

ALSTOM ACHIEVES STRONG PERFORMANCE DURING THE FIRST HALF 2006/07

First half of fiscal year 2006/07 (1 April 2006 to 30 September 2006) was marked by a record level of activity, an improvement in profitability and an exceptionally high cash generation.

(in €million)	First Half Sept. 06	First Half Sept. 05	% Variation Sept. 05/ Sept. 06
<i>Comparable figures*:</i>			
Orders received	9,664	6,619	+46%
Sales	6,608	6,104	+8%
Income from Operations	413	326	+27%
Operating margin	6.3%	5.3%	-
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<i>Actual figures:</i>			
Net result	227	136	+67%
Free Cash Flow	747	359	+108%

“The results of the first half of fiscal year 2006/07 are satisfactory. The level of orders registered over the period was remarkably high, as we managed to take advantage of favourable market conditions in power. Profitability continued to increase. A very high free cash flow has been generated, as a result of the strong commercial activity and a further improvement of the working capital. ALSTOM has entered into a new phase of profitable growth, that our fruitful cooperation with Bouygues will support”, said Patrick Kron, ALSTOM’s Chairman & Chief Executive Officer .

**Same scope and exchange rates*

Record level of activity

Order intake at €9.7 billion increased by 46% versus H1 2005/06, on a comparable basis, bringing the total order backlog to €30 billion (+20%) on 30 September 2006. A strong increase in orders was registered in Power Turbo-Systems / Power Environment (+131%) and in Power Service (+42%), whereas in Transport the orders decreased by 18% compared to the high level recorded in H1 2005/06.

The demand was particularly strong in the power market, driven by the economic growth in Asia, the need to retrofit or replace an ageing fleet and the requirement to comply with environmental regulations, especially in Europe and in the US. During H1 2006/07, Power Turbo-Systems / Power Environment was awarded an exceptional number of significant power plant turnkey projects, both in coal (Bulgaria and US) and in gas (Spain, France, UK, Australia...), while Power Service registered the operation and maintenance contracts associated to some of these orders, as well as a number of small and medium size projects. The global transport market continued to grow at a moderate pace. During H1 2006/07, the main orders registered in Transport included metros for the cities of Santo Domingo and Budapest, tramways in Algeria and France and regional trains in Germany, Sweden and France.

Sales during the first half of fiscal year 2006/07 amounted to €6.6 billion, up 8% versus the same period of last year, on a comparable basis. The growth in sales was particularly strong in Power Turbo-Systems / Power Environment (+21%), reflecting the continuous increase in order intake over the last semesters. Power Service recorded a turnover increase of 5%, while sales in Transport slightly decreased by 1% but should ramp-up in the second half of the current fiscal year.

An active management of human resources has been deployed to face this strong activity. 1,900 engineers and managers have been recruited in all Sectors over the past six months, mainly in Asia and in Europe, coupled with reinforced training programmes.

Improvement in profitability and exceptionally high cash generation reinforcing the balance sheet

Income from operations amounted to €413 million or 6.3% of sales, up 27% on a comparable basis, with all Sectors contributing to this increase. The operating margin of Power Turbo-Systems / Power Environment grew from 1.2% in H1 2005/06 to 3.0% in H1 2006/07, driven by better project execution and cost reduction. Power Service also recorded a progression, from 14.9% to 16.0%, benefiting among others from an improved performance in operation and maintenance contracts. Transport's operating margin increased from 5.9% to 6.4%, as a result of continuing selectivity in contracts and improved manufacturing efficiency.

ALSTOM's profitability has made sound progress, showing a net result of €227 million for the first half of fiscal year 2006/07, as compared to €136 million in the corresponding period of the previous year. This improvement came from a better operational performance, as well as lower restructuring and financial charges.

Free cash flow increased remarkably to €747 million, as compared with €359 million during the same period last year. This exceptional performance resulted from a better profitability

and a further improvement of working capital, partly linked to the high level of orders registered during the first semester.

The balance sheet is getting stronger, with a net debt reduced to €611 million on 30 September 2006 from €1.25 billion on 1 April 2006 and an equity increased to €2.04 billion on 30 September 2006, compared to €1.84 billion on 1 April 2006. The gearing ratio (net debt to equity) fell from 68% to 30% on 30 September 2006.

In this context of improved performance, the conditions of the 2006-2008 bonding programme have been renegotiated with banks. The cost of bonding, which is included in income from operations, has been reduced. No new cash collateral will be requested if operating margin is in line with management targets and the €700 million of cash collateral paid in relation to the previous bonding programme (2004-2006) should now be released in fiscal year 2007/08. This will contribute to further debt reduction.

Effective cooperation with Bouygues

During the first half 2006/07, Bouygues became a long-term shareholder, with a current holding of 24.4% of the capital. A steering committee has been created to coordinate actions between the two Groups. Commercial cooperation has started to maximise ALSTOM's and Bouygues' strengths and allow to develop integrated projects together as opportunities arise. The complementarities are illustrated by two recent contracts in transport and power: a consortium uniting the two Groups will construct the tramway in the city of Reims and both companies will be part in the realisation of the EPR nuclear power station in Flamanville. At the operational level, ALSTOM and Bouygues are sharing experience in organisation and project management, setting up joint training programmes and will aim at optimising costs on common projects. An agreement was signed on 29 September 2006 on the purchase by Bouygues of a 50% stake in ALSTOM's Hydro activities. The joint venture was put in place on 31 October 2006.

Outlook

Past years order intake recovery coupled with a record level of orders received during this first semester should translate into sales growing by more than 10% in the full year 2006/07, versus last year on a comparable basis. Operating margin should continue to improve in the second half of 2006/07 and we expect it to exceed our previous target of 7% for the full year 2007/08.

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This press release contains forward-looking statements which are based on current plans and forecasts of ALSTOM's management. Such forward-looking statements are by their nature subject to a number of important risk and uncertainty factors (such as those described in the documents filed by ALSTOM with the French AMF) that could cause actual results to differ from the plans, objectives and expectations expressed in such forward-looking statements. These such forward-looking statements speak only as of the date on which they are made, and ALSTOM undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Key Figures**

The Board of Directors, in its meeting held on 9 November 2006, approved the consolidated financial statements for the first half of fiscal year 2006/07.

Total Group Actual figures (in €million)	First Half Sept. 06	First Half Sept. 05	% Variation Sept. 05/ Sept. 06
Order backlog	30,106	26,366	14%
Orders received	9,664	7,443	30%
Sales	6,608	6,779	(3%)
Income from Operations	413	370	12%
Operating margin	6.3%	5.5%	N/A
Net profit/(loss) Group share	227	136	67%
Free Cash Flow	747	359	108%

Total Group Comparable figures (in €million)	First Half Sept. 06	First Half Sept. 05	% Variation Sept. 05/ Sept. 06
Order backlog	30,106	25,071	20%
Orders received	9,664	6,619	46%
Sales	6,608	6,104	8%
Income from Operations	413	326	27%
Operating margin	6.3%	5.3%	N/A

The MD&A and the interim consolidated financial statements can be found on ALSTOM's website at www.alstom.com.

***Marine is treated as a discontinued activity*