contrib	Sept 08/07
Europe	6,906	45%	6,976	54%	(1%)
North America	1,187	8%	2,012	16%	(41%)
South and Central America	605	4%	554	4%	9%
Asia/Pacific	1,647	10%	1,808	14%	(9%)
Middle East/Africa	5,056	33%	1,497	12%	238%
Orders received by destination	15,401	100%	12,847	100%	20%

Europe accounted for 45% of the total order intake at €6,906 million, reaching approximately the level of last year, which was particularly high due to the booking of major orders in very high speed trains in France and for turnkey gas plants in the UK and Ireland. Orders received in Europe during the semester include, on the Transport side, the supply of new-generation AGV™ trains to an Italian private operator, the supply and maintenance of PENDOLINO™ trains in the UK, and, on the Power side, supercritical boilers and a turnkey power block for coal-fired power plants in Germany.

Orders received in North America were €1,187 million (8% of total order intake), a 41% decrease compared to last year, as the first semester of 2007/08 included a large order for metros in the USA. Among others, Transport booked a contract to supply electromechanical equipment for the Line 12 of Mexico City metro system.

Orders in South and Central America increased by 9% at €605 million (4% of total order intake), including turbines-generators and other mechanical equipment for 3 hydropower plants in Panama as well as an automated system for lines 1, 2 and 3 of the Sao Paulo metro.

Orders in Asia/Pacific decreased by 9% at €1,647 million (or 10% of total orders). They include orders for the turbine islands of two nuclear power plants in China.

Finally, large orders were registered during the semester in Middle East/Africa: steam power plant projects in South Africa (coal-fired) and in Saudi Arabia (oil-fired), turnkey power plants based on a total of 4 GT26 gas turbines in Algeria and Tunisia, as well as operation and maintenance contracts in the United Arab Emirates and in Tunisia. As a consequence orders received in this region more than tripled compared to the first half of 2007/08, at €5,056 million i.e. one third of the total order intake.

2.2.2. Geographical analysis of sales by destination

Total Group	1st Half	% of	1st Half	% of	% Var.
	30 Sept. 08	contrib	30 Sept. 07	contrib	Sept 08/07
Actual figures, in € million					
Europe	4,845	54%	3,886	49%	25%
North America	1,334	15%	1,479	18%	(10%)
South and Central America	545	6%	352	4%	55%
Asia/Pacific	1,259	14%	1,563	20%	(19%)
Middle East/Africa	973	11%	724	9%	34%
Sales by destination	8,956	100%	8,004	100%	12%

Sales in Europe increased by 25% at €4,845 million, representing 54% of total sales. Significant turnkey power plants (gas and steam) booked in the past periods in the UK, Poland, and Bulgaria were traded during the semester. In Transport, contracts for high speed PENDOLINO™ trains in Italy, maintenance in the UK and regional trains in France and Germany were traded.

Sales in North America decreased by 10% at €1,334 million (15% of total sales). Main contracts traded include high-efficiency coal-fired power plant in the USA and metros for the New York City network.

Sales in South and Central America reached €545 million (6% of total sales), up 55% vs. last year, driven by the trading of a gas power plant and hydro projects in Brazil.

In Asia/Pacific, sales were €1,259 million, a 19% decrease compared to the first half of 2007/08. ALSTOM generated sales from gas turbines in Australia and India, boilers in China, a hydro project in India, as well as the supply of metros in Singapore and electrical multiple units in China.

Sales in Middle East/Africa increased by 34% at €973 million, mainly as contracts for gas power plants started being traded in Algeria, Morocco and the United Arab Emirates.

2.2.3. Geographical analysis of sales by origin

Total Group	1st Half		1st Half		% Var.
Actual figures, in € million	30 Sept. 08	% of contrib	30 Sept. 07	% of contrib	Sept 08/07
Europe	6,435	72%	5,427	68%	19%
North America	1,318	15%	1,448	18%	(9%)
South and Central America	311	3%	240	3%	30%
Asia/Pacific	762	9%	753	9%	1%
Middle East/Africa	130	1%	136	2%	(4%)
Sales by origin	8,956	100%	8,004	100%	12%

Sales from Europe increased by 19% at €6,435 million, representing 72% of total sales, mainly due to Power Systems' growing sales on plant projects.

Sales from North America were €1,318 million (15% of total sales), down 9% from last year, due to lower sales on environmental control systems in the USA, partly offset by higher sales generated on a metro project for New York City.

Sales from South and Central America were up 30% at €311 million (3% of total sales), mainly due to the increased trading of hydro projects in Brazil.

Sales from Asia/Pacific were €762 million (9% of total sales), approximately at the same level as last year. Increased sales from hydro projects in China and India were offset by lower sales from Power Service and Transport in the region.

Sales from Middle East/Africa were €130 million (1% of total sales). Higher sales driven by the execution of plant projects in Algeria and South Africa were partly offset by lower Power Service sales from Saudi Arabia and the United Arab Emirates.

3. Outlook

During the first half of 2008/09, ALSTOM posted a very solid performance. The Group succeeded in achieving key commercial successes across all Sectors in active Power and Transport markets, ramping-up the execution of its backlog and continuing to improve its operational performance.

Despite the currently more difficult economic environment, ALSTOM believes that the long-term drivers of its markets as well as its customer base remain strong. In this context, and given its record high level of backlog, ALSTOM confirms its objectives for 2009/10: its operating margin should reach around 9%, split between 10% and 11% for the combined Power Sectors and between 7% and 8% for the Transport Sector.

The foregoing are “forward-looking statements” and as a result they are subject to uncertainties. The success of the Group’s strategy and action plan, its sales, operating margin and financial position could differ materially from the goals and targets expressed above if any of the risks described in the Risk section of the Annual Report for fiscal year 2007/08, or other unknown risks, materialise.

4. Sector analysis

4.1. Power Sectors

The following tables present key performance indicators for Power Systems, Power Service and the combined Power Sectors.

Power Actual figures (in € million)	1st Half 30 Sept. 08	1st Half 30 Sept. 07	% Variation	
			Sept 08 / Sept 07	
			Actual	Organic
Order backlog	26,738	19,999	34%	30%
Orders received	10,203	8,025	27%	28%
Sales	6,284	5,294	19%	17%
Income from operations	581	445	31%	33%
Operating margin	9.2%	8.4%		
EBIT	570	452	26%	
Capital employed	921	742	24%	

Power Systems Actual figures (in € million)	1st Half 30 Sept. 08	1st Half 30 Sept. 07	% Variation	
			Sept 08 / Sept 07	
			Actual	Organic
Order backlog	20,191	14,117	43%	39%
Orders received	7,767	5,513	41%	40%
Sales	4,330	3,538	22%	17%
Income from operations	254	159	60%	62%
Operating margin	5.9%	4.5%		
EBIT	244	162	51%	
Capital employed	(1,387)	(1,345)	3%	

Power Service Actual figures (in € million)			% Variation	
	1st Half	1st Half	Sept 08 / Sept 07	
	30 Sept. 08	30 Sept. 07	Actual	Organic
Order backlog	6,547	5,882	11%	10%
Orders received	2,436	2,512	(3%)	1%
Sales	1,954	1,756	11%	18%
Income from operations	327	286	14%	17%
Operating margin	16.7%	16.3%		
EBIT	326	290	12%	
Capital employed	2,308	2,087	11%	

4.1.1. Orders received

4.1.1.1. Power Systems

The high market conditions that prevailed in 2007/08 continued during the first half of 2008/09, with a balanced demand for all technologies. The market for new equipment was sustained especially in Europe and in Middle East/Africa, in particular for steam projects. The demand for new coal and hydro plants remains at a very high level both in China and India. The installed base market continues to bring a number of retrofit opportunities.

Orders received by Power Systems during the first half of 2008/09 were €7,767 million, 41% higher than the same semester last year.

Commercial performance in Middle East/Africa was strong with €3,980 million orders booked, more than half of the total order intake and close to four times the level reached last year in this region. In South Africa where demand for electricity is increasingly strong, ALSTOM booked a major order for 6x790 MW turbine islands of a coal-fired plant, the second of a kind after the contract for 6x780 MW turbine islands, which was booked in 2007/08. In Saudi Arabia, ALSTOM was awarded a new phase of the Shoaiba plant (3x400 MW, oil-fired) after having supplied its first 11x400 MW units. ALSTOM also received its first order for a boiler retrofit in Saudi Arabia. Finally, 2 turnkey plants based on a total of 4 GT26 gas turbines were sold in Algeria and Tunisia.

In Europe, ALSTOM was successful in coal, with the booking of a turnkey power block along with boiler islands for power plants in Germany. Demand for de-pollution equipments and retrofit of existing plants remained high all across Europe, so as to improve the efficiency of power installations and comply with environmental regulations. The gas market remained active and ALSTOM booked a contract in France involving 2 GT13 gas turbines. Power Systems was also active in renewables, with contracts awarded for a biomass co-firing system allowing emission reductions in the UK and for a 2x120 MW hydro power plant in Portugal. The Sector also received its first major orders for its new 3 MW wind turbine. Europe accounted for 27% of the total order intake at €2,071 million.

In North America, Power Systems was awarded several contracts in relation with its coal-fired installed base. Orders received in North America were €358 million (5% of the total), a 59% decrease compared to last year (which included orders for a nuclear retrofit in Mexico and a hydro plant in Canada).

In the South and Central American region, orders received were €223 million (3% of the total), down 35% compared to last year (which included a significant order for a hydro project in Brazil).

In China, orders were booked for large hydro power plants as well as for two nuclear projects (one EPR and one CPR1000), illustrating the technological competitiveness of ALSTOM conventional islands. In the rest of the Asia / Pacific region, orders received pertained to all types of fuels: boilers and hydro in India, 2 GT13 gas turbines in Australia and Indonesia, as well as de-pollution equipment for an industrial plant in India. In this region, Power Systems booked orders amounting to €1,135 million (15% of the total) up 9% vs. the first semester last year.

4.1.1.2. Power Service

Power Service's order intake during the first half of 2008/09 was €2,436 million, 3% lower than the same semester of last year on an actual basis and +1% on an organic basis. Main orders received include two operation and maintenance contracts, as well as a number of inspections and parts supply. Europe accounted for 33% of the total order intake, Middle East/Africa 29%, North America 19%, Asia/Pacific 17%, and South & Central America 2%.

In Europe, environmental regulations and high fuel costs support a high demand for both efficiency-enhancing equipments and emissions control solutions. During the semester, Power Service recorded €795 million new orders including long-term service agreements and spares supplies in the UK and in France. This however represents a 20% decrease compared to the high level reached last year when a number of long-term operation and maintenance contracts were booked.

In North America, orders received were €469 million, a 10% decrease compared to last year which is mainly due to the evolution of the EUR/USD rate. Orders received in South & Central America were €50 million.

The Asia/Pacific region is showing a fast capacity build-up as well as a growing environmental concern, both driving service opportunities. Increased customer interest for asset management services as a result of market liberalization is also noticeable. Power Service's competitiveness in these fields led to successes during the first half of 2008/09, especially in Korea, Japan and Australia. In Asia/Pacific, Power Service booked orders amounting to €427 million, down 17% vs. the first semester of last year, which was at a particularly high level, including an operation and maintenance contract in India.

The Middle East/African region showed strong growth during the first half of 2008/09. Active demand for gas in the Middle East will translate into service opportunities in the mid-term. Power Service booked €695 million new orders, +58% vs. last year. Main orders received in this region comprise two operation and maintenance contracts in the United Arab Emirates and in Tunisia, as well as parts supply and security systems in Algeria and gas turbines upgrades in Lybia.

The Power Sectors received the following major orders during the first half of 2008/09:

Country	Sector	Description
Algeria	Power Systems	1,280 MW 3xGT26 combined-cycle power plant
China	Power Systems	Turbine island of an EPR nuclear power plant
China	Power Systems	Turbine island of a CPR1000 nuclear power plant
Germany	Power Systems	Supercritical boilers for 2x800 MW units of a coal-fired power plant
Germany	Power Systems	Turnkey power block of a 910 MW supercritical coal-fired power plant
Indonesia	Power Systems	235 MW 1xGT13 combined-cycle power plant
Panama	Power Systems	Turbines-generators and other mechanical equipment for 3 hydropower plants
Portugal	Power Systems	Extension of a hydropower plant (2x120 MW)
Saudi Arabia	Power Systems	1,200 MW oil-fired steam power plant
South Africa	Power Systems	6x790 MW turbine islands for a coal-fired power plant
Spain	Power Systems	Frame agreement for 300 MW of wind turbines
Tunisia	Power Systems	400 MW 1xGT26 combined-cycle power plant
	Power Service	12-year operation and maintenance contract
United Arab Emirates	Power Service	16-year contract for spare parts and maintenance services for a 2,000 MW combined-cycle power plant

4.1.2. Sales

4.1.2.1. Power Systems

During the first semester of 2008/09, Power Systems reached sales of €4,330 million. This represents a 22% increase on an actual basis, 17% on an organic basis, as the Sector is progressively stepping up the execution of its large backlog.

Sales in Europe were €2,187 million, +36% vs. the first semester last year, representing half of the total Sector sales. The Sector is delivering major turnkey steam and gas plants in the UK, Poland and Bulgaria, and is also leveraging its recently integrated wind activity.

Sales in North America were €468 million (11% of total sales), down 27% from the first half of last year, as more contracts for environmental control systems in the USA were traded last year.

In South and Central America, sales increased by 87% at €333 million (8% of total sales), driven by the trading of a gas power plant and of hydro projects in Brazil.

Sales in Asia/Pacific were stable at €729 million (17% of total sales) and included, among others, the delivery of gas turbine projects in Australia and in India and of boilers in China.

Finally sales in Middle East/Africa went up 60% at €613 million (14% of total sales), with the trading of turnkey gas plants in the United Arab Emirates, Algeria and Morocco.

Power Systems

Actual figures, in € million	1st Half	% of	1st Half	% of	% Var.
	30 Sept. 08	contrib	30 Sept. 07	contrib	Sept 08/07
Europe	2,187	50%	1,610	45%	36%
North America	468	11%	637	18%	(27%)
South and Central America	333	8%	178	5%	87%
Asia/Pacific	729	17%	731	21%	(0%)
Middle East/Africa	613	14%	382	11%	60%
Sales by destination	4,330	100%	3,538	100%	22%

4.1.2.2. Power Service

Power Service's sales increased by 11% (18% on an organic basis) during the first half of 2008/09, reaching €1,954 million.

Sales increased by 15% in Europe at €780 million (40% of total sales). North America contributed significantly with sales at €550 million (28% of total sales), a 3% increase in spite of the decline of the EUR / USD value. Sales in South and Central America were €70 million. Power Service posted sales of €315 million in Asia/Pacific, +9% compared to last year. Finally, sales reached €239 million in Middle East/Africa, up 15% compared to last year due to the recent increase in the gas service business in the Middle East.

Power Service

Actual figures, in € million	1st Half	% of	1st Half	% of	% Var.
	30 Sept. 08	contrib	30 Sept. 07	contrib	Sept 08/07
Europe	780	40%	679	39%	15%
North America	550	28%	536	31%	3%
South and Central America	70	4%	43	2%	63%
Asia/Pacific	315	16%	290	16%	9%
Middle East/Africa	239	12%	208	12%	15%
Sales by destination	1,954	100%	1,756	100%	11%

4.1.3. Income from operations and operating margin

4.1.3.1. Power Systems

Power Systems' income from operations increased to €254 million during the first half of 2008/09, +60% vs. the amount recorded last year (€159 million). This sharp increase is the consequence of higher sales, the trading of better quality contracts booked and a continuing focus on cost control. The operating margin rose significantly from 4.5% to 5.9%.

4.1.3.2. Power Service

Power Service's income from operations was €327 million, a 14% increase compared to last year, reflecting the growth in traded volume and the Sector's ability to continuously optimize its operations. The operating margin was 16.7% vs. 16.3% last year.

4.2. Transport Sector

Transport Actual figures (in € million)			% Variation	
	1st Half	1st Half	Sept 08 / Sept 07	
	30 Sept. 08	30 Sept. 07	Actual	Organic
Order backlog	20,141	17,200	17%	18%
Orders received	5,198	4,796	8%	11%
Sales	2,672	2,686	(1%)	2%
Income from operations	176	186	(5%)	(5%)
Operating margin	6.6%	6.9%		
EBIT	163	179	(9%)	
Capital Employed	(245)	(112)	119%	

4.2.1. Orders received

Orders received by Transport during the first half of 2008/09 were €5,198 million, 8% higher than the same semester last year (11% higher on an organic basis), confirming a sustained demand as the first half of last year was already at a very high level with a major order received for TGV³ Duplex in France.

Main orders received during the semester include:

- the supply of PENDOLINOTM trains and a 10-year maintenance contract in the UK, capitalizing on the customer's satisfaction with ALSTOM's good record of service;
- the supply of new generation AGVTM trains in Italy, confirming that ALSTOM is at the cutting edge on very high speed and demonstrating customers' interest in innovative solutions.

The order intake in Europe was €4,040 million, 9% higher than last year, which was at a record level with the booking of a major order for very high speed trains in France. With 78% of the total order intake, Europe remains the most important region in terms of orders received, benefiting from sustained demand driven by urban congestion, mobility needs and environmental concerns. The level of orders achieved demonstrates ALSTOM's ability to adapt efficiently, through operational excellence and innovation, to all kinds of markets (maintenance in the UK, new CORADIATM LIREX in Germany, AGVTM in Italy ...).

Orders received in North America were €360 million (7% of the total) vs. €624 million last year, which included a significant order for metros in the USA. Transport booked a contract to supply infrastructure for Line 12 of the Mexico City metro system.

³ TGV is a trademark of SNCF.

Orders received in South & Central America were €332 million (6% of the total) vs. €177 million during the first semester of 2007/08. An order was booked to supply the automated system for 3 lines of the Sao Paulo metro. ALSTOM succeeded in selling its URBALIS™ solution in South & Central America, after successes in China and Turkey.

In Asia/Pacific, Transport booked orders amounting to €85 million (2% of the total) vs. €220 million last year (when Transport had booked 2 significant orders for metros in China).

In Middle East/Africa, new orders were booked for €381 million vs. €62 million last year. Main orders booked include a turnkey tramway system for Dubai along with tramways for Rabat, confirming the dynamism of the ALSTOM's light rail vehicles solutions.

Transport received the following significant orders during the first half of 2008/09:

Country	Description
Brazil	Automated system for lines 1, 2 and 3 of the Sao Paulo metro system
Chile	Metropolis cars for the Santiago metro system
Germany	CORADIA™ LINT regional trains
Germany	CORADIA™ Continental regional trains
Italy	New-generation very high speed train AGV™ for a private Italian operator
Mexico	Electromechanical equipment for Line 12 of the Mexico City metro system
Morocco	CITADIS™ for the Rabat tramway
United Arab Emirates	Phase 1 of the Al Safouh tram network in Dubai
United Kingdom	PENDOLINO™ high-speed tilting trains and a 10-year maintenance contract

4.2.2. Sales

During the first half of 2008/09, Transport sales reached €2,672 million, a 1% decrease on an actual basis and a 2% increase on an organic basis.

Europe represented 70% of Transport sales, at €1,878 million, an 18% increase compared to last year. Main contracts traded during the semester include the delivery of TGV⁴ and metros in France and of high-speed trains in Italy as well as the ramp-up on regional trains in France, Germany and Spain.

In North America, sales increased by 4% at €316 million (12% of total sales), with an increased trading of the New York City metro contract, while contracts for the Washington and Atlanta metro networks are nearing completion.

Sales in South and Central America increased by 8% at €142 million as progress was made on the delivery of metros for the Sao Paulo network, while projects in Chile and Venezuela are coming to an end.

In Asia/Pacific, sales amounted to €215 million, representing a 59% decrease compared to last year, as contracts for the supply of locomotives and electrical multiple units in China are nearing completion.

⁴ TGV is a trademark of SNCF.

Finally sales in Middle East/Africa were €121 million, with notably the progressive delivery of the Algiers tramway.

Transport					
Actual figures, in € million	1st Half	% of	1st Half	% of	% Var.
	30 Sept. 08	contrib	30 Sept. 07	contrib	Sept 08/07
Europe	1,878	70%	1,598	60%	18%
North America	316	12%	305	11%	4%
South and Central America	142	5%	131	5%	8%
Asia/Pacific	215	8%	519	19%	(59%)
Middle East/Africa	121	5%	133	5%	(9%)
Sales by destination	2,672	100%	2,686	100%	(1%)

4.2.3. Income from operations and operating margin

Transport's income from operations was €176 million, a 5% decrease compared to last year. The operating margin decreased slightly from 6.9% to 6.6%: this slight reduction stems from stable volume as ramps up of some contracts are expected for the end of the year, coupled with spendings on new platforms. The Sector kept on focusing on project execution as well as continuing cost reductions through the implementation of its platforming strategy.

4.3. Corporate and Others

Corporate & Others comprise all units accounting for corporate costs, as well as the International Network.

Corporate & Others	% Variation			
	1st Half	1st Half	Sept 08 / Sept 07	
Actual figures	30 Sept. 08	30 Sept. 07	Actual	Organic
(in € million)				
Order backlog	-	27	N/A	N/A
Orders received	-	26	N/A	N/A
Sales	-	24	N/A	N/A
Income from operations	(60)	(58)	3%	(5%)
EBIT	(47)	(70)	(33%)	
Capital Employed	(228)	(109)	109%	

Income from operations was €(60) million during the first half of 2008/09 vs. €(58) million last year. EBIT at €(47) million (vs. €(70) million last year) includes a capital gain from the disposal of non-consolidated investments in South Africa and an additional capital loss relating to the disposal of the former Marine Sector.

5. Use and reconciliation of non-GAAP financial measures

This section presents non-GAAP financial indicators.

Under the rules of the *Autorité des marchés financiers* ("AMF"), a non-GAAP financial indicator is a numerical measurement of historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measurement calculated and presented in accordance with GAAP in the consolidated income statement, consolidated balance sheet or consolidated statement of cash flows; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measurement so calculated and presented. In this regard, GAAP refers to International Financial Reporting Standards.

5.1. Free cash flow

Free cash flow is defined as net cash provided by (used in) operating activities less capital expenditure (including capitalized development costs), net of proceeds from disposals of tangible and intangible assets. In particular, free cash flow does not include the proceeds from disposals of activity.

The most directly comparable financial measure to free cash flows calculated and presented in accordance with IFRS is net cash provided by (used in) operating activities, and a reconciliation of free cash flow and net cash provided by (used in) operating activities is presented below:

Total Group		
Actual figures		
(in € million)	1st Half	1st Half
	30 Sept. 08	30 Sept. 07
Net cash provided by operating activities - continuing operations	1,459	1,408
Capital expenditure (including capitalized development costs)	(265)	(172)
Proceeds from disposals of tangible and intangible assets	7	12
Free Cash Flow	1,201	1,248

ALSTOM uses the free cash flow measure both for internal analysis purposes as well as for external communication as the Group believes it provides more accurate insight into the actual amount of cash generated or used by operations.

5.2. Capital employed

Capital employed is defined as the closing position of goodwill, intangible assets, property, plant and equipment, other non current assets (excluding pension assets and financial non-current assets directly associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents) minus current and non-current provisions and current liabilities (excluding current provisions and current financial debt).

Capital employed by Sectors and for the Group as a whole is also presented in Note 4 to the Consolidated Financial Statements.

Capital employed is used both for internal analysis purposes as well as for external communication, as it provides insight into the amount of financial resources employed by a Sector or the Group as a whole, and the profitability of a Sector or the Group as a whole in regard to resources employed.

Total Group Actual figures (in € million)	30 Sept. 08	31 March 08
Non current assets	8,518	8,357
less deferred tax	(1,064)	(1,070)
less non-current assets directly associated to financial debt	(538)	(546)
less prepaid pensions and other employee benefit costs	(12)	(17)
Capital employed - non current assets (A)	6,904	6,724
Current assets	14,458	12,988
less cash & cash equivalents	(2,716)	(2,115)
less marketable securities and other current financial assets	(169)	(170)
Capital employed - current assets (B)	11,573	10,703
Current liabilities	17,954	16,468
less current financial debt	(395)	(619)
plus non current provisions	470	503
Capital employed - liabilities (C)	18,029	16,352
Capital employed (A)+(B)-(C)	448	1,075

5.3. Net cash

Net cash is defined as cash and cash equivalents, marketable securities and other current financial assets, and financial non-current assets directly associated to financial debt, less current and non-current financial debt.

Total Group Actual figures (in € million)	30 Sept. 08	31 March 08
Cash and cash equivalents	2,716	2,115
Marketable securities and other current financial assets	169	170
Financial non-current assets directly associated to financial debt	538	546
<i>less:</i>		
Current financial debt	395	619
Non current financial debt	1,164	1,308
Net cash	1,864	904

5.4. Organic basis

Figures presented in this section include performance indicators presented on an actual basis and on an organic basis. Figures have been given on an organic basis in order to eliminate the impact of changes in business composition and changes resulting from the translation of the accounts into Euro following the variation of foreign currencies against the Euro. The Group uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means by which to analyse and explain variations from one period to another. However, these figures, provided on an organic basis, are not measurements of performance under IFRS.

To prepare figures on an organic basis, the figures presented on an actual basis are adjusted as follows:

- the actual figures for 2007/08 (orders in hand, orders received, sales and income from operations) are restated taking into account the exchange rates used for the first half of 2008/09, as stated in the Consolidated Financial Statements;
- in order to reflect the same scope of activity, the same indicators are adjusted both for the first half of 2007/08 (restatement of disposals) and for the first half of 2008/09 (restatement of acquisitions).

Figures on an organic basis are presented in the table shown next page.

in € million	1st Half - 30 Sept. 07				2nd Half - 31 Mar. 08				1st Half - 30. Sept 08				
	Actual figures	Exchange rate	Scope impact	Comparable Figures	Actual figures	Exchange rate	Scope impact	Comparable Figures	Actual figures	Scope Impact	Organic figures	% Var Act. Sept 08 / Sept 07	% Var Org Sept 08 / Sept 07
Power Systems	14,117	(7)	-	14,110	16,039	421	-	16,460	20,191	(569)	19,622	43%	39%
Power Service	5,882	72	-	5,954	5,900	105	-	6,005	6,547	(1)	6,546	11%	10%
Transport	17,200	(190)	-	17,010	17,283	195	-	17,478	20,141	-	20,141	17%	18%
Corporate & Others	27	(4)	(23)	-	-	-	-	-	-	-	-	N/A	N/A
Orders in hand	37,226	(129)	(23)	37,074	39,222	721	-	39,943	46,879	(570)	46,309	26%	25%
Power Systems	5,513	(150)	-	5,363	6,056	(207)	-	5,849	7,767	(236)	7,531	41%	40%
Power Service	2,512	(101)	-	2,411	1,889	(27)	-	1,862	2,436	(1)	2,435	-3%	1%
Transport	4,796	(97)	-	4,699	2,671	(52)	-	2,619	5,198	-	5,198	8%	11%
Corporate & Others	26	(4)	(22)	-	9	-	(9)	-	-	-	-	N/A	N/A
Orders Received	12,847	(352)	(22)	12,473	10,625	(286)	(9)	10,330	15,401	(237)	15,164	20%	22%
Power Systems	3,538	(95)	-	3,443	4,230	(35)	-	4,195	4,330	(296)	4,034	22%	17%
Power Service	1,756	(102)	-	1,654	1,846	(46)	-	1,800	1,954	(3)	1,951	11%	18%
Transport	2,686	(62)	-	2,624	2,823	(27)	-	2,796	2,672	-	2,672	-1%	2%
Corporate & Others	24	(3)	(21)	-	5	(1)	(4)	-	-	-	-	N/A	N/A
Sales	8,004	(262)	(21)	7,721	8,904	(109)	(4)	8,791	8,956	(299)	8,657	12%	12%
Power Systems	159	(5)	-	154	256	(3)	-	253	254	(4)	250	60%	62%
Power Service	286	(5)	-	281	306	(4)	-	302	327	1	328	14%	17%
Transport	186	-	-	186	211	(2)	-	209	176	-	176	-5%	-5%
Corporate & Others	(58)	-	(5)	(63)	(51)	-	-	(51)	(60)	-	(60)	3%	-5%
Income from Operations	573	(10)	(5)	558	722	(9)	-	713	697	(3)	694	22%	24%
Power Systems	4.5%			4.5%	6.1%			6.0%	5.9%		6.2%		
Power Service	16.3%			17.0%	16.6%			16.8%	16.7%		16.8%		
Transport	6.9%			7.1%	7.5%			7.5%	6.6%		6.6%		
Corporate & Others	N/A			N/A	N/A			N/A	N/A		N/A		
Operating margin	7.2%			7.2%	8.1%			8.1%	7.8%		8.0%		
Sales	8,004	(262)	(21)	7,721	8,904	(109)	(4)	8,791	8,956	(299)	8,657	12%	12%
Cost of sales	(6,547)	236	14	(6,297)	(7,214)	94	4	(7,116)	(7,319)	265	(7,054)	12%	12%
R&D expenses	(252)	2	-	(250)	(302)	1	-	(301)	(274)	6	(268)	9%	7%
Selling expenses	(298)	7	2	(289)	(321)	2	-	(319)	(324)	4	(320)	9%	11%
Administrative expenses	(334)	7	-	(327)	(345)	3	-	(342)	(342)	21	(321)	2%	-2%
Income from Operations	573	(10)	(5)	558	722	(9)	-	713	697	(3)	694	22%	24%

6. Other information***6.1. Information related to the parent company***

ALSTOM S.A., the Group's parent company, has no industrial or commercial activity and consequently its revenues include mainly fees invoiced to its subsidiaries for the use of the ALSTOM name, dividends and other financial income.

Net profit amounted to €148 million for the first half of 2008/09, compared to €122 million for the first half of 2007/08.

6.2. Related parties

During the first semester of 2008/09, there was no new significant transaction between related parties.