Press information

17 November 2005

FIRST HALF RESULTS
ALREADY AT YEAR-END 2005/06 TARGETS

ALSTOM's half-year results (1st April – 30th September) reach the level targeted for year-end 2005/06.

- **Operating margin expressed in IFRS reaches 5% (higher than the 6% target for year-end in French GAAP).**
- **Net income is positive (at €136 million).**
- **Free cash flow is positive (at €115 million).**

Visibility is further reinforced, with:

- **a new bonding programme secured to July 2008,**
- **the disposals programme close to completion.**

"*These results, as well as the successful extension of our bonding lines, indicate that ALSTOM is now reaching its final stage of recovery: our results are fully in line with our March 2006 targets, 6 months ahead of schedule. Beyond March 2006, ALSTOM should be in a position to enter a new phase of profitable growth*", said Patrick Kron, Chairman & Chief Executive Officer of ALSTOM.

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KEY FINANCIAL FIGURES

The Board, in its meeting held on 16th November 2005, approved the consolidated accounts of the first half of fiscal year 2005/06, for the first time compliant with International Financial Reporting Standards (IFRS).

Total Group **Actual figures** **(in € million)**	First Half **Sept. 05**	2nd Half **Mar. 05**	First Half **Sept. 04**	% Variation Sept. 04/ Sept. 05
Order backlog	27,488	27,203	27,077	2%
Orders received	7,454	7,479	8,362	(11%)
Sales	6,938	7,211	6,316	10%
Income from Operations	347	230	137	153%
Operating margin	5.0%	3.2%	2.2%	N/A
Net profit/(loss) Group share	136	(386)	(242)	N/A
Free Cash Flow	115	147	(283)	N/A

Total Group **Comparable figures** **(in € million)**	First Half **Sept. 05**	2nd Half **Mar. 05**	First Half **Sept. 04**	% Variation Sept. 04/ Sept. 05
Order backlog	27,488	26,810	26,311	4%
Orders received	7,454	7,478	8,277	(10%)
Sales	6,938	7,261	6,195	12%
Income from Operations	347	233	128	171%
Operating margin	5.0%	3.1%	2.1%	N/A

SOUND LEVEL OF ORDERS

Commercial activity was positive during the first half, with an increase in orders in both Power and Transport markets. Order intake stood at €7.5 billion or a 10% decrease versus last year on a comparable basis; however, excluding Marine Sector, which recorded the order of two cruise ships last year during the first half, order intake increased by 4%. Power Turbo-Systems / Power Environment recorded an increase in environmental systems and hydro activities, which has more than offset the lack of large turnkey power plant orders. Since October, a number of gas turbine power plant projects have been awarded to ALSTOM, notably in Italy (2xGT26), in Germany (2xGT26) and in Argentina (2xGT13). In Power Service, order intake increased by 2% with no major long term operation and maintenance contract signed during the semester, thus reflecting a strong activity in the small and medium size projects. In Transport, order intake was slightly up, with major orders in France, Spain and Italy. Finally, in Marine, the letter of intent for two new cruise-ships signed in June 2005 has recently come into force.

RECOVERY OF SALES

Sales level increased on a comparable basis by a healthy 12%, particularly in our Power Turbo-Systems / Power Environment Sector with a 33% increase.

OPERATING MARGIN TARGET ACHIEVED

Income from operations has more than doubled at €347 million representing a 5% operating margin. Factoring in IFRS accounting changes, this level of 5% was greater than the 6% operating margin target for year-end 2005/06, which was stated previously in French GAAP (IFRS accounting changes having an impact of –1.3% on the operating margin).

POSITIVE NET INCOME

A positive net income has been recorded at €136 million compared to a loss of €(242) million in the first half of last year. This improvement resulted from better operational performance and from lower restructuring and financial expenses.

POSITIVE FREE CASH FLOW

Free cash flow stood at a positive €115 million, compared with a negative €(283) million for the same period of last year. This positive cash flow combined with the proceeds from disposals have contributed to a further decrease in net debt from €1.7 billion (including capital leases) at the beginning of the year to €1.2 billion at the end of September 2005.

VISIBILITY FURTHER REINFORCED

ALSTOM has further reinforced its visibility during the period. Liquidity remains at more than €2 billion while debt maturities have been levelled. ALSTOM's balance sheet has been strengthened with a decrease in gearing from 104% to 68% during the first half. Successful negotiations have been completed for a new bonding programme syndicated with 18 banks for a total amount of €9.3 billion. This bonding line, along with bilateral agreements expected to be concluded on a case by case basis, should cover the needs until July 2008. Lastly, ALSTOM has made considerable progress in its disposals programme: all the activities which had been identified for disposal as part of the commitments taken with the European Commission, representing around €1.5 billion of sales in total, are now either sold or in their closing phase.

OUTLOOK

Based upon the good progress of our action plans and the positive results of the first half year, the Group confirms that it expects to meet or exceed its targets previously set for the full year 2005/06. Order intake is expected to remain at the same level as last year, on a comparable basis. Sales for the full year 2005/06 should grow by more than 7% on a comparable basis. Operating margin for the full year 2005/06 is expected to be at least at 5% under IFRS (higher than the 6% operating income targeted under French GAAP). Net profit for the full year should exceed €250 million and free cash flow should be positive.

The operating margin target of 5% expected for fiscal year 2005/06 is based on the following targets (expressed in IFRS) by Sector: 1.5% to 2% in Power Turbo-Systems / Power Environment, 14.5% to 15% in Power Service and 6% to 6.5% in Transport.

Beyond the current fiscal year, we expect that ALSTOM will be in a position to enter a new phase of profitable growth. We aim to further improve our operational performance targeting a 6 to 7% operating margin in March 2008 which, when combined with a strict management of our working capital, should lead to a substantial increase of our free cash flow and thus to a further reduction of our debt.

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A full copy of the MD&A document is available on ALSTOM's website, together with a full set of accounts and notes (www.alstom.com).

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