

# ALSTOM

# Y&U

Letter to shareholders

NOVEMBER 2010

## KEY FIGURES

### ORDERS RECEIVED:

€7

billion (of which  
€1.4 billion for Grid)

### SALES:

€10.4

billion (of which  
€1.5 billion for Grid)

### INCOME FROM OPERATIONS:

€763

million (of which  
€88 million for Grid)

### NET RESULT:

€401

million

Find all the half-year results  
on [www.alstom.com](http://www.alstom.com)

Dear Shareholders,

In November 2009, I informed you that Alstom was interested in acquiring the transmission activity of Areva T&D. A year has passed and I can confirm that this activity was integrated to the Group last June and constitutes its third Sector, Alstom Grid, which is presented to you in this letter.

This first half of 2010/11 was marked by remaining challenging conditions on specific markets with contrasted situations across geographies and technologies. The sluggish recovery experienced in Europe and in the USA kept on hold a number of projects, which particularly affected thermal power generation and led to a low level of order intake for new thermal power equipments. This is the reason why we decided to launch a restructuring plan in the concerned European and North American businesses.

The rest of our activities have shown better resistance with opportunities being worked upon, notably in the emerging countries, where GDP growth was quick to rebound as well as in renewables and services. Demand for rail transportation remained sustained, whilst the transmission market started to recover after the 2009 crisis.

In this context, between 1<sup>st</sup> April 2010 and 30<sup>th</sup> September 2010, the Group's operational performance was overall in line with guidance as illustrated by the evolution of sales and margin. Net result decreased compared to the same period of last fiscal year and cash flow, impacted by the level and nature of orders, is under pressure, even if the Group keeps a strong balance sheet.

To position the Group in certain major markets, strategic partnerships were signed in the USA, in China, Russia and Kazakhstan. R&D expenses remained at a high level as we aim at reinforcing our competitive edge in the three Sectors. Capital expenditures were maintained while selectivity was strictly applied on any new project.

Even though the level of commercial and industrial activities will be impacted by the slower than expected recovery of demand in some areas and businesses in Power, given its sound backlog, Alstom confirms its Group's operating margin guidance at 7 to 8% for fiscal years 2010/11 and 2011/12.

I understand and share your disappointment regarding the share price evolution over the last months, however, I assure you that Alstom has the capacity to adapt. Once again, I thank you for your confidence.

**"I can confirm the Group's operating margin guidance at 7 to 8% for fiscal years 2010/11 and 2011/12."**



Patrick Kron  
Chairman and CEO



## CHINA

### DEVELOPMENT OF URBAN MASS TRANSIT

On 13 September, the Group signed a Memorandum of Understanding (MoU) with two Chinese companies – CNR Corporation Ltd. and Shanghai Electric Group Ltd. – to form a strategic partnership with the aim of conquering new markets in the field of urban mass transit. This collaboration will allow Alstom to expand the capabilities and competitiveness of its two existing Chinese joint ventures – “SATCO” and “SATEE”. Alstom along with its partners will work to accelerate the development of complete rolling stock solutions and railway traction systems for mass transit projects.



## KAZAKHSTAN

### ENTRY IN KAZAKHSTAN'S TRANSPORT MARKET

Alstom, Transmashholding and Kazakh Railways (KTZ) signed an agreement for the creation of a joint company to manufacture electric locomotives in Kazakhstan. On 26 June, following the agreement, the first stone of the future manufacturing site was laid several kilometres from Astana, the Kazakh capital, in the presence of all three parties.

Based on both Alstom's and Transmashholding's technologies, these locomotives will be adapted to the specific operating requirements of the CIS countries and designed to work in extreme climatic conditions (frost or extreme heat). Manufactured to the needs of the domestic market of Kazakhstan, they are likely to be exported to neighbouring countries.



## USA

### INAUGURATION OF TURBINE MANUFACTURING SITE



On 24 June 2010, Alstom inaugurated a new engineering and production facility located in Chattanooga in the state of Tennessee, USA. The factory is dedicated to the manufacturing and renovation of equipment for the North American fossil fuel and nuclear power generation market. It will produce state of the art gas and steam turbines, large turbo-generators as well as related equipment. The site will also provide a retrofitting activity for existing steam turbines. In conjunction with Alstom's recent investments in the carbon capture and storage (CCS) and wind power markets in the USA, this investment will allow the Group to take a major step in implementing its clean power strategy.



## USA

### FIRST STEP INTO SOLAR ENERGY

Thanks to the partnership established with the American company BrightSource Energy Inc., Alstom has broadened its portfolio in renewables by entering the high-growth solar energy market. BrightSource, of which Alstom has become one of the main shareholders, is a specialist in designing, building and operating tower based solar thermal power plants. BrightSource's technology employs thousands of mirrors to reflect sunlight onto a central receiver atop a tower to produce high temperature steam. The steam is then piped to a steam turbine and generator which produce electricity.

## Alstom creates a third Sector: **Alstom Grid**

With the acquisition of the transmission activities of Areva T&D on 7 June 2010, Alstom has reached a decisive stage in its development by forming a new Sector, named Alstom Grid, which complements the existing Sectors in power generation and rail transport. Henri Poupart-Lafarge, President of Alstom Grid, is introducing the new Sector for you.

### Firstly, can you explain what this business involves?

The transmission of electricity consists in transporting the electric current from the production sites: power plants, wind farms, hydroelectric dams etc., to the electrical grids that distribute it to end users: companies, individuals, hospitals...

### Why name it Alstom Grid?

To open this new exciting chapter in the business' history, I wanted our customers and partners to see our new Sector as the electricity grid specialist, hence the name "Grid". This is the reason why I chose the name Alstom Grid, which is readily understandable by the Sector's business environment and reflects our technological ambition to move from the simple transmission of electricity to intelligent networks called "Smart Grid".

### What can this Sector offer?

Alstom Grid provides all equipment and systems for the transmission of electricity and also for the management of high voltage electrical networks.

The Sector provides products that: can reduce or increase the power of electrical current, these are the power transformers; can cut the current on a line, these are the circuit breakers or can change the current flow or isolate a line, these are the disconnectors. The Sector also possesses expertise in network management systems, including all types of substations, in equipment to interconnect them, and in the power electronics, useful for stabilising the network.

Alstom Grid is a specialist in software systems and equipment needed to manage the flow of electricity in the transmission network and to protect and control substations. Finally, the Sector provides all after-sales operations, consultancy, expertise and training services.

### What are the prospects for this market?

The transmission business is expected to grow at an estimated 3% per year over the next five years. One of the main factors of this growth will be the increase in electricity production, which will require considerable investment for the extension of the grids, their interconnection and the replacement and renovation of ageing installations. The other driver relates to new technological challenges imposed by environmental protection, the need for energy efficiency, greater quality and stability of networks. The electrical grids become increasingly complex; we must therefore make them more intelligent.

### What is your vision for the development of Alstom Grid?

Alstom Grid is well positioned. We are a global player. Technology will be at the heart of our strategy. Our aim is to be a leader in new grid technology, with products and integrated systems, to offer the most efficient and most competitive solutions for our customers. We will also reinforce our global competitiveness by focusing on strategic markets such as the USA and China, while consolidating the strong positions we already hold on our traditional markets, Europe, Middle East and Latin America, and in India where we are the market leader. We will also prepare ourselves for future opportunities in Central Asia, Africa and Russia.



Henri Poupart-Lafarge  
President of Alstom Grid

#### ALSTOM GRID IN NUMBERS

**No. 3** worldwide  
in electricity transmission  
market

Sales in 2009:  
**> €3.5** billion

**20,000**  
employees

Presence in  
**100** countries  
**90** manufacturing sites  
across **5** continents

# SHAREHOLDER INFORMATION

## ALSTOM AWARDED FOR THE QUALITY OF ITS GOVERNANCE AND TRANSPARENCY OF ITS REGULATED INFORMATION

On 22 September, Agefi awarded the prize for "Governance Dynamics" to Alstom during the seventh edition of the "Grands Prix du Gouvernement d'Entreprise". The jury, composed of professionals from the world of finance, acknowledged the achievement of Alstom's "spectacular recovery and great evolution of its activities' portfolio". The Group also ranked third for the "Functioning of corporate bodies", which rewards the efficiency of the Board of Directors, its committees and management structure.

Alstom was also awarded the prize for transparency for the industrial goods and services sector, along with the prize for comparability, by Labrador, a regulated information expert, in association with Sciences Po. These prizes, awarded on 29 September, hailed the Group's efforts for producing information that is promptly available and easily accessible, accurate and in complete compliance with industry standards and practices.



## SITE VISIT

On 5 October, a group of individual shareholders visited the Alstom Hydro site in Grenoble. Centre for Research and Development in the field of hydroelectricity, the site in Grenoble specialises in project coordination and hydraulic studies for all units of the Alstom Hydro business and has a workshop for the production of hydraulic turbines. Participants were able to witness the testing of a model, an essential step before production can begin, and then follow the process through to the construction of a full-sized turbine.

## DIARY

### 9 DECEMBER 2010:

Shareholder Information Meeting in Tours (France)

### 20 JANUARY 2011:

Orders and Sales – First nine months of FY2010/11

### 4 MAY 2011:

Annual Results – FY2010/11

## ALSTOM SHARE



Place of listing: Euronext Paris – Compartment A

ISIN Code: FR0010220475

Mnemonic: ALO

Reference Index: CAC40

Eligible for PEA: Yes

Eligible for differed settlement service : Yes

## CONTACTS: ALSTOM INVESTOR RELATIONS

**By post:** 3, avenue André Malraux  
92309 Levallois-Perret Cedex  
France

**By telephone:** in France, a toll-free number is available to shareholders from Monday to Friday, 9 am to 7 pm (CET): **N°Vert 0 800 50 90 51**

From abroad: +33 (0)1 45 30 85 75\*

**By e-mail:** investor.relations@chq.alstom.com

**Internet:** www.alstom.com

\* Calls to this number will be charged at your operator's standard international rate.

# ALSTOM