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16 May 2005

ALSTOM AND DONGFANG ELECTRIC WIN LING AO PHASE 2 2000 MW STEAM TURBINE-GENERATOR PACKAGE ORDER

This strengthens the Company's position in China's nuclear
conventional island market

ALSTOM has won a contract worth more than 80 million with Dongfang Electric Group Corporation (DEC) for its part in the supply of two 1000 MW Arabelle steam turbine and generator packages for phase II of construction at Ling Ao nuclear power station, run by China Guangdong Nuclear Power Corporation (CGNPC), in Shenzhen, China.

This partnership reinforces the leadership position of ALSTOM and its technologies in China's nuclear conventional island market. It is the third significant nuclear power contract ALSTOM has won in China in recent years. Previously, the company has recorded two major contracts for the supply of Daya Bay and Ling Ao nuclear power stations.

ALSTOM's Arabelle steam turbine is the only state-of-the-art, proven technology covering 1000 MW to 1800 MW range. Its configuration gives high overall efficiency, extended design lifetime, short overhaul periods, and low maintenance costs. Arabelle can operate with any type of nuclear island configuration.

ALSTOM is the world's No.1 supplier of nuclear steam turbines and generators. With over 40 years' experience and 175 units installed in more than 12 countries, ALSTOM technology is present in over a third of the world's total installed nuclear capacity.

Winning of the Ling Ao Phase II project builds on ALSTOM's successful execution of Ling Ao Phase I project. As the design and supply contractor for the two units of the Phase I project, ALSTOM contributed to the commercial inauguration of Unit 1 and the Unit 2 in 2002, respectively 48 days and 66 days earlier than the dates specified in the contract.

Philippe Joubert, President of ALSTOM's Power Turbo Systems and Power Environment Sectors, said: "ALSTOM is very pleased to be chosen by our Chinese partner and customer to serve this key project in China's programme of nuclear power generation. It confirms ALSTOM's position as a key worldwide player and technology leader in conventional islands for nuclear power plants and its commitment to participate, alongside Chinese partners, to the ambitious development of power generation in China."

24 May 2005

ALSTOM AND LØGSTØR RØR SIGN AN AGREEMENT FOR THE SALE OF ALSTOM'S FLOWSYSTEMS BUSINESS

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ALSTOM and LØGSTØR RØR Holding A/S have signed an agreement regarding the sale of ALSTOM's Flowsystems business to LØGSTØR. ALSTOM's Flowsystems Business is headquartered in Fredericia (Denmark) and has units in Sweden, Poland, Finland, Lithuania, Germany, Austria, France, Italy and Holland. FlowSystems is currently part of ALSTOM's Power Service Sector.

This operation is subject to its approval by the relevant competition authorities and therefore closing could be anticipated before the end of June.

Flowsystems manufactures and sells insulated pipe systems for district heating to approximately 40 countries and recorded sales of 150 million in 2004/05, mainly in Northern and Central Europe. It employs approximately 600 persons.

LØGSTØR manufactures and sells similar products and is headquartered in Løgstør (Denmark).

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PRESS INFORMATION

31st May 2005

FULL YEAR RESULTS 2004/05
1st April 2004 - 31st March 2005

ALSTOM's recovery is clearly reflected in the FY04/05 results:

- o Orders received of 15.8 billion, up 15 per cent on a comparable basis from FY03/04
- o Operating income at 550 million, multiplied by three on a comparable basis versus 168 million in the previous fiscal year; operating margin up from 1.2 per cent in FY03/04 to 4.0 per cent in FY04/05
- o Net losses cut in half to 0.86 billion from 1.84 billion in FY03/04 in spite of significant non-recurring charges
- o Net debt strongly reduced during the fiscal year, down to 1.4 billion from 3.7 billion
- o Free Cash Flow showing strong improvement at - 170 million versus - 1007 million in the last fiscal year
- o Liquidity reinforced due to the financial consolidation undertaken during the fiscal year

2005/06 objectives confirmed:

- o 6 per cent operating margin leading to a return to profitability
- o Positive Free Cash Flow with continuing debt reduction

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The Board, in its meeting held on 30th May 2005, has approved the accounts for the fiscal year 2004/05. Commenting on these results, Patrick Kron, Chairman & Chief Executive Officer said:

"The results we are presenting today clearly demonstrate the ongoing recovery of ALSTOM. All key indicators are in line with, or better than the guidance previously given. These results enable us to confirm the FY 2005/06 targets announced in March 2003 when we launched our recovery plan: an operating margin of 6 per cent leading to a return to profitability and a positive Free Cash Flow.

Customers' renewed confidence in ALSTOM is clearly evidenced by 15.8 billion of orders, up 15 per cent on a comparable basis from FY03/04. This positive trend is not only quantitative but also qualitative. Margins on orders booked continue to improve; those in our current order book, which represents two years of sales, are in line with the profitability targets announced for the

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Group and its operational Sectors. On a geographical basis, the commercial success achieved in markets with strong growth potential is encouraging. Chinese orders reached 1.6 billion, more than twice the level of the previous year, and orders from India were close to 0.5 billion.

Our operational performance is greatly enhanced: the GT24/GT26 heavy-duty gas turbine issue is now resolved, with the remaining disbursements fully reserved. Agreements with our customers have been reached on 74 out of the 76 turbines sold. New orders - for a total of seven machines - have been secured in Spain and in Thailand, and new tenders are under review in several countries. We have actively pursued our cost-cutting programme; a set of restructuring measures, aimed at adapting our industrial and engineering capacity and improving our overall efficiency has led to a reduction of the workforce by 11,500 (8,000 departures to date), which should bring an annual reduction in costs of 500 million. We have focused on the improvement of contract execution, adapting our manpower, organisation and internal controls. These actions have allowed us, in spite of the low level of sales resulting from low order intake 12 to 18 months ago, to significantly increase our operational income, with the operating margin, on a comparable basis, rising from 1.2 per cent to 4 per cent. Our Free Cash Flow is also considerably better with net cash outflow reduced from 1,007 million last financial year to 170 million in 2004/05 - out of which 366 million were spent as part of the settlement of the GT24/26 problem.

Thanks to our ongoing disposal programme and to the capital increases which took place in July 2004, our net debt has been significantly reduced, from 3.7 billion to 1.4 billion in March 2005. The successful refinancing undertaken in February 2005 and our current headroom (our cash at holding company level and the available undrawn credit lines at 31 March 2005 stood at 2 billion) give us a considerable buffer to cover our future liquidity needs.

The progress achieved makes us confident for the future. The ambitious objectives we have set for March 2006 are thus confirmed: an operating margin of 6 per cent allowing for the return to profitability and a positive Free Cash

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Flow. Obviously we intend to further improve our performance beyond our current financial year: operating margin at the end March 2008 should be up by one or two percent, reaching 7 to 8 percent, and Free Cash Flow, thanks to a strict management of working capital, should also continue to show strong growth. Thus, from a significantly stronger base, ALSTOM will pursue an ambitious and profitable development strategy in its growing markets.

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ALSTOM's recovery is clearly reflected in the FY04/05 results

Key financial figures

The following tables set out, on a consolidated basis, some of our key financial and operating figures:

| Total Group Actual figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|---------|--------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 30,330 | 25,368 | 27,203 | (16%) | 7% |
| Orders received | 19,123 | 16,500 | 15,841 | (14%) | (4%) |
| Sales | 21,351 | 16,688 | 13,662 | (22%) | (18%) |
| Operating income (loss) | (507) | 300 | 550 | | |
| Operating margin | (2.4%) | 1.8% | 4.0% | | |
| Net income (loss) | (1,432) | (1,836) | (865) | | |
| Free Cash Flow | (265) | (1,007) | (170) | | |

| Total Group Comparable figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|--------|--------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 26,180 | 24,792 | 27,203 | (5%) | 10% |
| Orders received | 13,774 | 13,776 | 15,841 | 0% | 15% |
| Sales | 16,107 | 14,202 | 13,662 | (12%) | (4%) |
| Operating income (loss) | (581) | 168 | 550 | | |
| Operating margin | (3.6%) | 1.2% | 4.0% | | |

* French GAAP

Orders up 15 per cent as compared with previous fiscal year

During fiscal year 2004/05, we faced contrasted markets. Demand for new power generation equipment in Asia and particularly in China and India remained strong by contrast to the United States and some European countries, where demand remained very low. As a result of the increasing importance of environmental

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concerns, demand for environmental control equipment remained strong. In the field of Rail Transport, the European market has provided opportunities in Italy, Spain and France while the German and UK markets have been slower; the Asia market has been strong. The cruise ship market has become more active.

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The strong rebound in our commercial activity illustrates the return of customer confidence: we have booked 15.8 billion of orders in fiscal year 2004/05, an increase of 15 per cent compared with fiscal year 2003/04 on a comparable basis, with all of our Sectors contributing to this increase. Of note among the main orders received are an order received in November 2004 for four new GT26 heavy-duty gas turbines in Thailand (the second order for these machines following an order received in Spain in January 2004), a contract in China for passenger trains (Electrical Multiple Units) and an order for two cruise ships.

Our backlog was 27 billion at 31 March 2005, representing approximately two years of sales.

Sales impacted by low level of orders in 2003

Sales were 13.6 billion in fiscal year 2004/05, decreasing by 4 per cent compared with fiscal year 2003/04 on a comparable basis, mainly in our Power Turbo-Systems / Power Environment and Marine Sectors, due to the impact of the low level of orders in the second half of fiscal year 2002/03 and in the first half of fiscal year 2003/04. Sales in other Sectors increased on a comparable basis.

Operating income improving strongly as a result of continuing cost reduction and improvement in contract execution

Our operating income in fiscal year 2004/05 was 550 million or 4.0 per cent of sales, as compared with 168 million or 1.2 per cent of sales in fiscal year 2003/04 on a comparable basis. This strong improvement of our operating margin despite a lower level of sales is notably due to a reduction in our cost base and to improved performance in the execution of our contracts.

Net loss cut in half

Net results showed a loss of 865 million, resulting notably from the high level of restructuring charges (358 million), financial expenses (346 million) and tax expenses (203 million) from the write-off of deferred tax assets. The net loss was cut in half compared with 1,836 million in fiscal year 2003/04.

Free Cash Flow

Our Free Cash Flow was negative at -170 million in fiscal year 2004/05, improving strongly despite cash outflows of 366 million related to GT24/GT26 gas turbines and the high level of restructuring and financial cash outflows. This progress was derived from a further improvement of our working capital in all Sectors excluding Marine.

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Further scope adjustments

After the disposals of the Transmission & Distribution Sector and the Industrial Turbines activity carried out during fiscal year 2003/04, we have continued our disposal programme during fiscal year 2004/05, in line with the commitments made to the European Commission.

With respect to the disposals identified in May 2004:

- the locomotives manufacturing unit of Valencia, Spain, has been sold to Vossloh.
- the sale of our transport activities in Australia and New Zealand is in final negotiation.
- the disposal of our industrial boiler business is underway.

As for the other disposals needed to reach the total activity turnover of approximately 1.5 billion as agreed with the European Commission:

- an agreement has just been signed for the sale of our Flowsystems activity.
- miscellaneous activities have been sold in Australia.
- the sale of Power Conversion has been launched.

The completion of these disposals should cover our commitment made to the European Commission with respect to disposals of industrial activities.

Net debt strongly reduced

Net debt was reduced during the fiscal year to 1.4 billion on 31 March 2005 compared with 3.7 billion. This significant decrease is due to the capital increases and the proceeds of the disposals.

Bonding

We have syndicated our 2-year bonding programme launched in July 2004 with 17 banks, for a total of 7.4 billion. This program, together with the additional bilateral lines obtained recently, should cover our needs until July 2006.

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PRESS INFORMATION

Sector Review

Power Turbo-Systems / Power Environment

| Power Turbo-Systems / Power Environment Actual figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|--------|--------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 7,308 | 6,448 | 7,139 | (12%) | 11% |
| Orders received | 4,404 | 5,107 | 5,181 | 16% | 1% |
| Sales | 6,955 | 5,059 | 4,256 | (27%) | (16%) |
| Operating income (loss) | (1 175) | (253) | (35) | | |
| Operating margin | (16.9%) | (5.0%) | (0.8%) | | |

| Power Turbo-Systems / Power Environment Comparable figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|--------|--------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 7,062 | 6,395 | 7,139 | (9%) | 12% |
| Orders received | 4,128 | 5,047 | 5,181 | 22% | 3% |
| Sales | 6,437 | 4,997 | 4,256 | (22%) | (15%) |
| Operating income (loss) | (996) | (251) | (35) | | |
| Operating margin | (15.5%) | (5.0%) | (0.8%) | | |

* French GAAP

Orders received in fiscal year 2004/05 by the Power Turbo-Systems / Power Environment Sector were 3 per cent higher than in fiscal year 2003/04 on a comparable basis, at 5.2 billion. The main improvements were due to the Hydro and Utility Boiler businesses. From a geographical point of view, orders have increased significantly in Asia, which provided 42 per cent of our orders received in fiscal year 2004/05.

Sales in fiscal year 2004/05 decreased by 15 per cent on a comparable basis. This was mainly due to the exceptionally low level of orders received during fiscal year 2002/03 and during the first half of fiscal year 2003/04.

The operating loss of 35 million in fiscal year 2004/05 is strongly reduced

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from the loss of 251 million recorded in fiscal year 2003/04, with operating margin improving from -5 per cent to -0.8 per cent. This marked improvement reflects a better portfolio of projects, improved project execution and a reduction of costs.

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Power Service

| Power Service Actual figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|-------|-------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 2,793 | 3,107 | 3,669 | 11% | 18% |
| Orders received | 2,934 | 3,023 | 3,228 | 3% | 7% |
| Sales | 2,678 | 2,747 | 2,844 | 3% | 4% |
| Operating income (loss) | 403 | 417 | 473 | | |
| Operating margin | 15.0% | 15.2% | 16.6% | | |

| Power Service Comparable figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|-------|-------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 2,723 | 3,083 | 3,669 | 13% | 19% |
| Orders received | 2,775 | 2,967 | 3,228 | 7% | 9% |
| Sales | 2,579 | 2,690 | 2,844 | 4% | 6% |
| Operating income (loss) | 426 | 410 | 473 | | |
| Operating margin | 16.5% | 15.3% | 16.6% | | |

* French GAAP

The power service market remained sound in fiscal year 2004/05. Orders received amounted to 3.2 billion, 9 per cent higher than fiscal year 2003/04 on a comparable basis. They remained at a high level despite the fact that a limited number of long-term maintenance contracts were booked over the fiscal year. Sales continued to increase at 2.8 billion.

The operating margin, at 16.6 per cent of sales, benefited from increased sales in the more profitable segments of the business and good contract execution.

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Transport

| Transport Actual figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|--------|--------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 14,676 | 14,321 | 14,489 | (2%) | 1% |
| Orders received | 6,412 | 4,709 | 5,490 | (27%) | 17% |
| Sales | 5,072 | 4,862 | 5,134 | (4%) | 6% |
| Operating income (loss) | (24) | 64 | 260 | | |
| Operating margin | (0.5%) | 1.3% | 5.1% | | |

| Transport Comparable figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|--|---------------------|--------|--------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 14,283 | 13,945 | 14,489 | (2%) | 4% |
| Orders received | 6,054 | 4,687 | 5,490 | (23%) | 17% |
| Sales | 4,877 | 4,836 | 5,134 | (1%) | 6% |
| Operating income (loss) | (8) | 71 | 260 | | |
| Operating margin | (0.2%) | 1.5% | 5.1% | | |

* French GAAP

During fiscal year 2004/05, the market remained active in Europe and in Asia, especially in China where we were awarded a large contract for mainline passenger rolling stock. The market for urban transport has been sound and we were awarded several contracts in Europe, North America and South America. We also recorded significant successes in intercity and freight rolling stock, with orders for regional trains in Italy and Belgium and locomotives for France.

Orders received by Transport in fiscal year 2004/05 amounted to 5.5 billion, up 17 per cent on a comparable basis, mainly due to a higher order intake in Asia and in Southern Europe.

Sales increased by 6 per cent at 5.1 billion. The main contributor to this sales increase was Europe.

The operating margin amounted to 5.1 per cent of sales versus 1.5 per cent on a comparable basis for the previous fiscal year, mainly due to better project execution and continued cost reduction.

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Marine

| Marine Actual figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|---|---------------------|--------|---------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 1,523 | 817 | 1,266 | (46%) | 55% |
| Orders received | 163 | 381 | 1,104 | 134% | 190% |
| Sales | 1,568 | 997 | 630 | (36%) | (37%) |
| Operating income (loss) | 24 | (19) | (103) | | |
| Operating margin | 1.5% | (1.9%) | (16.3%) | | |

| Marine Comparable figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|---|---------------------|--------|---------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 1,523 | 817 | 1,266 | (46%) | 55% |
| Orders received | 163 | 381 | 1,104 | 134% | 190% |
| Sales | 1,568 | 997 | 630 | (36%) | (37%) |
| Operating income (loss) | 24 | (19) | (103) | | |
| Operating margin | 1.5% | (1.9%) | (16.3%) | | |

* French GAAP

In fiscal year 2004/05, the shipbuilding market experienced an increased level of orders, both for cruise ships and LNG tankers.

Orders received during fiscal year 2004/05 by our Marine Sector reached 1.1 billion and sales amounted to 630 million, reflecting the low level of orders during previous fiscal years.

A charge of approximately 50 million related to the difficulties experienced in the construction of an LNG tanker for Gaz de France, along with the under-activity during this fiscal year, have led to an operating loss of 103 million. Strengthening the order book and strongly reducing costs are the priorities of the Marine Sector.

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Power Conversion

| Power Conversion Actual figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|---|---------------------|------|------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 568 | 495 | 529 | (13%) | 7% |
| Orders received | 533 | 434 | 579 | (19%) | 33% |
| Sales | 523 | 499 | 539 | (5%) | 8% |
| Operating income (loss) | 15 | 15 | 36 | | |
| Operating margin | 2.9% | 3.0% | 6.7% | | |

| Power Conversion Comparable figures* (in million) | Year ended 31 March | | | % Variation March 04/ March 03 | % Variation March 05/ March 04 |
|---|---------------------|------|------|--------------------------------------|--------------------------------------|
| | 2003 | 2004 | 2005 | | |
| Order backlog | 539 | 487 | 529 | (10%) | 9% |
| Orders received | 494 | 433 | 579 | (12%) | 34% |
| Sales | 492 | 498 | 539 | 1% | 8% |
| Operating income (loss) | 17 | 15 | 36 | | |
| Operating margin | 3.5% | 3.1% | 6.7% | | |

* French GAAP

Orders received in fiscal year 2004/05 are up 34 per cent on a comparable basis at 579 million, mainly due to two large orders in the UK marine activity. Sales continued to increase at 539 million.

The operating margin, at 6.7 per cent, increased as a result of the actions launched across businesses to improve performance, as well as better market conditions.

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Outlook

Fiscal year 2004/05 was a transition year. The encouraging results recorded during this period enable us to confirm our objectives for financial year 2005/06 and, looking further ahead, target an operating margin of 7 to 8 per cent in March 2008, a significant increase in Free Cash Flow and a continued reduction of net debt.

Once our base is strengthened, we are determined to pursue a profitable development strategy in the expanding markets where ALSTOM is already active. Through partnerships wherever appropriate and advantageous, we intend to take advantage of profitable growth opportunities, both in transport and energy, particularly in Asia which shows the strongest growth potential in our activities.

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Forward-Looking Statements:

This press release contains, and other written or oral reports and communications of ours may from time to time contain, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Examples of such forward-looking statements include, but are not limited to (i) projections or expectations of sales, income, operating margins, dividends, provisions, cash flow, debt or other financial items or ratios; (ii) statements of plans, objectives or goals of the Group or its management; (iii) statements of future product or economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "aims", "plans" and "will" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve risks and uncertainties that the forecasts, projections and other forward-looking statements will not be achieved. Such statements are based on our current plans and expectations and are subject to a number of important factors that could cause actual results to differ materially from the plans, objectives and expectations expressed in such forward-looking statements.

These factors include:

(i) the inherent difficulty of forecasting future market conditions, level of infrastructure spending, GDP growth generally, interest rates and exchange rates; (ii) the effects of, and changes in, laws, regulations, governmental policy, taxation or accounting standards or practices; (iii) the effects of currency exchange rate movements and increases of overall prices of raw materials;; (iv) the effects of competition in the product markets and geographic areas in which we operate; (v) our ability to increase market share, control costs and enhance cash generation while maintaining high quality products and services; (vi) the timely development of new products and services; (vii) the results of our restructuring and cost reduction programmes; (viii) continued capability to obtain bonds in amounts that are sufficient to meet the needs of our business; (ix) the timing of and ability to meet the cash generation and other initiatives of our action plan; (x) the results of the investigations by the SEC; (xi) the outcome of the putative class action lawsuit filed against us and certain of our current and former officers; (xii) our ability to improve operating margins in a timely manner and to progressively increase the after-sales service and maintenance in our businesses; (xiii) the availability of external sources of financing on commercially reasonable terms; (xiv) the inherent technical complexity of many of our products and technologies

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and our ability to resolve effectively, on time, and at reasonable cost technical problems, infrastructure constraints or regulatory issues that inevitably arise, including in particular the problems encountered with the GT24/GT26 gas turbines; (xv) risks inherent in large contracts and/or significant fixed price contracts that comprise a substantial portion of our business; (xvi) the inherent difficulty in estimating our vendor financing risks or exposure and other credit risks, which may notably be affected by customers' payment defaults; (xvii) our ability to invest successfully in, and compete at the leading edge of, technology developments across all of our sectors; (XVIII) the availability of adequate cash flow from operations or other sources of liquidity to achieve management's objectives or goals, including our goal of reducing indebtedness; (xix) the effects of acquisitions and disposals generally and the outcome of claims related to our disposals; (xx) the unusual level of uncertainty at this time regarding the world economy in general; and (xxi) our success in adjusting to and managing the foregoing risks.

We caution you that this list of important factors is not exhaustive; when relying on forward-looking statements to make decisions with respect to us, you should carefully consider the foregoing factors and other uncertainties and events, as well as other factors described in other documents we file with or submit to, from time to time, the SEC and/or the AMF, including our Annual

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Report for the fiscal year ended 31 March 2004 and any update thereof . Such forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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Consolidated financial statements

Fiscal year 2004 / 2005

ALSTOM

CONSOLIDATED INCOME STATEMENTS

| | Year ended 31 March | | |
|-------|---------------------|--------|--------|
| Note | 2003 | 2004 | 2005 |
| | (in million) | | |
| SALES | (26) 21,351 | 16,688 | 13,662 |

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| | | | | |
|--|------|----------|----------|----------|
| Of which products | | 16,374 | 12,786 | 9,858 |
| Of which services | | 4,977 | 3,902 | 3,804 |
| Cost of sales | | (19,187) | (14,304) | (11,601) |
| Of which products | | (15,504) | (11,353) | (8,752) |
| Of which services | | (3,683) | (2,951) | (2,849) |
| Selling expenses | | (970) | (785) | (545) |
| Research and development expenses | | (622) | (473) | (336) |
| Administrative expenses | | (1,079) | (826) | (630) |
| OPERATING INCOME (LOSS) | (26) | (507) | 300 | 550 |
| Other income (expenses), net | (4) | (555) | (1,111) | (583) |
| Other intangible assets amortisation | (8) | (67) | (60) | (59) |
| EARNINGS (LOSS) BEFORE INTEREST AND TAX | (26) | (1,129) | (871) | (92) |
| Financial income (expense), net | (5) | (270) | (460) | (346) |
| PRE-TAX LOSS | | (1,399) | (1,331) | (438) |
| Income tax (charge) credit | (6) | 263 | (251) | (203) |
| Share in net income (loss) of equity investments | | 3 | - | - |
| Minority interests | | (15) | 2 | ((1) |
| Goodwill amortisation | (7) | (284) | (256) | (223) |
| NET LOSS | | (1,432) | (1,836) | (865) |
| Earnings per share in Euro | | | | |
| Basic | | (5.4) | (4.1) | (0.2) |
| Diluted | | (5.4) | (4.1) | (0.2) |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

| Note | At 31 March 2003 | At 31 March 2004 | At 1 April 2004(1) | At 31 March 2005 |
|------|------------------------|------------------------|--------------------------|------------------------|
| | ----- | ----- | ----- | ----- |

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(in million)

ASSETS

| | | | | | |
|---|-------------|--------|--------|--------|--------|
| Goodwill, net | (7) | 4,440 | 3,424 | 3,424 | 3,194 |
| Other intangible assets, net | (8) | 1,168 | 956 | 956 | 909 |
| Property, plant and equipment, net | (9) | 2,331 | 1,569 | 2,262 | 1,468 |
| Investments in equity method investees and other investments, net | (10) | 245 | 160 | 160 | 118 |
| Other fixed assets, net | (11) | 1,294 | 1,217 | 1,102 | 1,264 |
| | | ----- | ----- | ----- | ----- |
| Tangible, intangible and other fixed assets, net | | 9,478 | 7,326 | 7,904 | 6,953 |
| Deferred taxes | (6) | 1,831 | 1,561 | 1,561 | 1,370 |
| Inventories and contracts in progress, net | (12) | 4,608 | 2,887 | 2,997 | 2,760 |
| Trade receivables, net | (13) | 4,855 | 3,462 | 3,462 | 3,446 |
| Other accounts receivables, net | (15) | 2,265 | 2,022 | 2,160 | 1,661 |
| | | ----- | ----- | ----- | ----- |
| Current assets | | 11,728 | 8,371 | 8,619 | 7,867 |
| Short term investments | (18) | 142 | 39 | 39 | 15 |
| Cash and cash equivalents | (19) | 1,628 | 1,427 | 1,427 | 1,462 |
| | | ----- | ----- | ----- | ----- |
| TOTAL ASSETS | | 24,807 | 18,724 | 19,550 | 17,667 |
| | | ===== | ===== | ===== | ===== |
| LIABILITIES | | | | | |
| Shareholders' equity | | 758 | 29 | 29 | 1,182 |
| Minority interests | (20) | 95 | 68 | 68 | 74 |
| Bonds reimbursable with shares | (17) | - | 152 | 152 | 133 |
| Provisions for risks and charges | (21) | 3,698 | 3,489 | 3,484 | 3,156 |
| Accrued pension and retirement benefits | (22) | 972 | 842 | 842 | 826 |
| Financial debt | (23) | 6,331 | 4,372 | 5,199 | 2,907 |
| Deferred taxes | (6) | 37 | 30 | 30 | 21 |
| Customers' deposits and advances | | 3,541 | 2,714 | 2,714 | 3,150 |
| Trade payables | | 4,629 | 3,130 | 3,130 | 2,992 |
| Other payables | (24) | 4,746 | 3,898 | 3,902 | 3,226 |
| | | ----- | ----- | ----- | ----- |
| Current liabilities | | 12,916 | 9,742 | 9,746 | 9,368 |
| | | ===== | ===== | ===== | ===== |
| TOTAL LIABILITIES | | 24,807 | 18,724 | 19,550 | 17,667 |
| | | ===== | ===== | ===== | ===== |
| Commitments and contingencies | (27) & (28) | | | | |

 (1) Amended opening balance sheet at 1 April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2 (a)

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The accompanying Notes are an integral part of these
Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 March | | |
|---|---------------------|----------------|--------------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Net loss | (1,432) | (1,836) | (865) |
| Minority interests | 15 | (2) | 1 |
| Depreciation and amortisation | 754 | 726 | 639 |
| Changes in provision for pension and retirement benefits, net | 22 | 85 | - |
| Net (gain) loss on disposal of fixed assets and investments | (19) | (175) | (51) |
| Share in net income (loss) of equity investees (net of dividends received) | (3) | - | - |
| Changes in deferred tax | (424) | 149 | 185 |
| Net loss after elimination of non cash items | (1,087) | (1,053) | (91) |
| Decrease (increase) in inventories and contracts in progress, net | 415 | 389 | 205 |
| Decrease (increase) in trade and other receivables, net | 650 | 770 | 423 |
| Increase (decrease) in sale of trade receivables, net | (661) | (267) | (87) |
| Increase (decrease) in provisions for risks and charges | 82 | 89 | (301) |
| Increase (decrease) in customers' deposits and advances | (98) | (1) | 510 |
| Increase (decrease) in trade and other payables | 162 | (985) | (786) |
| Changes in net working capital (1) | 550 | (5) | (36) |
| Net cash provided by (used in) operating activities | (537) | (1,058) | (127) |
| Proceeds from disposals of property, plant and equipment | 252 | 244 | 52 |
| Capital expenditures | (410) | (254) | (182) |
| Decrease (increase) in other fixed assets, net (2) | (55) | 125 | (372) |
| Cash expenditures for acquisition of investments, net of net cash acquired | (166) | (8) | - |
| Cash proceeds from sale and de-consolidation of investments, net of net cash sold (3) | 38 | 1,454 | 928 |
| Net cash provided by (used in) investing activities | (341) | 1,561 | 426 |
| Capital increase | 622 | 1,024 | 2,022 |
| Issuance (conversion) of Bonds reimbursable with shares | - | 152 | (19) |
| Dividends paid including minorities | (1) | (3) | (5) |
| Net cash provided by (used in) financing activities | 621 | 1,173 | 1,998 |
| Net effect of exchange rate | (41) | (7) | 48 |

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| | | | |
|---|---------|---------|---------|
| Net effect of new accounting pronouncement at 1st April 2004 (4) | - | - | (827) |
| Other changes (5) | (464) | (14) | (42) |
| | ----- | ----- | ----- |
| Decrease (increase) in net debt | (762) | 1,655 | 1,476 |
| | ----- | ----- | ----- |
| Net debt at the beginning of the period (*) | (3,799) | (4,561) | (2,906) |
| | ----- | ----- | ----- |
| Net debt at the end of the period (*) | (4,561) | (2,906) | (1,430) |
| | ===== | ===== | ===== |
| Cash paid for income taxes | 70 | 75 | 92 |
| Cash paid for net interest (6) | 254 | 275 | 204 |

(*) Net debt includes short-term investments and cash and cash equivalents net of financial debt.

(1) See Note 16

(2) In the year ended 31 March 2005, the outflow relating to other fixed assets is mainly due to the 700 million cash deposit made to secure the new Bonding Guarantee Facility Programme (see Note 11) partially offset by 328 million repayment of other long term deposits.

(3) In the year-ended 31 March 2004, the net proceeds of 1,454 million are made of:

- Total selling price of 1,977 million including a total amount of 1,927 million for T&D Sector and Industrial Turbines businesses
- Consideration to be received for a total amount of 263 million of which 214 million are held in escrow at 31 March 2004,
- Net cash sold to be reimbursed by the acquirers and selling costs of 260 million.

In the year year-ended 31 march 2005, the net proceeds of 928 million are made of :

- proceeds of 207 million related to the completion of the disposal of certain non significant entities of the former T&D Sector not yet sold at 31 March 2004 (see Note 3) and partial reimbursement of the receivables retained at 31 March 2004.

- proceeds of 59 million related to the completion of the disposal of US entities of the former Industrial Turbines business (see Note 3) and partial reimbursement of the escrow accounts retained at 31 March 2004.

- Other proceeds net of net cash sold of 35 million including the disposal of the freight locomotive business in Spain

- Net debt of 627 million sold as part of the disposal of one Special Purpose Entity in the Transport Sector and the de-consolidation of Two Special Purpose Entity in the Marine Sector consolidated at 1st April 2004 (see Note 3)

(4) Effect at 1st April 2004 on Financial debt pursuant to the first application of the Règlement CRC 2004-03. See Notes 2(a) and 25.

(5) Including in the year-ended 31 March 2003 the reclassification in financial debt of redeemable preference shares of a subsidiary and subordinated notes totalling 455 millions (see Note 23)

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(6) Including cash paid related to interest on securitisation of future receivables

The accompanying Notes are an integral part of these
Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| In million Except for number of shares | Number of outstanding shares | Capital | Additional Paid-in Capital | Retained Earnings | Cumulative Translation Adjustment | Share Eq |
|--|------------------------------------|---------|----------------------------------|----------------------|---|-------------|
| At 1st April 2002 | 215,387,459 | 1,292 | 85 | 516 | (141) | 1, |
| Capital increase | 66,273,064 | 398 | 224 | - | - | |
| Changes in Cumulative Translation Adjustments | - | - | - | - | (184) | (|
| Net loss | - | - | - | (1,432) | - | (1, |
| At 31 March 2003 | 281,660,523 | 1,690 | 309 | (916) | (325) | |
| Capital decrease (1) | | (1,338) | (309) | 1,647 | - | |
| Capital increase (2) | 774,997,049 | 969 | 64 | - | - | 1, |
| Changes in Cumulative Translation Adjustments | - | - | - | - | 74 | |
| Net loss | - | - | - | (1,836) | - | (1, |
| At 31 March 2004 | 1,056,657,572 | 1,321 | 64 | (1,105) | (251) | |
| Conversion of ORA (3) | 15,473,425 | 14 | 5 | - | - | |
| Conversion of TSDDRA (4) | 240,000,000 | 300 | - | - | - | |
| Capital decrease (5) | - | (1,175) | (64) | 1,239 | - | |
| Capital increase (6) | 4,185,080,412 | 1,464 | 261 | - | - | 1, |
| Changes in Cumulative Translation Adjustments | - | - | - | - | (26) | |
| Net loss | - | - | - | (865) | - | (|
| At 31 March 2005 | 5,497,211,409 | 1,924 | 266 | (731) | (277) | 1, |

o Net equity movement between 1 April 2003 and 31 March 2004

At 31 March 2003, the issued paid-up share capital of the parent company, ALSTOM, amounted to 1,689,963,138 and was divided into 281,660,523 shares having a par value of 6.

At the Ordinary General Shareholders' Meeting held on 2 July 2003, it was decided that no dividend be paid.

(1) The ALSTOM shareholders' equity at 31 march 2003 constituted less than 50 % of its share capital. Therefore, in accordance with article L. 225-248 of the French Code de commerce, the shareholders were requested and agreed, at the General Shareholders' Meeting held on 2 July 2003, not to liquidate the company by anticipation. Further, it was decided at such General Shareholders' Meeting, to reduce ALSTOM's share capital, due to losses, from 1,689,963,138 to 352,075,653.75. This reduction in the share capital was

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implemented through the reduction in the nominal value of ALSTOM ordinary share from 6 per share to 1.25 per share.

- (2) Subsequently, in November 2003, an issue of shares was made and 239,933,033 shares with a par value of 1.25 were subscribed.

In December 2003, an issue of bonds reimbursable into shares "Obligations remboursables en actions" was made and 643,795,472 bonds were subscribed at 1.4 per bonds with a par value of 1.25. At 31 March 2004, 535,064,016 bonds were converted into shares on the basis of one share for one bond.

Related costs of 16 million (net of tax of 9 million) were charged against additional paid-in capital of 80 million.

At 31 March 2004, the share capital amounted to 1,320,821,965 consisting of 1,056,657,572 shares with a nominal value of 1.25 per share. All shares were fully paid up.

At the Ordinary General Shareholders' Meeting held on 9 July 2004, it was decided that no dividend be paid.

- o Net equity movement between 1 April 2004 and 31 March 2005

- (3) During the period, 14,112,541 bonds reimbursable into shares "Obligation Remboursables en Actions" were converted into shares initially on the basis of one share for one bond and as from 16 August 2004 following completion of the capital increase with preferential subscription rights, on the basis of the adjusted ratio of 1.2559 share for one bond, resulting in the issue of 15,473,425 new shares (see Note 17).

- (4) On 7 July 2004, following the European Commission's approval, the subordinated bonds reimbursable with shares "Titres Subordonnés à Durée Déterminée Remboursables en Actions" held by the French Republic were repaid into 240,000,000 new shares at a par value of 1.25.

- (5) The ALSTOM shareholders' equity at 31 March 2004 constituted less than 50 % of its share capital. Therefore, in accordance with article L. 225-248 of the French Code de commerce, the shareholders were requested and agreed, at the Extraordinary General Shareholders' Meeting held on 9 July 2004 not to liquidate the company by anticipation. Further, it was decided to reduce ALSTOM's share capital, due to losses, from 1,631,815,076.25 to 456,908,221.35. This reduction in the share capital was implemented through the reduction in the nominal value of one ALSTOM ordinary share from 1.25 per share to 0.35 per share.

- (6) On 12 and 13 August 2004, the Group closed two simultaneous capital increases :

- A capital increase with preferential subscription rights to be subscribed either in cash or by set-off against certain of our outstanding debt was subscribed for a total gross amount of 1,508 million as follows :

- o 1,277 million gross amount consisting of 3,192,826,907 new shares issued at 0.40 having a par value of 0.35 subscribed in cash.
- o 231 million gross amount consisting of 462,438,861 new shares issued at 0.50 having a par value of 0.35, subscribed by set-off against debt.

- A second capital increase which was reserved for certain Group's creditors

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to be subscribed by set off against certain of our outstanding debts was subscribed for a total gross amount of 240 million consisting of 480,000,000 new shares issued at 0.50 having a par value of 0.35.

On 6 December 2004, the Group closed a share capital increase reserved for its employees consisting of 49,814,644 new shares issued at a par value of 0.35.

Related costs of 40 million (net of tax of 22 million) were charged against additional paid in capital of 301 million.

At 31 March 2005, the share capital amounted to 1,924,023,993.15 consisting of 5,497,211,409 shares with a nominal value of 0.35 per share. All shares are fully paid up.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Description of business and basis of preparation

(a) Description of business

ALSTOM (the Group) is a provider of energy and transport infrastructure. The energy market is served through activities in the fields of power generation and, power conversion, and the transport market through rail and marine activities. A range of components, systems and services is offered by the Group covering design, manufacture, commissioning, long-term maintenance, system integration, management of turnkey projects and applications of advanced technologies.

(b) Basis of preparation

The consolidated financial statements for year ended 31 March 2005 have been

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prepared on the basis of the accounting principles generally accepted in France and methods of computation as set out in Note 2.

During the year ended 31 March 2005 a number of issues concerning the financing of the Group were resolved:

- The Group secured bonding and guarantee facilities to a maximum outstanding amount of up to 8 billion of which 7.15 billion have already been committed at 31 March 2005.
- Agreement was reached with the Group's banks on a new set of financial covenants and amendments required to allow implementation to a financial plan.
- The European Commission, approved, under certain conditions, the Group's financing plan including the French State's participation in the plan.
- Shareholders approved at a General Shareholders Meeting the financing Plan and authorised the Group to launch a capital increase of 2,048 million (before related costs) through cash injection and debt to equity swaps.

To respond to the European Commission requirements the Group has committed in July 2004 to dispose of, over the next two years, businesses representing approximately 1.5 billion in sales. The divestments include the industrial boilers business which is part of the Power Turbo Systems/ Power Environment Sector, Transport Sector's operations in Australia and New Zealand and freight locomotive business in Spain (disposed at 31 March 2005 (see Note 3)), and other activities/businesses now identified (see Note 32). In addition, the Group is required to establish a 50-50 joint venture for Hydro power business and to enter, within four years, into industrial partnerships. In the Transport Sector, the Group must forgo acquisitions for four years in the European Union over a certain threshold.

The French State has committed to sell its shares at the latest twelve months following the Group's obtaining an investment-grade rating, or in any event prior to July 2008.

The Group's Consolidated Financial Statements for the year-ended 31 March 2004 were prepared after taking into account a number of matters including :

- The Financing Package negotiated in September 2003 resulted in a new set of financial covenants. As at 31 March 2004, the Group would have failed to comply with those covenants related to "consolidated net worth" and "EBITDA". Accordingly, the Group obtained agreement from its lenders to suspend the covenants it had previously negotiated until 30 September 2004.
- The Group obtained bonding and guarantee facilities as a result of the Financing Package agreed in September 2003 of 3.5 billion, of which 65% was guaranteed by the French State. This facility was sufficient to meet approximately one year of orders and was expected to be used during the summer 2004. The Group entered into discussions with certain of its main banks to secure access to contract bonding and guarantee facilities.
- The approval of the European Commission for the Financing Package announced on 22 September 2003 was outstanding.

Having considered the matters set out above, the Group concluded that the going concern principle was the appropriate basis of preparation for the 31 March 2004 Consolidated Financial Statements on the assumptions that it would be able to :

- secure contract bonding and guarantee facilities to meet its normal business activity,
- successfully negotiate new covenants with its lenders,
- obtain all necessary approvals from the European Commission,

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- generate operating income and cash flow sufficient to respect covenants or waivers being granted, thus ensuring continued availability of debt financing.

Note 2 - Summary of accounting policies

The Consolidated Financial Statements of the Group are prepared in accordance with French Generally Accepted Accounting Principles and Règlement 99-02 of the Comité de Réglementation Comptable (French consolidation methodology). Benchmark treatments are generally used. However, capital lease arrangements and long term rentals are not capitalised (see Note 27 (b)).

(a) New accounting pronouncement effective 1 April 2004

The Financial Security Act of 1 August 2003 (article 133 modifying article L-233-16 of the French "Code de commerce") has modified the conditions of exercise of the control on an entity by cancelling the obligation to hold at least one share in the controlled enterprise.

Consequently, the ss. 10052 of the Règlement 99-02 of the Comité de Réglementation Comptable has been amended by Règlement 2004-03 of the 4 May 2004, which cancelled the obligation to hold at least one share of the capital of the controlled enterprise to be consolidated.

This Règlement is applicable for the fiscal years starting on the 4 August 2003 or later, ie for the Group the year commencing 1 April 2004.

The Group has reviewed its existing interests in Special Purpose Entities previously not consolidated but now falling into the scope of the Règlement 2004-03 of the 4 May 2004. The Group concluded that at 1 April 2004 five ad-hoc entities have to be fully consolidated in application of the Règlement 2004-03 of the 4 May 2004.

The impacts of the change in accounting principles have been determined retrospectively, after tax effect, and allocated to the opening net equity as follows :

Consolidated Balance Sheet

| | At 31 March 2004 (As approved by the Shareholders' meeting On 9 July 2004) | | | | Impact of Règlement CRC 2004-03 (1) | | At 1 April 2004 |
|---|--|------------|--|---------------|---|--|--------------------|
| | | | | | | | |
| | (in million) | | | | | | |
| Property, plant and equipment, net | 1,569 | 693 | | 2,262 | | | |
| Inventories and contract in progress, net | 2,887 | 110 | | 2,997 | | | |
| Other fixed assets, net | 1,217 | (115) | | 1,102 | | | |
| Other assets, net | 11,585 | 138 | | 11,723 | | | |
| Short term investments and cash equivalents | 1,466 | - | | 1,466 | | | |
| Total assets | 18,724 | 826 | | 19,550 | | | |
| Shareholders' equity | 29 | - | | 29 | | | |
| Provisions for risks and charges | 3,489 | (5) | | 3,484 | | | |

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| | | | |
|-------------------|--------|-----|--------|
| Financial debt | 4,372 | 827 | 5,199 |
| Other liabilities | 10,834 | 4 | 10,838 |
| | | | |
| Total liabilities | 18,724 | 826 | 19,550 |
| | | | |

 (1) See Note 25

(b) Consolidation methods

Entities over which the Group has direct or indirect control of more than 50% of the outstanding voting shares, or over which it exercises effective control, are fully consolidated. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities, whether it holds shares or not.

Joint ventures in companies in which the Group has joint control 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.

Entities in which the Group has an equity interest of 20% to 50% and over which the Group exercises significant influence, but not control, are accounted for under the equity method.

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.

Inter company balances and transactions are eliminated on consolidation.

A list of the Group's major consolidated businesses and investees and the applicable method of consolidation is provided in Note 33.

(c) Use of estimates

The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Management reviews estimates on an ongoing basis using currently available information. Costs to date are considered, as are estimated costs to complete and estimated future costs of warranty obligations. Estimates of future cost reflect management's current best estimate of the probable outflow of financial resources that will be required to settle contractual

obligations. The assumptions to calculate present 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 applying to suppliers of equipment only. Changes in facts and circumstances may result in actual financial consequences different from the estimates.

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(d) Revenue and cost recognition

Revenue on contracts which are of less than one year duration, including the sale of manufactured products and rendering of services, is recognised upon transfer of title, including the risks and rewards of ownership, which generally occurs on delivery to the customer and performance of service activities.

Revenue on construction type contracts of more than one year, long term contracts, is recognised on the percentage of completion method, measured either by segmented portions of the contract "contract milestones" or costs incurred to date compared to estimated total costs.

For long term service contracts, revenues are generally recognised over the term of the contract as work is performed and services rendered.

Claims are recognised as revenue when it is probable that the claim will result in additional revenue and the amount can be reasonably estimated, which generally occurs upon agreement by the customer. Government subsidies relating to the shipbuilding sector are added to the related contract value and are recognised as revenue using the percentage of completion method.

Total estimated costs at completion include direct (such as material and labour) and indirect contract costs incurred to date as well as estimated similar costs to complete, including warranty accruals and costs to settle claims or disputes that are considered probable. Selling and administrative expenses are charged to expense as incurred. As a result of contract review, accruals for losses on contracts and other contract related provisions are recorded as soon as they are probable in the line item "Cost of sales" in the Consolidated Income Statement. Adjustments to contract estimates resulting from job conditions and performance, as well as changes in estimated profitability, are recognised in "Cost of Sales" as soon as they occur.

Cost of sales is computed on the basis of percentage of completion measured either by segmented portions of the contract "contract milestones" or costs incurred to date compared to estimated total costs. The excess of this amount over the cost of sales reported in prior periods is the cost of revenues for the period. Contract completion accruals are recorded for future expenses to be incurred in connection with the completion of contracts or of identifiable portions of contracts. Warranty provisions are estimated on the basis of contractual agreement and available statistical data.

(e) Translation of financial statements denominated in foreign currencies

The functional currency of the Group's foreign subsidiaries is the applicable local currency. Assets and liabilities of foreign subsidiaries located outside the Euro zone are translated into euros at the period end rate of exchange, and their income statements and cash flow statements are converted at the average rate of exchange for the period. The resulting translation adjustment is included as a component of shareholders' equity.

(f) Foreign currency transactions

Foreign currency transactions are translated into local currency at the rate of exchange applicable to the transaction (market rate or forward hedge rate). At period end, foreign currency assets and liabilities to be settled are translated into local currency at the rate of exchange prevailing at that date or the forward hedge rate. Resulting exchange rate differences are included in the Consolidated Income Statement.

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(g) Financial instruments

The Group operates internationally giving rise to exposure to market risks and changes in interest rates and foreign exchange rates. Financial instruments are utilised by the Group to reduce those risks. The Group's policy is to hedge currency exposures by holding or issuing financial instruments.

The Group enters into various interest rate swaps to manage its interest rate exposures. Net interest is accrued as either interest receivable or payable with the offset recorded in financial interest.

The Group enters into forward foreign exchange contracts to hedge foreign currency transactions. Realised and unrealised gains and losses on these instruments are deferred and recorded in the carrying amount of the related hedged asset, liability or firm commitment. Changes in the value of forward exchange contracts are thus recognised in the results of the same period as changes in the value of the underlying assets and liabilities.

The Group also uses export insurance contracts to hedge its currency exposure on certain long-term contracts during the open bid time as well as when the commercial contract is signed. If the Group is not successful in signing the contract, the Group incurs no additional liability towards the insurance company except the prepaid premium. As a consequence, during the open bid period, these insurance contracts are accounted for as such, the premium being expensed when incurred. When the contract is signed, the insurance contract is accounted for as described above for forward foreign exchange contracts.

In addition, the Group may enter into derivatives in order to optimise the use of some of its existing assets. Such a decision is taken on a case by case basis and is subject to approval by the management.

(h) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the assets and liabilities acquired in a business combination. Initial estimates of fair values are finalised at the end of the financial year following the year of acquisition. Thereafter, releases of unrequired provisions for risks and charges resulting from the purchase price allocation are applied to goodwill. Goodwill is amortised on the straight-line basis over a period of twenty years in all sectors due to the long-term nature of the contracts and activities involved.

(i) Other intangible assets

The Group recognises other intangible assets such as technology, licensing agreements, installed bases of customers, etc. These acquired intangible assets are amortised on the straight-line basis over a period of twenty years in all sectors due to the long-term nature of the contracts and activities involved.

(j) Impairment

At the balance sheet date, whenever events or changes in markets indicate a potential impairment to goodwill, other intangible assets and property, plant and equipment, the carrying amount of such assets is reduced to their estimated recoverable value. Impairment tests are performed at each year-end.

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(k) Property, plant and equipment

Property, plant and equipment are recorded at historical cost to the Group. Depreciation is computed using the straight-line method over the following estimated useful lives :

| | Estimated useful life in years ----- |
|---------------------------------------|--|
| Buildings | 25 |
| Machinery and equipment | 10 |
| Tools, furniture, fixtures and others | 3-7 |
| Cruise ships | 30 |

Assets financed through capital lease are not capitalised (see Note 27 (b)).

(l) Other investments

Other investments are recorded at the lower of historical cost or net realisable value, assessed on an individual investment basis. The net realisable value is calculated using the following parameters : equity value, profitability and expected cash flow from the investment.

(m) Other fixed assets

Other fixed assets are recorded at the lower of historical cost or net realisable value, assessed on an individual investment basis.

(n) Inventories and contracts in progress

Raw materials and supplies, work and contracts in progress, and finished products are stated at the lower of cost, using the weighted average cost method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory cost includes costs of acquiring inventories and bringing them to their existing location and condition. Finished goods and work and contract in progress inventory includes an allocation of applicable manufacturing overheads.

(o) Short-term investments

Short-term investments include debt and equity securities and deposits with an initial maturity greater than three months but available for sale. Short-term investments are recorded at the lower of cost or market value, on a line by line basis.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with an initial maturity of less than three months.

(q) Deferred taxation

Deferred taxes are calculated for each taxable entity for temporary differences arising between the tax value and book value of assets and liabilities. Deferred tax assets and liabilities are recognised where timing differences are expected to reverse in future years. Deferred tax assets are recorded gross and valuation allowances are recorded when necessary to reflect the estimated recoverable amount. Deferred tax amounts are adjusted for changes in the applicable tax rate upon enactment.

Deferred tax assets and liabilities are netted first by legal entity and then by

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tax grouping.

No provision is made for income taxes on accumulated earnings of consolidated businesses or equity method investees for whom no distribution is planned.

(r) Customer deposits and advances

Customer deposits and advances are shown net, and represent amounts received from customers in advance of work being undertaken on their behalf. Where trading has taken place under the long term contract trading rules, but provisional acceptance of the contract has not taken place, the related customer advance is shown as a deduction from the related receivables.

If any balance of customer deposits and advances is still outstanding and where work is undertaken on behalf of customers before sale, the related customer advance, termed a progress payment is deducted from Inventories and Contracts in Progress on a contract by contract basis.

(s) Provisions for risks and charges

A provision is recognised when :

- the Group has a present legal or constructive obligation of uncertain timing or amount 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.

Provisions for warranties are recognised based on contract terms. Warranty periods may extend up to five years. The provisions are based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. Provisions for contract losses are recorded at the point where the loss is first determined. Provisions are recorded for all penalties and claims based on management's assessment of the likely outcome.

(t) Stock options

Stock options are not recorded by the Group at the date of grant. However, upon exercise of stock options, the Group will record the issuance of the common shares as an equity transaction based on the amount of cash received from the holders.

(u) Research and development

Internally generated research and development costs are expensed as incurred.

(v) Employee benefits

The estimated cost of providing benefits to employees is accrued during the years in which the employees render services.

For single employer defined benefit plans, the fair value of plan assets is assessed annually and actuarial assumptions are used to determine cost and benefit obligations. Liabilities and prepaid expenses are accrued over the estimated term of service of employees using actuarial methods. Experience gains and losses, as well as changes in actuarial assumptions and plan assets and provisions are amortised over the average future service period of employees.

For defined contribution plans and multi-employer pension plans, expenses are

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recorded as incurred.

(w) Restructuring

Restructuring costs are accrued when reduction or closure of facilities, or a program to reduce the workforce is announced and when management is committed with the concerned employees and when related costs are precisely determined.

Such costs include employees' severance and termination benefits, estimated facility closing costs and write-off of assets.

(x) Financial income (expense)

Financial income (expense) is principally comprised of interest payable on borrowings, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments, fees paid for putting in place guarantees, syndicated loans and other financing facilities, depreciation of financial assets and investments.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement on the date that the dividend is declared. All other costs incurred in connection with borrowings are expensed, when appropriate, over the maturity period of the borrowings

(y) Earnings per share

Basic Earnings per share are computed by dividing the period net income (loss) by the weighted average number of outstanding shares during the financial year.

Diluted earnings per share are computed by dividing the period net income (loss) by the weighted average number of shares outstanding plus the effect of any dilutive instruments.

For the diluted earnings per share calculation, net income (loss) is not adjusted as the Group is loss making.

(z) Exchange rates used for the translation of main currencies

| for 1 monetary unit | 2003 | | 2004 | | 2005 | |
|---------------------|----------|----------|----------|----------|----------|----------|
| | Average | Closing | Average | Closing | Average | Closing |
| British pound | 1.549571 | 1.450116 | 1.444363 | 1.501727 | 1.463325 | 1.452433 |
| Swiss franc | 0.682536 | 0.677323 | 0.646074 | 0.641272 | 0.650036 | 0.645745 |
| US dollar | 0.997990 | 0.917852 | 0.849427 | 0.818063 | 0.791901 | 0.771367 |
| Canadian dollar | 0.646284 | 0.623558 | 0.628913 | 0.625821 | 0.621966 | 0.635445 |
| Australian dollar | 0.563472 | 0.553220 | 0.591628 | 0.622975 | 0.585581 | 0.596552 |

Note 3 - Changes in consolidated companies

- o Starting 1 April 2004, pursuant to the first application of the Règlement CRC 2004-03, the Group fully consolidates five Special Purpose Entities (see Notes 2(a) and 25).

On 20 September 2004, the Group completed the disposal of one of these entities financing sixty locomotives. The net debt associated with this entity amounted to 243 million. This entity has been de-consolidated from the date of disposal.

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On 1st December 2004, the Group completed the disposal to a third party of its loans to two entities financing two Cruise ships. From that date, the Group concluded that the criterias of the Règlement CRC 2004-03, triggering at 1st April 2004 the consolidation of these two entities, were no longer met. The net debt associated with these entities amounted to 384 million. These entities have been de-consolidated from 1st December 2004.

- o On 15 April 2004, the disposal of the US entities of the former Industrial Turbines Businesses (disposed of during the year-ended 31 March 2004) was completed with effect from 1 April 2004. This business has been de-consolidated from 1 April 2004.

- o During the year ended 31 March 2005, following the obtaining of local regulatory approvals, the disposal of certain non significant entities of the former T&D Sector (disposed of during the year-ended 31 March 2004) was completed. At 31 March 2005, the former T&D Indian units are still in the process of being sold (see Note 32).

- o On 31 March 2005, the Group completed the sale of its freight locomotive business in Spain. This business has been deconsolidated from that date.

- o During the year ended 31 March 2005, the Group disposed of its non core Information Technology and Industrial products business in Australia.

No other significant changes in the scope of consolidated companies in the year ended 31 March 2005 occurred.

Note 4 - Other income (expense), net

| | Year ended 31 March | | |
|--|---------------------|---------|--------|
| | 2003 | 2004 | 2005 |
| | ----- | ----- | ----- |
| | (in million) | | |
| Net gain on disposal of fixed assets (1) | 29 | 13 | 8 |
| Net gain (loss) on disposal of investments (2) | (35) | (24) | 1 |
| Restructuring costs (3) | (268) | (655) | (358) |
| Employees' profit sharing | (18) | (16) | (8) |
| Pension costs (4) | (214) | (263) | (175) |
| Others, net (5) | (49) | (166) | (51) |
| | ----- | ----- | ----- |
| Other income (expense), net | (555) | (1,111) | (583) |
| | ===== | ===== | ===== |

(1) In the year ended 31 March 2003 and in the year ended 31 March 2004 it mainly corresponds to the net gain on the disposal of real estate portfolio in Western Europe

(2) In the year ended 31 March 2003, it mainly corresponds to the net losses on disposal of South Africa operations and Alstom Power Insurance Ltd.

In the year ended 31 March 2004 it mainly corresponds to:

- the net loss of 10 million on the disposal of the Industrial Turbine businesses. The Group disposed of its Industrial Turbines businesses in a two part transaction with effect from, respectively, 30 April 2003 and 31 July 2003. As a result, the consolidation packages prepared for each unit disposed of for the last month of activity prior to sale were prepared under the control of the acquirer. The Group made certain adjustments to the consolidation packages received to ensure conformity with Group

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accounting principles and judgements, consistently applied. These adjustments resulted in no impact on Earnings Before Interest and Taxation and Net income, but did result in a reclassification reducing the gain on disposal included within other income (expense), net and increasing operating income by 67 million.

- the net gain of 4 million on the disposal of T&D sector excluding the Power Conversion business. Certain restructuring costs in T&D totalling 62 million accruals recorded prior to disposal but not impacting cash and wholly for the benefit of the acquirer are shown as part of the Net gain (loss) on disposal of investments.
- the net loss of 10 million on the disposal of the Group's 40% shareholding in the Chinese entity "FIGLEC"
- other net losses of 8 million on various disposals of non significant consolidated companies

In the year ended 31 March 2005 it mainly corresponds to the net gains on disposal of activities including the freight locomotive business in Spain offset by costs and provisions on guarantees, claims and price adjustments on past disposals.

- (3) In the year ended 31 March 2004, it corresponds to additional plans accrued for a net amount of 628 million relating to downsizing of activities including closure of plants or activities and reduction in employees in all sectors except Marine and 27 million of write-off of assets. In the year ended 31 March 2005, it corresponds to additional plans accrued for a net amount of 343 million relating to the downsizing of activities including closure of plants or activities and reduction in employees mainly in the Power Turbo-Systems / Power Environment and Transport Sectors, and to 15 million of write-off of assets (see Note 21).

- (4) See Note 22 "Retirement, termination and post-retirement benefits"

- (5) In the year ended 31 March 2003, in addition to other non operating costs it mainly include 15 million of costs related to past acquisition and disposal of activities.

In the year ended 31 March 2004, in addition to other non operating costs it mainly includes costs related to past acquisitions and disposal of activities of 59 million, costs of existing or reorganising activities not qualifying as restructuring costs of 34 million, and 10 million of costs related to the capital increase.

In the year ended 31 March 2005, in addition to other non operating incomes it mainly includes contract costs related to past acquisitions and disposal of activities of 34 million, costs of exiting or reorganising activities not qualifying as restructuring costs of 22 million.

Note 5 - Financial income (expense)

| | Year ended 31 March | | |
|----------------------------------|---------------------|-------|-------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Net interest expense (1) | (264) | (271) | (208) |
| Foreign currency gain (loss) (2) | 55 | (19) | (27) |
| Other financial expense (3) | (61) | (170) | (111) |
| Financial income (expense), net | (270) | (460) | (346) |

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- (1) Including interests on securitisation of future receivables of 82 million, 24 million and 19 million for the years-ended 31 March 2003, 2004 and 2005 respectively. The reduction of the net interest income (expense) mainly results from the reduction of the level of net debt during the year-ended 31 March 2005.
- (2) The foreign currency gain in the year ended 31 March 2003 mainly results from the unwinding of forward sale contracts of US dollars against euros following a reassessment of the financing structure in the USA.
- (3) Other financial income (expenses), net include fees paid on guarantees, syndicated loans and other financing facilities of 41 million, 125 million and 83 million for the years ended 31 March 2003, 2004 and 2005 respectively.

Note 6 - Income tax

(a) Analysis by nature and geographic origin

| | Year ended 31 March | | |
|----------------------------|---------------------|-------|-------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| France | (3) | (7) | 14 |
| Foreign | (150) | (95) | (32) |
| Current income tax | (153) | (102) | (18) |
| France | 8 | 14 | (112) |
| Foreign | 408 | (163) | (73) |
| Deferred income tax | 416 | (149) | (185) |
| Income tax (charge) credit | 263 | (251) | (203) |
| | ===== | ===== | ===== |

(b) Effective income tax rate

| | Year ended 31 March | | |
|--|---------------------|---------|--------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| France | (218) | (796) | (332) |
| Foreign | (1,181) | (535) | (106) |
| Pre-tax loss | (1,399) | (1,331) | (438) |
| Statutory income tax rate of the parent company | 35.43% | 35.43% | 34.93% |
| Expected tax (charge) credit | 496 | 472 | 153 |
| Impact of: | | | |
| - difference in rate of taxation (1) | (110) | 5 | 16 |
| - reduced taxation of capital gain (non recognised losses on | | | |

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| | | | |
|--|-------|-------|-------|
| disposals) (2) | 36 | (172) | (23) |
| - recognition (non recognition) of deferred tax assets (3) | (76) | (377) | (218) |
| - net change in estimate of tax liabilities | 35 | (43) | (38) |
| - intangible assets | (22) | (21) | (18) |
| - other permanent differences | (96) | (115) | (75) |
| | ----- | ----- | ----- |
| Income tax (charge) credit | 263 | (251) | (203) |
| | ----- | ----- | ----- |
| Effective tax rate | - | - | - |
| | ===== | ===== | ===== |

(1) At 31 March 2003, the effective income tax rate was affected by the lower rate of taxation in Switzerland.

(2) At 31 March 2004, it was affected by the reduced taxation of capital gain.

(3) In all years the effective tax rate was principally affected by the non-recognition of deferred tax assets resulting from the generation of losses.

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

The basis of tax loss carry forward by maturity is as follows :

| | At 31 March 2003 | At 31 March 2004 | At 31 March 2005 |
|---------------------------|---------------------|---------------------|---------------------|
| | ----- | ----- | ----- |
| | | (In million) | |
| Expiring within 1 year | 221 | 20 | 36 |
| 2 years | 66 | 15 | 26 |
| 3 years | 157 | 75 | 34 |
| 4 years | 507 | 80 | 182 |
| 5 years and more | 2,873 | 1,999 | 1,532 |
| Not subject to expiration | 1,501 | 2,293 | 2,679 |
| | ----- | ----- | ----- |
| Total | 5,325 | 4,482 | 4,489 |
| | ===== | ===== | ===== |

The basis of tax losses carry forward after valuation allowance amounts to 1,721 million ; of this amount 453 million expires within 15 years or more and 723 million is not subject to expiry.

The losses incurred over the last three years have led to a detailed review by jurisdiction of deferred tax assets. This review took into account current and past performance, length of carry back, carry forward and expiry periods, existing contracts in the order book, budget and three years plan. This review led to a valuation allowance on deferred tax assets of 948 million at 31 March 2005 (730 million at March 31 2004). Most of the deferred tax assets currently subject to valuation allowance remain available to be utilised in the future.

The deferred tax assets and liabilities are made up as follows :

At 31 March

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| | 2003 | 2004 | 2005 |
|---|--------------|--------------|--------------|
| | (in million) | | |
| Accelerated depreciation | 48 | 54 | 78 |
| Intangible assets | 245 | 337 | 338 |
| Profit sharing, annual leave and pension accrual not yet deductible | 113 | 89 | 89 |
| Provisions and other expenses not currently deductible | 535 | 512 | 482 |
| Contract provisions taxed in advance | 110 | 38 | 55 |
| Tax loss carry forwards | 1,755 | 1,510 | 1,504 |
| Others | 149 | 161 | 100 |
| Gross Deferred tax assets | 2,955 | 2,701 | 2,646 |
| Valuation allowance | (365) | (730) | (948) |
| Netting by tax grouping or by legal entity | (759) | (410) | (328) |
| Deferred tax assets | 1,831 | 1,561 | 1,370 |
| Accelerated depreciation for tax purposes | (81) | (63) | (50) |
| Contract revenues not currently taxable | (255) | (132) | (126) |
| Losses on inter company transfers | (34) | (4) | (4) |
| Deferred income related to leasing transactions | (60) | (67) | (16) |
| Inventory valuation methods | (49) | (22) | (9) |
| Pensions and other adjustments not currently taxable | (91) | (57) | (25) |
| Provisions and other expenses deducted in advance | (226) | (95) | (119) |
| Gross Deferred tax liabilities | (796) | (440) | (349) |
| Netting by tax grouping or by legal entity | 759 | 410 | 328 |
| Deferred tax liabilities | (37) | (30) | (21) |
| Net deferred tax | 1,794 | 1,531 | 1,349 |

The Group is satisfied as to the recoverability of the deferred tax assets, net at 31 March 2005 of 1,349 million, 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 forward and other net assets generated through timing differences over a period of four to twelve years, this reflecting the long term nature of the Group's operations. On the basis of an extrapolation of the Company's three years business plan, it is estimated that around 60% of the net deferred tax assets will be recovered within 5 years.

Note 7 - Goodwill, net

| | Net value at 31 March 2003 (1) | Net value at 31 March 2004 (1) | Acquisitions/ Disposals | Amortisation | Translation Adjustments and other changes | Net value at 31 March 2005 |
|---|--------------------------------|--------------------------------|-------------------------|--------------|---|----------------------------|
| | (In million) | | | | | |
| Power Turbo-Systems / Power Environment (1) | 870 | 817 | - | (52) | - | 765 |

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| | | | | | | |
|---------------------------------|-------|-------|-----|-------|-----|-------|
| Power Service (2) | 2,166 | 1,991 | - | (128) | - | 1,863 |
| Transport | 558 | 530 | - | (37) | (3) | 490 |
| Marine | 2 | 2 | - | - | - | 2 |
| Power Conversion (3) | 87 | 79 | - | (6) | 1 | 74 |
| Power Industrial Turbines (2) | 329 | - | - | - | - | - |
| Transmission & Distribution (3) | 428 | - | - | - | - | - |
| Other | - | 5 | (5) | - | - | - |
| Goodwill, net | 4,440 | 3,424 | (5) | (223) | (2) | 3,194 |

(1) From 1 April 2004, the former Power Turbo-Systems and Power Environment sectors were merged into one Sector (See Note 26 (a)). Consequently, the Goodwill, net allocated to the former Power Turbo-Systems and Power Environment sector is now presented to reflect the current reporting structure.

(2) In April 2003, the Group announced the completion of the disposal of its small gas turbine business and on 1 August 2003, the completion of the disposal of the medium gas turbines and industrial steam turbines business was announced, both to Siemens. The related Service activities were sold in the same transactions.

(3) In January 2004, the Group announced the completion of the disposal of the majority of its T&D Sector (excluding Power Conversion business). As a result, Power Conversion goodwill, included in T&D Sector in March 2003, has been presented in a separate line. Goodwill relating to the T&D activities not de-consolidated at 31 March 2004 is shown in the line "other".

The gross value of goodwill was 5,449 million, 4,420 million and 4,405 million at 31 March 2003, 2004 and 2005 respectively.

At 31 March 2005, the Group requested a third party valuer to provide an independent report as part of its impairment test, performed annually, on goodwill and other intangible assets (see Note 8).

The valuation in use was determined primarily by focusing on the discounted cash flow methodology which captured the potential of the asset base to generate future profits and cash flow and was based on the following factors:

- The Group's internal three year Business Plan prepared as part of its annual budget exercise at sector level and reviewed by external experts.
- Extrapolation of the three year Business Plan by up to 10 years.
- The Group's Weighted Average Cost of Capital, post-tax, of 9% to 11% reflecting the differing risks profiles of each Sector of the Group.

The terminal value at the end of the ten year period represents approximately 50 % of total enterprise value.

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The valuation supported the Group's opinion that its goodwill and other intangible assets were not impaired.

Note 8 - Other intangible assets, net

| | At 31 March 2003 | At 31 March 2004 | Acquisitions/ Amortisation | Disposals | Translation adjustments and other changes | At 31 March 2005 |
|---------------------------------|------------------------|------------------------|-------------------------------|-----------|--|------------------------|
| | (In million) | | | | | |
| Gross value | 1,354 | 1,172 | 12 | - | - | 1,184 |
| Amortisation | (186) | (216) | (59) | - | - | (275) |
| Other intangible assets, net | 1,168 | 956 | (47) | - | - | 909 |

Other intangible assets mainly result from the allocation of the purchase price following the acquisition of ABB's 50% shareholding in Power. It includes technology, an installed base of customers and licensing agreements. Additions in the year-end 31 March 2005 reflect payments under a technology sharing agreement.

The decrease in the year-ended 31 March 2004 reflects the disposal of the Industrial Turbines businesses and amortisation of the period.

Note 9 - Property, plant and equipment, net

| | At 31 March 2003 | At 31 March 2004 | At 1st April 2004(*) | Acquisitions/ Depreciation | Disposals | Changes in scope of consolidations(1) |
|--|------------------------|------------------------|----------------------------|-------------------------------|-----------|---|
| | (In million) | | | | | |
| Land | 286 | 152 | 152 | 0 | (5) | (2) |
| Buildings | 1,505 | 1,113 | 1,113 | 21 | (12) | (6) |
| Machinery and Equipment | 3,174 | 2,320 | 2,320 | 81 | (168) | (8) |
| Tools, furniture, fixtures and others | 947 | 558 | 1,443 | 79 | (60) | (730) |
| Gross value | 5,912 | 4,143 | 5,028 | 181 | (245) | (746) |
| Land | (8) | (6) | (6) | (3) | 0 | 0 |
| Buildings | (638) | (491) | (491) | (58) | 19 | 0 |
| Machinery and Equipment | 2,415 | (1,717) | (1,717) | (159) | 151 | 4 |
| Tools, furniture, fixtures and others | (520) | (360) | (552) | (98) | 57 | 178 |
| Accumulated depreciation | (3,581) | (2,574) | 2,766 | (318) | 227 | 182 |
| Land | 278 | 146 | 146 | (3) | (5) | (2) |

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| | | | | | | |
|---------------------------------------|-------|-------|-------|-------|------|-------|
| Buildings | 867 | 622 | 622 | (37) | 7 | (6) |
| Machinery and Equipment | 759 | 603 | 603 | (78) | (17) | (4) |
| Tools, furniture, fixtures and others | 427 | 198 | 891 | (19) | (3) | (552) |
| Net value | 2,331 | 1,569 | 2,262 | (137) | (18) | (564) |
| | 2,331 | 1,569 | 2,262 | (137) | (18) | (564) |

(*) Amended amounts at 1st April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a)

(1) Change in scope of consolidation is mainly due to the deconsolidation during the period of three special purpose entities consolidated at 1st April 2004 following the the first application of the Règlement CRC 2004-03 (see Note 25).

Assets financed through capital leases are not capitalised (see Note 27 (b)).

Note 10 - Equity method investments and other investments, net

Investments in which the Group has direct or indirect control of more than 50% of the outstanding voting shares or over which it exercises effective control are fully consolidated. Only investments in which the Group has an equity interest of 20% to 50% and over which it exercises significant influence are accounted for under the equity method.

(a) Equity method investments

| | At 31 March | | | % | Share in |
|---|--------------|------|------|------|----------|
| | 2003 | 2004 | 2005 | | |
| | (in million) | | | | |
| Guangxi Laibin Electric Power Co Ltd "Figlec" (1) | 59 | - | - | | |
| Termoeléctrica del Golfo and Termoeléctrica Peñoles | 87 | 66 | 66 | 49.5 | - |
| ALSTOM S.A. de C.V., Mexico (2) | 8 | 8 | - | | - |
| Others | 8 | 10 | 4 | - | - |
| Total | 162 | 84 | 70 | | - |
| | 162 | 84 | 70 | | - |

(1) During the year ended 31 March 2004, the Group sold to a third party its shareholding of 40% of the registered capital of a Chinese entity "Figlec", a company which operates a thermal Power Plant at Laibin, China

(2) The 49% interest in ALSTOM S.A de C.V, Mexico which the Group did not intend to transfer has in fact been transferred with a sold subsidiary to the purchaser of the former T&D Sector following refusal of the entity's lenders to approve a transaction back to the Group. The Group has no indication the entity's lenders will change their position. It has reached an agreement with the holder of the 49% interest in ALSTOM S.A de CV Mexico confirming their best efforts to obtain a transaction back to the Group and defining

their role until this event. Having reviewed the position the Group would intend

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| | | | | |
|---|-------|-------|-------|-------|
| Guarantee Facility (2) | - | - | - | 700 |
| Other long term loans and deposits (3) | 304 | 469 | 433 | 129 |
| Prepaid assets - pensions (see Note 22) | 397 | 357 | 357 | 353 |
| Others | 83 | 62 | 62 | 82 |
| | ----- | ----- | ----- | ----- |
| Other fixed assets, net | 1,294 | 1,217 | 1,102 | 1,264 |
| | ===== | ===== | ===== | ===== |

(*) Amended amounts at 1st April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a)

(1) The long term loans and deposits relating to vendor financing concern the Marine Sector and are the following:

| | At 31 March 2003 | At 31 March 2004 | At 1st April 2004 | At 31 March 2005 |
|------------------------------|------------------------|------------------------|-------------------------|------------------------|
| | ----- | ----- | ----- | ----- |
| | (en million) | | | |
| Cruiseinvest/Renaissance (a) | 261 | 240 | 226 | - |
| Festival (b) | 26 | 41 | 24 | - |
| Others (c) | 223 | 48 | - | - |
| | ----- | ----- | ----- | ----- |
| TOTAL | 510 | 329 | 250 | - |
| | ===== | ===== | ===== | ===== |

(a) Cruiseinvest / Renaissance

-At 31 March 2003 and 2004, the Group held US\$170 million (156 million at 31 March 2003 and 139 million at 31 March 2004) of limited recourse notes issued by Cruiseinvest (Jersey) and bearing interest at 6 % per annum payable half yearly in arrears, and maturing in December 2011. At 31 March 2005, after the disposal of part of the notes the Group held US\$42 million (33 million).

-The Group guaranteed the financing arrangements of a subsidiary of Cruiseinvest (Jersey)Ltd, Octavian Shipping LLC of which USD84 million (77 million at 31 March 2003 and 69 million at 31 March 2004) were supported by a cash deposit. In the year-ended 31 March 2005, this deposit has been fully released.

-The Group provided Cruiseinvest LLC with a 40 million line of credit, of which 15 million was drawn down at 31 March 2003 and 16 million was drawn at 31 March 2004 and 31 March 2005, respectively.

-The Group also granted loans for 16 million at 31 March 2004 and 4 million at 31 March 2003 to Cruiseinvest (Jersey) Ltd subsidiaries. At 1 April 2004, pursuant to the application of the Règlement CRC 2004-03, Octavian shipping LLC, a subsidiary of Cruiseinvest (Jersey) Ltd is fully consolidated and the related Group financing (14 million) has been eliminated as part of the consolidation process.

At 31 March 2005, the Group has reviewed the risks associated with the 53 million remaining Marine vendor financing assets and depreciated them. This depreciation was covered by the Marine vendor financing provision of 140 million at 31 March 2004 included in Provision for risks and charges (see Note 21- Other provisions).

(b) Festival

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-At 31 March 2004, the Group granted a loan of 17 million to an entity involved in the financing of one cruise-ship. At 1 April 2004, pursuant to the application of the Règlement CRC 2004-03, this entity is fully consolidated and the related Group financing has been eliminated as part of the consolidation process.

-In addition, at 31 March 2003 and 31 March 2004 the Group guaranteed the financing arrangements of two cruise ships delivered to Festival of which 26 million and 24 million, respectively were supported by a cash deposit. At 31 March 2005, following the sale of these Cruise ships during the period, the cash deposit was reimbursed and the guarantees released (see Note 27 (a) (2)).

(c) Others

At 31 March 2003 and 31 March 2004, the Group granted loans of 223 million and 48 million, respectively to two entities involved in the financing of two cruise-ships. At 1 April 2004, pursuant to the application of the Règlement CRC 2004-03, the two entities were fully consolidated and the related financing has been eliminated as part of the consolidation process. On 1st December 2004, these loans have been sold to third party (See Note 3).

(2) It corresponds to a cash deposit made by the Group with a third party Trustee to secure in the form of remunerated collateral the new Bonding Guarantee Facility Programme of up to 8 billion implemented during the year-ended 31 March 2005 (see Note 27 (a) (1)) and invested by the Trustee into Euro government bonds and/or central bank securities with a residual maturity of less than 12 months. The release of this collateral will depend on release of the bonds and guarantees issued under the Programme.

(3) At 31 March 2004 and 31 March 2005, it includes 125 million and 74 million, respectively held in escrow following the disposal of the small and medium gas turbine businesses and the industrial steam turbines business. The decrease is due to the use of 19 million to cover post closing adjustments and a partial payment of 32 million.

Note 12 - Inventories and contracts in progress, net

| | At 31 March | | At 1st | At 31 |
|---|--------------|---------|----------|-------|
| | ----- | ----- | April | March |
| | 2003 | 2004 | 2004 (*) | 2005 |
| | ----- | ----- | ----- | ----- |
| | (in million) | | | |
| Raw materials and supplies | 1,485 | 1,094 | 1,094 | 647 |
| Work and contracts in progress | 5,198 | 3,363 | 3,363 | 3,240 |
| Finished products | 276 | 63 | 173 | 60 |
| | ----- | ----- | ----- | ----- |
| Inventories, and contracts in progress, gross | 6,959 | 4,520 | 4,630 | 3,947 |
| Less valuation allowance | (301) | (241) | (241) | (242) |
| | ----- | ----- | ----- | ----- |
| Inventories, and contracts in progress, net of valuation allowances | 6,658 | 4,279 | 4,389 | 3,705 |
| Less related customers' deposits and advances | (2,050) | (1,392) | (1,392) | (945) |
| | ----- | ----- | ----- | ----- |
| Inventories, and contracts in progress, | | | | |

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| | | | | |
|--|-------|-------|-------|-------|
| net of valuation allowances and related customers' deposits and advances | 4,608 | 2,887 | 2,997 | 2,760 |
| | ===== | ===== | ===== | ===== |

 (*) Amended amounts at 1st April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a)

Note 13 - Trade receivables, net

| | At 31 March | | |
|---|--------------|---------|----------|
| | 2003 | 2004 | 2005 |
| | ----- | | |
| | (in million) | | |
| Trade receivables on contracts | 10,941 | 7,499 | 7,415 |
| Other trade receivables | 1,142 | 692 | 641 |
| | ----- | ----- | ----- |
| Trade receivables, gross (1) | 12,083 | 8,191 | 8,056 |
| Less valuation allowance | (130) | (113) | (142) |
| | ----- | ----- | ----- |
| Trade receivables, net of valuation allowances | 11,953 | 8,078 | 7,914 |
| Less related customers' deposits and advances | (7,098) | (4,616) | (4,468) |
| | ----- | ----- | ----- |
| Trade receivables, net of valuation allowances and related customers' deposits and advances | 4,855 | 3,462 | 3,446 |
| | ===== | ===== | ===== |

 (1) after sale of trade receivables (see Note 14)

Note 14 - Sale of trade receivables

The following table shows net proceeds from sale of trade receivables:

| | At 31 March | | |
|--|--------------|-------|-------|
| | 2003 | 2004 | 2005 |
| | ----- | | |
| | (in million) | | |
| Trade receivables sold | 357 | 94 | 7 |
| Net cash proceeds from sale of trade receivables | 357 | 94 | 7 |
| | ===== | ===== | ===== |

 During the years ended 31 March 2003, 2004 and 2005, the Group sold, irrevocably and without recourse, trade receivables to third parties. The Group generally continues to service, administer and collect the receivables on behalf of the purchasers.

Note 15 - Other accounts receivables, net

| | At 31 March | | At 1st | At 31 |
|--|--------------|------|----------|-------|
| | 2003 | 2004 | April | March |
| | ----- | | 2004 (*) | 2005 |
| | ----- | | | |
| | (in million) | | | |
| Advances paid to suppliers | 758 | 528 | 528 | 603 |
| Amounts due on local part of contracts | 248 | 111 | 111 | 74 |
| Income tax and other government | | | | |

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| | | | | |
|---------------------------------|-------|-------|-------|-------|
| receivables | 496 | 450 | 450 | 387 |
| Prepaid expenses | 262 | 200 | 200 | 163 |
| Others (1) | 501 | 733 | 871 | 434 |
| | ----- | ----- | ----- | ----- |
| Other accounts receivables, net | 2,265 | 2,022 | 2,160 | 1,661 |
| | ===== | ===== | ===== | ===== |

 (*) Amended amounts at 1st April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a)

(1) the variation between fiscal year 2003 and 2004 is mainly due to the receivables held at 31 March 2004 following the disposal of the T&D Sector to Areva. The decrease in the year-ended 31 March 2005, is mainly due to the final settlement of the T&D Sector disposal and the deconsolidation during the period of three special purpose entities consolidated at 1st April 2004 following the first application of the Règlement CRC 2004-03 (see Note 25).

Note 16 - Changes in net working capital

| | At 31 March 2004 | At 1 April 2004(*) | Cash flow | Translation adjustments | Changes in scope and others | At 31 March 2005 |
|---|------------------------|--------------------------|--------------|----------------------------|-----------------------------------|------------------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | (in million) | | | | | |
| Inventories and contract in progress, net | 2,887 | 2,997 | (205) | (26) | (6) | 2,760 |
| Trade and other receivables, net (1) | 5,578 | 5,717 | (423) | (51) | (129) | 5,114 |
| Sale of trade receivables, net | (94) | (94) | 87 | - | - | (7) |
| Contract related provisions | (2,703) | (2,703) | 195 | 11 | 19 | (2,478) |
| Other provisions | (401) | (396) | 160 | - | (2) | (238) |
| Restructuring provisions | (385) | (385) | (54) | 2 | (3) | (440) |
| Customers' deposits and advances | (2,714) | (2,714) | (510) | 23 | 51 | (3,150) |
| Trade and other payables | (7,028) | (7,032) | 786 | 22 | 6 | (6,218) |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net working capital | (4,860) | (4,610) | 36 | (19) | (64) | (4,657) |
| | ===== | ===== | ===== | ===== | ===== | ===== |

 (1) Before impact of net proceeds from sale of trade receivables

(*) Amended amounts at 1 April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a)

Note 17 - Bonds reimbursable with shares "Obligations Remboursables en Actions"

During the year ended at 31 March 2004 the group issued 643,795,472 bonds reimbursable with shares at 1.4 per bond with a par value of 1.25. During this period 535,064,016 bonds were converted into shares on the basis of one share for one bond. At 31 March 2004, 108,731,456 bonds reimbursable with shares were outstanding for an amount of 152 million.

During the year ended at 31 March 2005, 14,112,541 bonds reimbursable into shares were converted into shares initially on the basis of one share for one bond and as from 16 August 2004 following completion of the capital increase with preferential subscription rights, on the basis of an adjusted ratio of 1.2559 share for one bond.

At 31 March 2005, 94,618,915 bonds reimbursable with shares were outstanding for an amount of 133 million.

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Note 18 - Short-term investments

| | Carrying Value | Within 1 year | 1 to 5 years | Over 5 years |
|---------------------------------|----------------|---------------|--------------|--------------|
| | (in million) | | | |
| Government debt securities | 4 | 1 | 3 | - |
| Deposits | 53 | 53 | - | - |
| Bonds and other debt securities | 85 | 36 | 43 | 6 |
| At 31 March 2003 | 142 | 90 | 46 | 6 |
| Bonds and other debt securities | 39 | 35 | 4 | - |
| At 31 March 2004 | 39 | 35 | 4 | - |
| Other debts securities | 15 | 15 | - | - |
| At 31 March 2005 | 15 | 15 | - | - |

The aggregate fair value is 143 million, 39 million and 15 million at 31 March 2003, 2004 and 2005, respectively.

Note 19 - Cash and cash equivalents

Cash and cash equivalents include cash at banks and cash on hand of 897 million, 735 and 653 million at 31 March 2003, 2004 and 2005 respectively, and highly liquid investments of 731 million, 692 million and 809 million, at 31 March 2003, 2004 and 2005, respectively.

Note 20 - Minority interests

| | At 31 March | | |
|-----------------------------------|--------------|------|------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Balance beginning of year | 91 | 95 | 68 |
| Share of net income | 15 | (2) | 1 |
| Translation adjustment | (15) | (4) | (3) |
| Dividend paid | (1) | (3) | (5) |
| Change in scope and other changes | 5 | (18) | 13 |
| Balance end of year | 95 | 68 | 74 |

Note 21 - Provisions for risks and charges

| | At 31 March 2003 | At 31 March 2004 | At 1st April 2004 (*) | Addition | Releases | Applied and other | Translation Adjustments and other |
|--------------------------|------------------|------------------|-----------------------|----------|----------|-------------------|-----------------------------------|
| | (in million) | | | | | | |
| Warranties | 815 | 807 | 807 | 475 | (118) | (207) | (5) |
| Penalties and claims | 1,766 | 1,078 | 1,078 | 225 | (77) | (555) | 7 |
| Contract loss | 412 | 304 | 304 | 314 | (33) | (234) | 5 |
| Other risks on contracts | 271 | 514 | 514 | 283 | (79) | (189) | (37) |

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| | | | | | | | |
|-------------------------|-------|-------|-------|-------|-------|---------|------|
| Provisions on contracts | 3,264 | 2,703 | 2,703 | 1,297 | (307) | (1,185) | (30) |
| Restructuring | 138 | 385 | 385 | 363 | (20) | (289) | 1 |
| Other provisions | 296 | 401 | 396 | 166 | (39) | (287) | 2 |
| Total | 3,698 | 3,489 | 3,484 | 1,826 | (366) | (1,761) | (27) |

(*) Amended amounts at 1 April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a).

Provisions on contracts

GT24/GT26 heavy-duty gas turbines

During the year ended 31 March 2005, the Group utilised provisions of 359 million and retains at 31 March 2005, after exchange rate effects, 379 million in provisions for risks and charges in respect of these turbines. The mitigation plan related to formerly identified potential risks which were not covered by provisions has been completed during the fiscal year ended 31 March 2005.

During the year ended 31 March 2004, the Group utilised provisions and accrued contract costs for 825 million and retained at 31 March 2004, after exchange rate effects, 738 million in Provisions for risks and charges in respect of these turbines. These provisions did not include 234 million of exposure for which the Group considered the risks mitigated by appropriate action plans

During the year ended 31 March 2003, the Group recorded an additional 1,637 million of provisions and accrued contract costs related to these turbines, including 83 million recorded in the Customer Service Segment (now Power Service Sector) in respect of contracts transferred to this Segment as part of the Group's after market operations and on which it has no uncovered exposure. The Group, therefore, retained 1,655 million of provisions and accrued contract costs at 31 March 2003 in respect of these turbines. These provisions did not include 454 million of exposure for which the Group considered the risks mitigated by appropriate action plans. In addition, these provisions did not take into account interest to be paid to customers (cost of carry), the cost of which are recorded when it falls due.

Restructuring expenditures and provisions

During the year ended 31 March 2005, further restructuring plans were adopted for an amount of 363 million mainly in Power Turbo-Systems / Power Environment and Transport Sectors. At 31 March 2005, provisions of 440 million were retained after an expenditure in the period of 289 million.

During the year ended 31 March 2004, further restructuring plans were adopted for an amount of 645 million in all Sectors other than Marine, and also in Corporate headquarters. At 31 March 2004, provisions of 385 million were retained after an expenditure in the period of 357 million.

During the year ended 31 March 2003, restructuring expenditure amounted to 297 million. New plans were adopted during the period in Power, Transmission & Distribution and Transport, for which provisions have been created.

Other provisions

During the year-ended 31 March 2005, the Group has reviewed its residual exposure attached to Marine Vendor financing and confirmed that the provision was adequate to cover the costs and risks attached.

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At 31 March 2005, the remaining provision for risks and charges amounts to 14 million. The reduction results from the utilisation against losses incurred (73 million) and the remainder has been allocated to Marine Vendor financing assets for 53 million (see Note 11).

At 31 March 2003 and 2004, the line "other provisions" included 140 million to cover Marine vendor financing exposure (see Note 27).

Note 22 -- Retirement, termination and post-retirement benefits

The Group provides various types of retirement, termination benefits and post retirement benefits (including healthcare benefits and medical cost) to its employees. The type of benefits offered to an individual employee is related to local legal requirements as well as operating practices of the specific subsidiaries.

Termination benefits are generally lump sum payments based upon an individual's years of credited service and annualised salary at retirement or termination of employment. Pension benefits are generally determined using a formula which uses the employee's years of credited service and average final earnings. Most defined-benefit pension liabilities are funded through separate pension funds. Pension plan assets related to funded plans are invested mainly in equity and debt securities. Other supplemental defined-benefit pension plans sponsored by the Group for certain employees are funded from the Group's assets as they become due.

Change in benefit obligation

| | Pension Benefits | | | Other Benefits | | | Total | |
|---|------------------|---------|---------|----------------|-------|-------|-------------|---------|
| | At 31 March | | | At 31 March | | | At 31 March | |
| | 2003 | 2004 | 2005 | 2003 | 2004 | 2005 | 2003 | 2004 |
| | (In million) | | | | | | | |
| Accumulated Benefit Obligation At end of year | (3,137) | (3,335) | (4,072) | (204) | (144) | (145) | (3,341) | (3,479) |
| Benefit Obligation at beginning of year (1) | (3,527) | (3,339) | (4,003) | (242) | (204) | (145) | (3,769) | (3,543) |
| Service cost | (107) | (86) | (81) | (2) | (1) | (1) | (109) | (87) |
| Interest cost | (196) | (184) | (209) | (15) | (11) | (9) | (211) | (195) |
| Plan participants contributions | (20) | (26) | (29) | - | - | - | (20) | (26) |
| Amendments | 1 | (2) | (5) | - | 15 | - | 1 | 13 |
| Business Combinations/ disposals (2) | (3) | 129 | (15) | - | - | - | (3) | 129 |
| Curtailment | 12 | 6 | 18 | - | - | - | 12 | 6 |
| Settlements | 91 | 74 | 15 | - | - | - | 91 | 74 |
| Actuarial (loss) gain | (97) | (234) | (252) | (12) | 17 | (13) | (109) | (217) |
| Benefits paid | 149 | 206 | 269 | 17 | 18 | 14 | 166 | 224 |
| Foreign currency translation | 358 | (32) | 96 | 50 | 21 | 8 | 408 | (11) |
| Benefit Obligation at end of year | (3,339) | (3,488) | (4,196) | (204) | (145) | (146) | (3,543) | (3,633) |

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- (1) During the fiscal year ended 31 March 2005, the Group has elected to account for its Swiss cash balance pension plan under French GAAP as defined benefits plan, as now required by a recent US accounting pronouncement. The costs of this plan have been included as net periodic benefit costs and not as costs of scheme mixing defined benefits and defined contributions. The scheme was fully funded as at 1st April 2004 with assets and liabilities of 515 million.
- (2) In the year ended 31 March 2004, the Business combination relates mainly to the Disposal of T&D Sector (excluding Power Conversion business).

Change in plan assets

| | Pension Benefits | | | Other Benefits | | | Total | |
|--|------------------|---------|---------|----------------|-------|-------|-------------|---------|
| | At 31 March | | | At 31 March | | | At 31 March | |
| | 2003 | 2004 | 2005 | 2003 | 2004 | 2005 | 2003 | 2004 |
| | | | | (In million) | | | | |
| Fair value of plan assets at Beginning of year (1) | 2,712 | 2,012 | 2,778 | - | - | - | 2,712 | 2,012 |
| Actual return on plan assets | (282) | 302 | 242 | - | - | - | (282) | 302 |
| Company contributions | 73 | 74 | 99 | - | - | - | 73 | 74 |
| Plan participant contributions | 23 | 26 | 28 | - | - | - | 23 | 26 |
| Business Combinations/disposals (2) | (30) | 12 | 10 | - | - | - | (30) | 12 |
| Settlements | (75) | (33) | (13) | - | - | - | (75) | (33) |
| Benefits paid | (95) | (159) | (210) | - | - | - | (95) | (159) |
| Foreign currency translation | (314) | 29 | (79) | - | - | - | (314) | 29 |
| Fair value of plan assets at end of year | 2,012 | 2,263 | 2,855 | - | - | - | 2,012 | 2,263 |
| Funded status of the plan | (1,327) | (1,225) | (1,341) | (204) | (145) | (146) | (1,531) | (1,370) |
| Unrecognised actuarial loss (gain) | 933 | 904 | 1,020 | 34 | 14 | 21 | 967 | 918 |
| Unrecognised prior service cost | 11 | 8 | 11 | (1) | (14) | (12) | 10 | (6) |
| Unrecognised transitional obligation | (24) | (29) | (28) | 3 | 2 | 2 | (21) | (27) |
| (Accrued) prepaid benefit cost | (407) | (342) | (338) | (168) | (143) | (135) | (575) | (485) |
| Of which: | | | | | | | | |
| Accrued pensions and retirement Benefits | (804) | (699) | (691) | (168) | (143) | (135) | (575) | (842) |
| Prepaid assets (Note 11) | 397 | 357 | 353 | - | - | - | 397 | 357 |

- (1) During the fiscal year ended 31 March 2005, the Group has elected to account for its Swiss cash balance pension plan under French GAAP as defined benefits plan, as now required by a recent US accounting pronouncement. The

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scheme was fully funded as at 1st April 2004 with assets and liabilities of 515 million.

- (2) In the year ended 31 March 2004, the Business combination relates mainly to the Disposal of T&D Sector (excluding Power Conversion business).

Components of plan assets

| | At 31 March | | | | | |
|--------------|--------------|------------|--------------|------------|--------------|------------|
| | 2003 | | 2004 | | 2005 | |
| | (In million) | % | (In million) | % | (In million) | % |
| Equities | 1,156 | 57.5 | 1,289 | 57.0 | 1,445 | 50.6 |
| Bonds | 641 | 31.8 | 734 | 32.4 | 1,042 | 36.5 |
| Properties | 129 | 6.4 | 137 | 6.0 | 248 | 8.7 |
| Others | 86 | 4.3 | 103 | 4.6 | 120 | 4.2 |
| TOTAL | 2,012 | 100 | 2,263 | 100 | 2,855 | 100 |

The actuarial assumptions used vary by business unit and country, based upon local considerations:

Assumptions (weighted average rates)

| | Pension Benefits | | | Other Benefits | | |
|--------------------------------|---------------------|-------|-------|----------------|------|-------|
| | Year ended 31 March | | | | | |
| | 2003 | 2004 | 2005 | 2003 | 2004 | 2005 |
| Discount rate | 5.90% | 5.66% | 5.09% | 6.75% | 6.3% | 6.00% |
| Rate of compensation increase | 3.28% | 3.00% | 2.97% | N/A | N/A | N/A |
| Expected return on plan assets | 7.57% | 8.00% | 7.07% | N/A | N/A | N/A |

Regarding the Expected return of plan assets, the same basis has been applied in all countries where the Group has assets covering its pension liabilities: the Expected return on plan assets is the weighted average of the returns of bonds, equities and properties portfolios determined as follows:

- Equity return = risk free rate (government bond yield) + Equity risk premium (4%)
- Bond return = Discount rate
- Property return = Equity return - 1%

The 4% equity risk premium is considered to be a fair assumption given the following reasons:

- It reflects the relatively low valuation of stock markets, following 3 years of stock market declines,
- In addition, risk free rates are low by historical standards due to disappointing growth and aggressive monetary policies.

The following table shows the amounts of net periodic benefit cost for each of the three years ended 31 March 2003, 2004 and 2005.

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| | Pension Benefits | | | Other Benefits | | | Total | |
|---|---------------------|-------|-------|---------------------|------|------|---------------|-------|
| | Year ended 31 March | | | Year ended 31 March | | | Year ended 31 | |
| | 2003 | 2004 | 2005 | 2003 | 2004 | 2005 | 2003 | 2004 |
| | | | | (in million) | | | | |
| Service cost | 107 | 86 | 81 | 2 | 1 | 1 | 109 | 87 |
| Interest cost | 196 | 184 | 209 | 15 | 11 | 9 | 211 | 195 |
| Expected return on plan assets | (193) | (147) | (198) | - | - | - | (193) | (147) |
| Amortisation of unrecognised prior service cost | 2 | 1 | 1 | - | - | (1) | 2 | 1 |
| Amortisation of actuarial net loss (gain) | 16 | 61 | 55 | 1 | - | - | 17 | 61 |
| Curtailments/Settlements | 9 | (143) | (3) | - | - | - | 9 | (143) |
| Net periodic benefit cost | 137 | 42 | 145 | 18 | 12 | 9 | 155 | 54 |
| Curtailments/Settlements effects included in Net gain on disposal of investments (See Note 4) (1) | - | 149 | - | - | - | - | - | 149 |
| Net periodic benefit cost classified in pensions | 137 | 191 | 145 | 18 | 12 | 9 | 155 | 203 |
| Costs contributions related to schemes mixing defined benefits and defined contributions | 32 | 32 | - | - | - | - | 32 | 32 |
| Multi-employer contributions | 27 | 28 | 21 | - | - | - | 27 | 28 |
| Total pension cost (See Note 4) | 196 | 251 | 166 | 18 | 12 | 9 | 214 | 263 |

(1) Disposal of T&D Sector as well as Small and Medium gas turbines and Industrial steam turbines businesses.

The Group's health care plans, disclosed in other benefits are generally contributory with participants' contributions adjusted annually. The healthcare trend rate is assumed to be 10% in the year ended 31 March 2005 and 8% to 9.5% thereafter.

The total of pension and other post retirement benefit costs for each of the three fiscal years are shown in Note 4 - Other income (expenses), net.

The total cash spent in the year ended 31 March 2005 was 193 million.

Estimated Future Benefit Payments

The estimated future benefit payments expected to be paid are as follows :

| | |
|---------|-------|
| Pension | Other |
|---------|-------|

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| | Benefits | Benefits | Total |
|------------------------------|----------|----------|-------|
| | ----- | ----- | ----- |
| 2006 | 200 | 13 | 213 |
| 2007 | 213 | 12 | 225 |
| 2008 | 223 | 13 | 236 |
| 2009 | 232 | 13 | 245 |
| 2010 | 243 | 13 | 256 |
| Years 2011-2015 | 1,373 | 60 | 1,433 |
| | ----- | ----- | ----- |
| Total over the next 10 years | 2,484 | 124 | 2,608 |
| | ===== | ===== | ===== |

Note 23 - Financial Debt

(a) Analysis by nature

| | At 31 | At 31 | At 1st | At 31 |
|--|--------------|-------|----------|-------|
| | March | March | April | March |
| | 2003 | 2004 | 2004 (*) | 2005 |
| | ----- | ----- | ----- | ----- |
| | (in million) | | | |
| Redeemable preference shares (1) | 205 | 205 | 205 | 205 |
| Subordinated notes (2) | 250 | 250 | 250 | 5 |
| Bonds (2) | 1,200 | 650 | 650 | 1,228 |
| Bonds exchange premium (2) | - | - | - | (26) |
| Syndicated loans (3) | 2,627 | 1,922 | 1,922 | 1,039 |
| Subordinated long term bond (TSDD) (4) | - | 200 | 200 | - |
| Subordinated bonds reimbursable with shares (TSDDRA) (5) | - | 300 | 300 | - |
| Bilateral loans | 358 | 260 | 260 | 33 |
| Commercial paper (6) | 83 | - | - | 14 |
| Future receivables securitised, net (7) | 1,292 | 265 | 265 | 49 |
| Other borrowings facilities (8) | - | 196 | 1,023 | 252 |
| Bank overdraft | 266 | 78 | 78 | 58 |
| Accrued interest | 50 | 46 | 46 | 50 |
| | ----- | ----- | ----- | ----- |
| Financial debt | 6,331 | 4,372 | 5,199 | 2,907 |
| | ===== | ===== | ===== | ===== |
| Long-term | 3,647 | 3,829 | 4,602 | 2,414 |
| Short-term | 2,684 | 543 | 597 | 493 |
| | ----- | | | |

(*) Amended amounts at 1 April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2 (a).

(1) On 30 March 2001, a wholly owned subsidiary of ALSTOM Holdings issued perpetual, cumulative, non voting, preference shares for a total amount of 205 million.

The preference shares have no voting rights. They were not redeemable, except at the exclusive option of the issuer, in whole but not in part, on or after the 5th anniversary of the issue date or on the 5th anniversary in case of certain limited specific pre identified events. Included in those events, are changes in tax laws and the issuance of new share capital.

In July 2002 an issue of shares was made triggering the contractual redemption of the preferred shares at 31 March 2006 at a price equal to par value together with dividends accrued, but not yet paid.

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- (2) At 31 March 2004, the Group had:
- 250 million of Auction Rate Coupon Undated Subordinated Notes redeemable at par in September 2006, (with floating rate coupon reset at 4.99% over Euribor p.a. until maturity, following auctions in September 2004),
 - 650 million of bonds listed on the Paris and Luxembourg Stock Exchanges, bearing a 5% coupon and redeemable at par on 26 July 2006,

During the fiscal year ended 31 March 2005, these bonds were offered to be exchanged for new bonds due March 2010. 668 million of the 900 million bonds eligible for exchange were tendered to the offer, leading, after application of the exchange ratio to 695,3 million of new 2010 Bonds being issued as a result of the exchange, in addition to which, the Group issued 304.7 million of additional bonds with same terms and condition. The related exchange premium of 26 million has been recorded in diminution of the bonds and is amortised up to March 2010.

As a result of the above, at 31 March 2005, the Group has:

- 5 million of Auction Rate redeemable in September 2006,
- 228 million of bonds bearing a 5% coupon and redeemable at par on 26 July 2006,
- 1,000 million of bonds bearing a 6.25 % coupon with a 5 year maturity,
- (26) million of bonds exchange premium.

- (3) Syndicated loans include:

o A 2008 Subordinated Debt Facility signed on 30 September 2003 with a syndicate of banks and financial institutions for an amount up to 1,563 million (the "PSDD"), and comprising a Term Loan Tranche A for 1,200 million (fully drawn until maturity or redemption), and a Revolving Facility Tranche B for 363 Million.

At 31 March 2005, this subordinated debt facility was divided between:

- the Term Loan "Tranche A" of 1,039 million following the redemption of 161 million thereof into shares as part of the capital increase closed in August 2004.
- and the Revolving Credit "Tranche B" of 281 million following the redemption of 82 million thereof into shares as part of the capital increase closed in August 2004. The full amount of 363 million was available for draw down as at 31 March 2004. The full amount of 281 million was available for draw down as at 31 March 2005.

o A 2006 Multicurrency Revolving Credit Agreement initially signed for an amount up to 1,110 million, amortised down to 722 million as at March 2004, and was fully drawn as at 31 March 2004. During the fiscal year ended 31 March 2005, 18 million have been redeemed into shares as part of the capital increase closed in August 2004 and the remaining amount of 704 million was fully available for draw down as at 31 March 2005.

At 31 March 2005, the 2008 Subordinated Debt Facility ("the PSDD") and the 2006 Multicurrency Revolving Credit Agreement are subject to the following financial covenants amended with unanimous agreement by the lenders on 23 June 2004 and on 24 December 2004, and as adjusted to take into account the results of the August 2004 capital increases:

| Minimum Interest Cover | Minimum Consolidated net worth | Maximum Total debt | Maximum Net debt leverage | Minimum EBITDA |
|------------------------------|--------------------------------------|--------------------------|---------------------------------|-------------------|
|------------------------------|--------------------------------------|--------------------------|---------------------------------|-------------------|

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| Covenants | (a) | (b) | (c) | (d) | (e) |
|----------------|-------|--------------|--------------|-------|--------------|
| | ----- | ----- | ----- | ----- | ----- |
| | | (in million) | (in million) | | (in million) |
| September 2004 | - | 1,000 | 4,329 | - | - |
| December 2004 | - | - | 4,129 | - | - |
| March 2005 | - | 1,100 | 3,979 | - | - |
| June 2005 | - | - | 4,179 | - | - |
| September 2005 | - | 850 | 4,179 | - | 0 |
| December 2005 | - | - | 4,129 | - | - |
| March 2006 | 3 | 1,150 | 3,979 | 4.0 | - |
| June 2006 | - | - | 3,929 | - | - |
| September 2006 | 3 | 1,150 | 3,929 | 3.6 | - |
| December 2006 | - | - | 3,929 | - | - |
| March 2007 | 3 | 1,150 | 3,929 | 3.6 | - |
| June 2007 | - | - | 3,929 | - | - |
| September 2007 | 3 | 1,150 | 3,929 | 3.6 | - |
| December 2007 | - | - | 3,929 | - | - |
| March 2008 | 3 | 1,150 | 3,929 | 3.6 | - |
| June 2008 | - | - | 3,929 | - | - |

(a) Ratio of EBITDA (see (e) below) to consolidated net financial expense (interest income less interest expense including securitisation interest).

(b) Sum of shareholders' equity (excluding the cumulative impact of any deferred tax assets impairment arising after 31 March 2004 and including Bonds Reimbursable with Shares "ORA" not yet reimbursed) and minority interests (this covenant will not apply if and for as long as ALSTOM's rating is Investment Grade).

After excluding the impact of the impairment of deferred tax assets recorded in the fiscal year ended 31 March 2005 of 218 million the minimum consolidated net worth to compare with the covenant above is 1,607 million.

(c) Sum of the financial debt (SPEs excluded) and the net amount of sale of trade receivables (this covenant will not apply if and for as long as ALSTOM is Investment Grade).

(d) Ratio of total net debt (total financial debt less short-term investments and cash and cash equivalents) to EBITDA (see (e) below).

(e) Earning Before Interest and Tax plus Depreciation and Amortisation as set out in Consolidated Statements of Cash Flow less goodwill amortisation and less capital gain on disposal of investments. The EBITDA shall be positive at 30 September 2005.

These covenants have been contractually determined based on accounting standards generally accepted in France at 31 March 2004. 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 the change in accounting principles. (see Note 2 (a)). At 31 March 2005, the total debt to compare with the covenants above is 2,820 million excluding the impact of 94 million of the first application of the Règlement CRC 2004-03 (see Note 2 (a) and 25). The amendment signed 24 December 2004 confirms the exclusion of the SPEs' financial debt.

(4) During the fiscal year ended 31 March 2004, 200 million of subordinated bonds were issued with a 15-year maturity to the French State ("TSDD" or Titres Subordonnés à Durée Déterminée). In August 2004, the French State has

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subscribed shares as part of the capital increase with preferential subscription rights by way of set-off of the 200 million "TSDD". The "TSDD" was carrying an interest rate of EURIBOR plus 5% of which 1.5% were capitalised annually and paid upon set-off.

- (5) During the fiscal year ended 31 March 2004, 300 million of subordinated bonds were issued with a 20-year maturity to the French State, which should be automatically reimbursable with shares upon the approval of the reimbursement with shares by the European Commission ("TSDDRA" or Titres Subordonnés à Durée Déterminée Remboursables en Actions). On 7 July 2004, following the approval of the European commission, the 300 million of "TSDDRA" held by the French State have been reimbursed into shares. These subordinated bonds were carrying an interest rate of 2 % paid upon their reimbursement. The issue price for each bond was 1.25, and each bond was reimbursed with one share.
- (6) The total authorised commercial paper program is 2,500 million, availability being subject to market conditions. At 31 March 2005, 14 million of commercial paper were outstanding from this program.
- (7) The Group sold, in several past transactions, the right to receive payment from certain customers for future receivables. The total net amounts outstanding under these transactions were of 265 million and 49 Millions at 31 March 2004 and 31 March 2005, respectively. The total amount concerns the Transport Sector.
- (8) Following the application of Règlement CRC 2004-03 (see Note 2(a) and Note 25), bank overdraft and "other borrowings facilities" include, at 1 April 2004, 827 million of borrowings related to special purpose entities. At 31 March 2005, these borrowings have been reduced to 94 million following:
- the sale of one special purpose entity during the period (243 million),
 - the deconsolidation of two special purpose entities (384 million),
 - repayments and impact of foreign exchange (106 million).

Total available undrawn credit lines at Group level amounts to 1,202 million at 31 March 2005 (783 million at 31 March 2004) and is constituted of:

- 217 million under several bilateral lines of credit,
- 281million under the Tranche B of the 2008 Subordinated Debt Facility "PSDD",
- 704 million under the 2006 Multicurrency Revolving Credit Agreement.

(b) Analysis by maturity and interest rate

| | Short term | | Long term | | | | | Average rate of interest |
|------------------------------|---------------|-----|--------------|-----------|-----------|-----------|--------------|--------------------------|
| | Within 1 year | | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | |
| TOTAL | (in million) | | (in million) | | | | | |
| Redeemable preference shares | 205 | 205 | - | - | - | - | - | 4.8% |
| Subordinated notes | 5 | - | 5 | - | - | - | - | 10.6% |
| Bonds | 1,228 | - | 228 | - | - | 1,000 | - | 6% |
| Bonds exchange premium | (26) | (6) | (5) | (5) | (5) | (5) | - | |
| Syndicated loans | 1,039 | - | - | - | 1,039 | - | - | 6.6% |
| Bilateral loans | 33 | - | 33 | - | - | - | - | 6.6% |

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| | | | | | | | | |
|---|-------|-----|-----|----|-------|-------|----|------|
| Commercial Paper | 14 | 14 | - | - | - | - | - | 2.4% |
| Other facilities | 252 | 123 | 20 | 20 | 19 | 38 | 32 | 3.0% |
| Bank overdraft | 58 | 58 | - | - | - | - | - | 4.4% |
| Accrued interests | 50 | 50 | - | - | - | - | - | |
| Future receivables securitised, net (2) | 49 | 49 | - | - | - | - | - | 5.7% |
| Financial debt | 2,907 | 493 | 281 | 15 | 1,053 | 1,033 | 32 | |

(1) On 23 September 2004, the margin above Euribor of these notes have been reset through an auction process at 4.99%.

(2) The reimbursement of which will come from the direct payment of the customer to the investor to whom the Group sold the right to receive the payment.

| | At 31 March 2004 | | At 31 March 2005 | |
|---------------------------------|-----------------------|----------------------|---------------------------|--------------------------|
| | Amount before Hedging | Amount after Hedging | Amount before Hedging (1) | Amount after Hedging (1) |
| | (in million) | | (in million) | |
| Financial debt at fixed rate | 1,055 | 735 | 1,375 | 1,375 |
| Financial debt at floating rate | 3,317 | 3,637 | 1,532 | 1,532 |
| Total | 4,372 | 4,372 | 2,907 | 2,907 |

(1) Following the cancellation of a portion of the 650 million bond issue, there is no longer any interest rate hedging on the Group's financial debt. The result generated from the swap cancellation is spread until the initial maturity date of the instrument.

(c) Analysis by currency

| | At 31 March | | |
|------------------|--------------|-------|-------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Euro | 6,205 | 4,214 | 2,722 |
| US dollar | 22 | 112 | 130 |
| British Pound | 3 | 12 | 7 |
| Other currencies | 101 | 34 | 48 |
| Financial debt | 6,331 | 4,372 | 2,907 |

Note 24 - Other payables

| At 31 March | At 1st April | At 31 March |
|-------------|--------------|-------------|
|-------------|--------------|-------------|

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| | 2003 | 2004 | 2004 (*) | 2005 |
|---|--------------|-------|----------|-------|
| | ----- | ----- | ----- | ----- |
| | (in million) | | | |
| Accrued contract cost (contract completion) | 2,822 | 2,229 | 2,229 | 1,913 |
| Staff and associated costs | 888 | 694 | 694 | 673 |
| Income taxes | 192 | 195 | 195 | 107 |
| Other taxes | 254 | 291 | 291 | 213 |
| Others | 590 | 489 | 493 | 320 |
| | ----- | ----- | ----- | ----- |
| Other payables | 4,746 | 3,898 | 3,902 | 3,226 |
| | ===== | ===== | ===== | ===== |

(*) Amended amounts at 1st April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a)

Note 25 - Special Purpose Entities

At 31 March 2004, the Group did not consolidate its interests in four active entities (three in Marine and one in Transport) and Cruiseinvest Jersey Ltd, parent company of Cruiseinvest LLC and Octavian Shipping LLC as it held no shares.

As mentioned in Note 2(a) the Group applied the Règlement CRC 2004-03 with effect from 1 April 2004. Under this Règlement, the Group reviewed its accounting treatment for all special purpose entities at 1 April 2004 assessing its level of control over the entities and its participation in the risks and rewards of ownership. The Group concluded that four Special purpose leasing entities and Octavian Shipping LLC should be fully consolidated from 1 April 2004 and these entities are included in the Consolidated Financial Statements from that date. The five ships held by subsidiaries of Cruiseinvest LLC have not been consolidated as it has been determined that the Group does not have control of the structure and does not bear the major part of the risks and rewards of ownership.

At 1 April 2004, four Marine entities and one Transport entity are fully consolidated. On 20 September 2004, the Group completed the disposal of its interests in the Transport entity. On 1st December 2004, the Group completed the disposal to third party of its loans in two entities financing two Cruise ships.

From those respective dates, the Group concluded that the criterias of the Règlement CRC 2004-03 triggering at 1st April 2004 the consolidation were no longer met. At 31 March 2005, two Marine entities are consolidated with only one being active and owning one cruise.

In assessing the provisional opening balance sheet impact of the consolidation of the four entities and Octavian Shipping LLC, the Group recorded their fixed assets at the lower of historical cost and fair value, current assets at realisable value and liabilities at the amount required to settle the obligations.

At 1 April 2004, three entities were structured in such a way that cumulative results of each special purpose leasing entity equal zero at the end of each arrangement, interest expenses being compensated by leasing revenues. As a consequence, interim net income (loss) is put to zero by the recording of a corresponding liability (asset) to reflect the substance of the transactions. At 31 March 2005, this aforementioned accounting treatment is no longer applicable as a result of the de-consolidation of the related entities.

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The contribution of these entities at 1 April 2004 and 31 March 2005 consolidated balance sheets before intra-group elimination is as follows:.

| | At 1st April 2004 | At 31 March 2005 |
|--|----------------------|---------------------|
| | ----- | ----- |
| Assets | | |
| Property, plant and equipment, net | 693 | 85 |
| Inventories, and contract in progress, net | 110 | - |
| Other assets, net | 138 | 39 |
| Cash equivalents | - | 2 |
| | ----- | ----- |
| Total | 941 | 126 |
| | ===== | ===== |
| Liabilities | | |
| Net equity (*) | (8) | (29) |
| Provisions for risks and charges (*) | 3 | 3 |
| Financial debt | 827 | 94 |
| Group financing (*) | 115 | 52 |
| Other liabilities | 4 | 6 |
| | ----- | ----- |
| Total | 941 | 126 |
| | ===== | ===== |

 (*) before intra-group elimination.

The significant decrease of the balance sheet in the fiscal year ended 31 March 2005 is explained by the deconsolidation of three special purpose entities (as explained above) and the sale to a cruise operator of one cruise ship recorded at 1st April 2004 within "Inventories and contract in progress, net". At 31 March 2005, the remaining Property, plant and equipment, net corresponds to one cruise ship currently chartered to a cruise operator.

The negative net equity is offset by a corresponding utilisation of the provision for Marine vendor financing (see Note 21-other provisions).

Note 26 - Sector and geographic data

a) Sector data

The Group is managed through Sectors of activity and has determined its reportable segments accordingly.

Starting from 1 April 2004, the former Power Turbo- Systems Sector and the former Power Environment Sector were merged into one Sector «Power Turbo-systems / Power Environment».

At 31 March 2005, the Group is organised in four Sectors and one Business:

Power Turbo-Systems / Power Environment Sector

Power Turbo-Systems / Power Environment provides steam turbines, generators and power plant engineering, including hydro construction and heavy duty gas turbines. It also focuses on boilers and emissions control equipment in the power generation, petrochemical and industrial markets; demand for upgrades and modernisation of existing power plants.

Power Service Sector

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Power Service promotes the service activities relating to the Power Turbo Systems / Environment Sector and services to customers in all geographic markets.

Transport Sector

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

Marine Sector

Marine designs and manufactures cruise and other speciality ships.

Power Conversion Business

Power Conversion provides solutions for manufacturing processes and supplies high-performance products including motors, generators, propulsion systems for marine applications and drives for a variety of industrial applications.

The composition of the Sectors may vary slightly from time to time. As part of any change in the composition of its sectors, Group management may also modify the manner in which it evaluates and measures profitability.

It evaluates internally their performance on Operating income, Free Cash Flow as well as Margin in backlog and other specific ones.

Some units, not material to the sector presentation, have been transferred between sectors. The revised Sector composition has not been reflected on a retroactive basis as the Group determined it was not practicable to do so.

| Sales | At 31 March | | |
|---------------------------------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Power Turbo-Systems/Power Environment | 6,955 | 5,059 | 4,256 |
| Power Service | 2,678 | 2,747 | 2,844 |
| Transport | 5,072 | 4,862 | 5,134 |
| Marine | 1,568 | 997 | 630 |
| Power Conversion | 523 | 499 | 539 |
| Corporate & others (1) | 205 | 241 | 259 |
| Transmission & Distribution (2) | 3,082 | 2,073 | - |
| Power Industrial Turbines (3) | 1,268 | 210 | - |
| TOTAL | 21,351 | 16,688 | 13,662 |

| Operating income | At 31 March | | |
|---------------------------|--------------|------|------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Power Turbo-Systems/Power | | | |

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| | | | |
|---------------------------------|---------|-------|-------|
| Environment | (1,175) | (253) | (35) |
| Power Service | 403 | 417 | 473 |
| Transport | (24) | 64 | 260 |
| Marine | 24 | (19) | (103) |
| Power Conversion | 15 | 15 | 36 |
| Corporate & others (1) | (44) | (59) | (81) |
| Transmission & Distribution (2) | 212 | 121 | - |
| Power Industrial Turbines (3) | 82 | 14 | - |
| | ----- | ----- | ----- |
| TOTAL | (507) | 300 | 550 |
| | ===== | ===== | ===== |

| | | | |
|---------------------------------|---------|--------------|-------|
| EBIT | | At 31 March | |
| | 2003 | 2004 | 2005 |
| | ----- | ----- | ----- |
| | | (in million) | |
| Power Turbo Systems/Power | | | |
| Environment | (1,420) | (641) | (361) |
| Power Service | 304 | 227 | 360 |
| Transport | (113) | (189) | 168 |
| Marine | 12 | (40) | (16) |
| Power Conversion | (22) | (19) | 15 |
| Corporate & others (1) | (46) | (252) | (258) |
| Transmission & Distribution (2) | 103 | 36 | - |
| Power Industrial Turbines (3) | 53 | 7 | - |
| | ----- | ----- | ----- |
| TOTAL | (1,129) | (871) | (92) |
| | ===== | ===== | ===== |

| | | | | |
|---------------------------------|-------------|--------------|----------|-------|
| Capital employed (**) | At 31 March | | At 1st | At 31 |
| | ----- | | April | March |
| | 2003 | 2004 | 2004 (*) | 2005 |
| | ----- | ----- | ----- | ----- |
| | | (in million) | | |
| Power Turbo-Systems/Power | | | | |
| Environment | N/A | (499) | (499) | (608) |
| Power Service | N/A | 1,921 | 1,921 | 1,683 |
| Power Industrial Turbines (3) | N/A | - | - | - |
| TOTAL POWER | 2,383 | 1,422 | 1,422 | 1,075 |
| Transport | 738 | 360 | 653 | 125 |
| Marine | (343) | (580) | 59 | (234) |
| Power Conversion (4) | N/A | 25 | 25 | (4) |
| Corporate & others (1) | 1,208 | 1,333 | 1,228 | 1,341 |
| Transmission & Distribution (2) | 963 | - | - | - |
| | ----- | ----- | ----- | ----- |
| TOTAL | 4,949 | 2,560 | 3,387 | 2,303 |
| | ===== | ===== | ===== | ===== |

(*) Amended amounts at 1st April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a)

(**)Capital employed is defined as the closing position of the total of tangible, intangible and other fixed assets net, current assets (excluding net amount of securitisation of existing receivables) less current liabilities and provisions for risks and charges.

(1) Corporate & others include all units accounting for Corporate costs, the International Network and the overseas entities in Australia, New Zealand and India, that are not allocated to Sectors.

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(2) Disposed of in January 2004

(3) Disposed of in April 2003 and August 2003.

(4) Included in Transmission & Distribution at 31 March 2003

b) Geographic data

Sales by country of destination

| | Year ended 31 March | | |
|-------------------------|---------------------|---------------|---------------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Europe | 9,219 | 8,002 | 7,429 |
| North America | 4,719 | 3,001 | 1,977 |
| South & Central America | 1,534 | 857 | 575 |
| Asia / Pacific | 3,727 | 3,401 | 2,489 |
| Middle East / Africa | 2,152 | 1,427 | 1,192 |
| TOTAL | 21,351 | 16,688 | 13,662 |

Sales by Country of Origin

| | Year ended 31 March | | |
|-------------------------|---------------------|---------------|---------------|
| | 2003 | 2004 | 2005 |
| | (in million) | | |
| Europe | 14,762 | 12,204 | 9,951 |
| North America | 3,935 | 2,519 | 1,919 |
| South & Central America | 601 | 415 | 374 |
| Asia / Pacific (*) | 1,833 | 1,416 | 1,301 |
| Middle East / Africa | 220 | 134 | 117 |
| TOTAL | 21,351 | 16,688 | 13,662 |

Net sales of 3,300 million (15.5%), 2,650 million (15.9%) and 3,420 million (25.0%) in the years ended 31 March 2003, 2004 and 2005 respectively, are obtained from a group of state owned companies, independently managed, the largest of which represented, 4.2%, 3.9% and 4.9% in the years ended 31 March 2003, 2004 and 2005, respectively.

No client represented more than 10% of net sales in any of the three years.

Note 27 - Off balance sheet commitments and other obligations

a) Off balance sheet commitments

| | At 31 March 2003 | At 31 March 2004 | At 31 March 2005 |
|--|---------------------|---------------------|---------------------|
| | (in million) | | |
| Guarantees related to contracts (1) | 9,465 | 8,169 | 7,526 |
| Guarantees related to Vendor financing (2) | 749 | 640 | 429 |
| Discounted notes receivable | 11 | 6 | 5 |
| Commitments to purchase fixed assets | 7 | - | 1 |
| Other guarantees | 94 | 43 | 114 |

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| | | | |
|-------|--------|-------|-------|
| | ----- | ----- | ----- |
| TOTAL | 10,326 | 8,858 | 8,075 |
| | ===== | ===== | ===== |

 (1) Guarantees related to contracts

In accordance with industry practice, the above instruments can, in the normal course, extend from the tender period until the final acceptance by the customer, up to the end of the warranty period and may include guarantees on project completion, contract specific defined performance criteria or plant availability.

The guarantees are provided by banks or surety companies by way of performance bonds, surety bonds and letters of credit and are normally for defined amounts and periods and 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.

The projects for which the guarantees are given are regularly reviewed by management and should payments becomes probable pursuant to guarantees, the necessary accruals will be made and recorded in the Consolidated Financial Statement at that time.

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 of the joint venture ABB ALSTOM Power, the Group has agreed to indemnify ABB with respect to parent company guarantees that it had previously issued with respect to certain of power contracts, the total outstanding amount of such ABB guarantees being 2.7 billion at 31 March 2005. These parent company guarantees are included in the above figures.

The above figures exclude:

- 3.8 billion at 31 March 2005 (3.2 billion at 31 March 2004 and 2.9 billion at 31 March 2003) of advance and progress payment related guarantees which payments have been included over time in the balance sheet in "Customers deposits and advances, gross".
- 2.1 billion at 31 March 2005 (3.3 billion at 31 March 2004 and 4.3 billion at 31 March 2003) 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 10.7 billion at 31 March 2005.

The Group has put in place a up to 8 billion committed bonding guarantee facility programme, with an initial commitment of our banks for 6.6 billion. This programme includes the bonds issued under the bonding line of 3.5 billion provided during the summer 2003 and new bonds to be issued over a two year period up to 27 July 2006.

The bonds under this new programme benefit from a 2 billion security package consisting of:

- a first loss guarantee in the form of cash collateral provided by the Group for 700 million (see Note 11); and
- a second rank security for a total amount of 1,300 million covering second losses in excess of the cash collateral, in the form of guarantees, given on a pari passu basis by a French State- guaranteed institution

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(Caisse Française de Développement Industriel) for an amount of 1,250 million, and the remainder (50 million) by a group of banks consisting of the initial banks of the program.

This programme is revolving : any bond expiring releases capacity to issue new bonds within the 8 billion limit and the two year period.

The commitment of our core banks was for an initial volume of up to 6.6 billion, of which final documentation was dated July 27th 2004. This initial amount was expected to cover the Group's forecasted bonding needs for approximately 18 months.

Since that date further syndication in the program has allowed us to secure to date 7.4 billion (7.15 billion at 31 March 2005) which together with bilateral capacity obtained outside of the program is at this stage anticipated to cover all our needs till the end of the program in July 2006.

The bonds and guarantees issued in the syndicated facility under that programme are covered by counter indemnities from ALSTOM Holdings and from the Group subsidiary performing the contractual obligations pertaining to the guarantee.

The banks can make a claim under the security package if, and only if, a bond issued under the programme has been called by a customer, paid by the bank to the beneficiary and neither the Group subsidiary nor ALSTOM Holdings have been in a position to indemnify the banks.

The issuance of new bonds under the bonding programme mentioned above is also subject to the financial covenants disclosed in the Note 23(a) (3).

At 31 March 2005, 78 million of bonds and guarantees relating to units sold as part of disposals were still held by the Group.

(2) Vendor financing

The Group has provided financial support, referred to as vendor financing, to financial institutions and granted financing to certain purchasers of its cruise-ships for ship-building contracts signed up to fiscal year 1999 and other equipment. The off-balance sheet "vendor financing" is 749 million at 31 March 2003, 640 million at 31 March 2004 and 429 million at 31 March 2005.

The table below sets forth the breakdown of the outstanding off-balance sheet vendor financing by Sector at 31 March 2003, 2004 and 2005:

| | At 31 March 2003 | At 31 March 2004 | At 1st April 2004(*) | At 31 March 2005 |
|-----------------------------|---------------------|---------------------|-------------------------|---------------------|
| | ----- | ----- | ----- | ----- |
| | (in million) | | | |
| Marine | 423 | 314 | 174 | 120 |
| Cruiseinvest/ Renaissance | 107 | 83 | 40 | 38 |
| Festival | 208 | 144 | 48 | - |
| Others | 108 | 87 | 86 | 82 |
| Transport | 317 | 321 | 321 | 309 |
| European Metro Operator (2) | 257 | 266 | 266 | 257 |
| Others | 60 | 55 | 55 | 52 |
| Other Sectors | 9 | 5 | 5 | - |
| | ----- | ----- | ----- | ----- |
| Off balance sheet (1) | 749 | 640 | 500 | 429 |
| | ===== | ===== | ===== | ===== |

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(*) Amended amounts at 1 April 2004 pursuant to the first application of the Règlement CRC 2004-03. See Note 2(a).

(1) Off-balance sheet figures correspond to the total guarantees and commitments, net of related cash deposits, which are shown as balance-sheet item (see Note 11)

(2) Guarantees given include the requirement to deposit funds in escrow in the event of non-respect of certain covenants, waived through 30 June 2005

The total vendor financing exposure at 31 March 2003, 2004 and 2005 is the following:

| | At 31 March 2003 | At 31 March 2004 | At 1st April 2004(*) | At 31 March 2005 |
|---|---------------------|---------------------|-------------------------|---------------------|
| | ----- | ----- | ----- | ----- |
| | (in million) | | | |
| Off balance- sheet exposure | 749 | 640 | 500 | 429 |
| Balance sheet exposure (see Note 11) | 510 | 329 | 250 | - |
| Exposure relating to consolidated entities (*) | - | - | 219 | 146 |
| | ----- | ----- | ----- | ----- |
| VENDOR FINANCING EXPOSURE | 1,259 | 969 | 969 | 575 |
| | ===== | ===== | ===== | ===== |

(*) corresponding to the maximum exposure related to four Marine entities consolidated at 1st April 2004 following the first application of the Règlement CRC 2003-04 (see Notes 2(a) and 25). At 31 March 2005, this exposure is covered by 117 million of assets, net.

Marine

Cruiseinvest / Renaissance

At 31 March 2003 and 2004, it corresponds to the guarantees of the financing of two subsidiaries of Cruiseinvest Jersey Ltd for respectively US\$89 million and US\$72 million (82 million and 59 million) and to the undrawn portion of the credit line granted to Cruiseinvest LLC of respectively 25 million and 24 million.

At 1st April 2004, the decrease of the exposure is due to the consolidation of Octavian shipping LLC, a subsidiary of Cruiseinvest Jersey Ltd pursuant to the application of the Règlement CRC 2004-03 (see Note 25), the relating guarantee becoming internal and consequently no longer reported.

At 31 March 2005, it corresponds to the guarantees of the financing of one subsidiary of Cruiseinvest LLC for US\$18 million (14 million) and to the undrawn portion of the credit line granted to Cruiseinvest LLC of 24 million.

Festival

At 31 March 2003 and 2004, the Group guaranteed the financing of one special purpose leasing entity relating to one cruise-ship for an amount 111 million and 96 million respectively. At 1st of April 2004, pursuant to the application of the Règlement CRC 2004-03, this entity is fully consolidated and the relating

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financial debt is included in the Net financial debt of the Group. At 31 March 2005, following the sale of this cruise ship, the associated debt was fully reimbursed (see Note 25).

In addition, at 31 March 2003 and 2004 the Group guaranteed the financing arrangements of two cruise ships delivered to Festival for an amount of 97 million and 48 million respectively. At 31 March 2005, following the sale of these Cruise ships during the period, the guarantees were released.

At 31 March 2005, the Group has no outstanding guarantees relating to Festival.

Other

At 31 March 2003, 2004 and 2005, it mainly corresponds to the guarantees provided by the Group on the financing arrangements of one cruise-ship and two high speed ferries delivered to three customers for an amount of 91 million, 86 million and 82 million, respectively.

Based on known facts and on assumptions as to leases renewal and ships sales for Cruiseinvest and other cruise-ships, the Group considers that the provision in respect of Marine Vendor financing of 14 million at 31 March 2005 (140 million at 31 March 2003 and 2004) remains adequate to cover the probable risk.

Transport

At 31 March 2003, 2004 and 2005, guarantees given as part of vendor financing arrangements in Transport Sector amount to 317 million, 321 million and 309 million, respectively.

Included in this amount are guarantees totalling US\$63 million (58 million, 52 million and 49 million at 31 March 2003, 2004 and 2005, respectively) given with respect to equipment sold to Amtrak and also guarantees given as part of a leasing scheme involving a major European metro operator as described in Note 27(b).

If the metro operator decides in year 2017 not to extend the initial period the Group has guaranteed to the lessors that the value of the trains and associated equipment at the option date should not be less than GBP177 million (257 million, 266 million and 257 million at 31 March 2003, 2004 and 2005, respectively).

b) Capital and operating lease obligations

| | Total | Within 1 year | 1 to 5 years | Over 5 years |
|-------------------------------|--------------|---------------|--------------|--------------|
| | ----- | ----- | ----- | ----- |
| | (in million) | | | |
| Long term rental (1) | 667 | 6 | 48 | 613 |
| Capital leases obligation (2) | 278 | 31 | 93 | 154 |
| Operating leases (3) | 534 | 90 | 225 | 219 |
| | ----- | ----- | ----- | ----- |
| At 31 March 2003 | 1,479 | 127 | 366 | 986 |
| | ===== | ===== | ===== | ===== |
| Long term rental (1) | 683 | 11 | 75 | 597 |
| Capital leases obligation (2) | 237 | 37 | 94 | 106 |
| Operating leases (3) | 430 | 62 | 181 | 187 |
| | ----- | ----- | ----- | ----- |
| At 31 March 2004 | 1,350 | 110 | 350 | 890 |
| | ===== | ===== | ===== | ===== |

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| | | | | |
|-------------------------------|-------|-------|-------|-------|
| Long term rental (1) | 650 | 13 | 86 | 551 |
| Capital leases obligation (2) | 335 | 46 | 118 | 171 |
| Operating leases (3) | 403 | 57 | 183 | 163 |
| | ----- | ----- | ----- | ----- |
| At 31 March 2005 | 1,388 | 116 | 387 | 885 |
| | ===== | ===== | ===== | ===== |

(1) Long term rental

Pursuant to a contract signed in 1995 with a major European metro operator, the Group has sold 103 trains and associated equipment to two leasing entities. These entities have entered into an agreement by which the Group leases back the trains and associated equipment from the lessors for a period of 30 years. The trains are made available for use by the metro operator for an initial period of 20 years, extendible at the option of the operator for a further ten year period. The trains are being maintained and serviced by the Group.

These commitments are in respect of the full lease period and are covered by payments due to the Group from the metro operator.

If this lease was capitalised it would increase long-term assets and financial debt by 667 million, 683 million and 650 million at 31 March 2003, 2004 and 2005, respectively.

(2) Capital leases

If capital leases had been capitalised, it would have had the following effects on the consolidated balance sheet:

| | At 31 March 2003 | At 31 March 2004 | At 31 March 2005 |
|--|---------------------|---------------------|---------------------|
| | ----- | ----- | ----- |
| | (in million) | | |
| Increase in property plant and equipment, net | 212 | 205 | 248 |
| Increase in financial debt | 216 | 200 | 255 |
| | ----- | ----- | ----- |
| Increase in (decrease) of shareholder's equity | (4) | 5 | (7) |
| | ===== | ===== | ===== |

(3) Operating leases

A number of these operating leases have renewal options. Rent expense was 110 million, 87 million and 72 million in the year ended 31 March 2003, 2004 and 2005, respectively.

No material commitments are omitted in this note in accordance with current accounting rules.

Note 28 - 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 500 million in one particular

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dispute.

Some proceedings against the Group are without a specified amount. Amounts retained in respect of litigation, considered as best estimates of probable liabilities are included in provisions for risks and charges and other payables. Actual costs incurred may exceed the amount of provisions for litigation because of a number of factors including the inherent uncertainties of the outcome of litigation.

- Claim from Royal Caribbean Cruises Limited ("RCCL")

In August 2003, RCCL and various RCCL group companies filed a lawsuit in Florida, USA against various Rolls Royce group companies and against various ALSTOM group companies claiming damages for a global amount of approximately 230 million (USD300 million) for alleged misrepresentations in the selling of pods, and negligence in the design and manufacture of pods. The Group and Rolls Royce are strongly contesting this claim.

- 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 our operating units worldwide and to promote the application of this principle to all of our suppliers, including in those countries where the use of asbestos is permitted. In the past, however, the Group has used and sold some products containing asbestos, particularly in France in our Marine Sector and to a lesser extent in our 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 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. Although no assurance can be given, the Group believes that those cases where it may be required to bear a portion of the damages do not represent a material exposure and therefore, no provisions have been recorded.

In addition to the foregoing, in the United States, the Group is subject to asbestos-related personal injury lawsuits which have their origin solely in the Company's purchase of certain former power businesses of Combustion Engineering, Inc. ("CE") or its former subsidiaries for which the Group is indemnified by its parent company, ABB Ltd.

The Group is also subject to two putative class action lawsuits in the United States asserting fraudulent conveyance claims against various ALSTOM and ABB entities in relation to CE, for which the Group has asserted indemnification against ABB. CE is a United States subsidiary of ABB, and its power activities were part of the power generation business purchased by us from ABB. In January 2003, CE filed a "pre-packaged" plan of reorganisation in United States bankruptcy court. In addition to its protection under the ABB indemnity, the Group believes that under the terms of this plan, it would have been protected

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against pending and future personal injury asbestos claims, or fraudulent conveyance claims, arising out of the past operations of CE. The pre-packaged plan was confirmed by the bankruptcy court on 23 June 2003 and by the United States federal district court on 31 July 2003. The plan, however, subsequently was appealed, and the United States Court of Appeals for the Third Circuit vacated the plan confirmation order and remanded the case to the federal district court for further proceedings. As a result, confirmation of the plan will be subject to further lower district court and/or bankruptcy court proceedings and the plan will have to be revised and approval thereof re-solicited from creditors and asbestos claimants. On 21 March 2005, ABB announced that it had reached agreement with certain representatives of asbestos claimants on certain "settlement points" that would form the basis for such a revised plan. All of the pending CE-related asbestos cases currently are stayed by virtue of a bankruptcy court order issued at the outset of the case.

At 31 March 2005, the Group is subject to approximately 31 other asbestos-related personal injury lawsuits in the United States involving approximately 486 claimants that, in whole or in part, assert claims against the Group which are not related to the power generation business purchased by us from ABB or as to which the complaint does not provide details sufficient to permit us to determine whether the ABB indemnity applies. Most 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 difficult to evaluate at preliminary stages in the litigation process. In those cases where the Group'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 a material adverse effect on our financial condition. The Group can give no assurances that asbestos-related cases against us will not grow in number or that those we have at present, or may face in the future, may not have a material adverse impact on our 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 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 SEC is conducting a formal investigation, and the Group has conducted its own internal review, into certain matters relating to ALSTOM Transportation Inc.

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("ATI"), one of the Group's subsidiaries. These actions followed receipt of anonymous letters alleging accounting improprieties on a railcar contract being executed at ATI's New York facility. Following receipt of these letters, the United States Federal Bureau of Investigation (the "FBI") also began an informal inquiry. The Group has fully cooperated with the SEC and the FBI in this matter and intends to continue to do so.

- United States Putative Class Action Lawsuit

The Group, certain of its subsidiaries and certain of its current and former employees, officers and directors, have been named as defendants by shareholders in the United States in a number of putative shareholder class action lawsuits filed on behalf of various alleged classes of purchasers of American Depositary Receipts or other ALSTOM securities between various dates beginning as of 17 November 1998. These lawsuits which are now consolidated into one proceeding before the Federal District Court of the Southern District of New York seek to allege violations of United States federal securities laws, on the basis of various allegations that there were 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, causing the putative classes to purchase ALSTOM securities at artificially inflated prices. The plaintiffs seek, among other things, class action certification, compensatory damages in an unspecified amount, and an award of costs and expenses, including counsel fees.

- 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 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 liabilities associated with divested assets and past activities. In most of the jurisdictions in which operations take place, industrial activities are subject to obtaining permits, licenses or/and authorisations, or to prior notification. Most facilities must comply with these permits, licenses or authorisations and are subject to regular administrative inspections.

Significant amounts are invested to ensure that activities are conducted in order to reduce the risks of impacting the environment and capital expenditures are regularly incurred in connection with environmental compliance requirements. Although involved in the remediation of contamination of certain properties and other sites, the Group believes that its facilities are in compliance with its operating permits and that operations are generally in compliance with environmental laws and regulations.

The outcome of environmental matters cannot be predicted with certainty and there can be no assurance that the amounts provided will be adequate. In addition, future developments, such as changes in law or environmental conditions, could result in increased environmental costs and liabilities that could have a material effect on the financial condition or results of operations. To date, no significant liability has been asserted against us, and compliance with environmental regulations has not had a material effect on the results of operations.

- Claims relating to disposals

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

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At 31 March 2005, the Group has outstanding warranties and has received claims in connection with the disposals of certain of its activities including its former T&D Sector (excluding Power Conversion), the Small and Medium Industrial Turbines and Industrial Steam Turbine businesses, the former Contracting Sector and part of the former Industrial Sector.

The Group has received a number of demands from the acquirer following the disposal of the T&D Sector, including with respect to investigation by a number of national authorities and the European Commission of alleged anti-competitive arrangements among suppliers in certain T&D activities and an administrative procedure in Mexico concerning the alleged payments by an agent that could result in an entity sold as part of the T&D Sector being prevented from bidding for government contracts for a two year 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 29 - Market related exposures

(a) Currency risk

In the course of its operations, the Group is exposed to currency risk arising from tenders for business remitted in foreign currency, and from awarded contracts or "firm commitments" under which revenues are denominated in foreign currency. The principal currencies to which we had significant exposure in fiscal year ended 31 March 2005 were the US dollar, British Pound and Swiss Franc.

Due to these exposures, numerous cash flows of the Group are denominated in foreign currencies. The Group acquires financial instruments with off balance sheet risk solely to hedge such exposure on either anticipated transactions or firm commitments. The instruments used are exchange rate guarantees obtained through export insurance companies, forward exchange contracts and options.

The Group may not, in specific circumstances, and as an exception to the policy described above, fully hedge certain identified exposures or anticipate the forthcoming risks on its operating transactions with management approval.

With respect to anticipated transactions:

During the tender period, depending on the probability of obtaining the project and market conditions, the Group generally hedges a portion of its tenders using options or export insurance contracts when possible. The guarantees granted by these contract become firm if and when the underlying tender is accepted.

Once the contract is signed, forward exchange contracts or currency swaps are used to adjust the hedging position to the actual exposure during the life of the contract (either as the only hedging instruments or as a complement to existing export insurance contracts).

(b) Interest rate risk

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The Group does not have a dynamic interest rate risk management policy. However, it may enter into transactions in order to hedge its interest rate risk on a case by case basis according to market opportunities, under the supervision of the Executive Committee.

| | At 31 March | | | |
|--|----------------|--------|-------------|---------|
| | 2005 | 1 year | 1 - 5 years | 5 years |
| | (in million) | | | |
| Financial assets at floating rate | 2,325 | 1,564 | 13 | 748 |
| Financial assets at fixed rate | 5 | 2 | 3 | - |
| Financial assets not bearing interests | 58 | 18 | 20 | 20 |
| Financial assets | 2,388 | 1,584 | 36 | 768 |
| Financial debt at floating rate | (1,532) | (410) | (1,107) | (15) |
| Financial debt at fixed rate | (1,375) | (83) | (1,275) | (17) |
| Financial debt | (2,907) | (493) | (2,382) | (32) |
| Net position at floating rate before hedging | 793 | 1,154 | (1,094) | 733 |
| Net position at fixed rate before hedging | (1,370) | (81) | (1,272) | (17) |
| Net position before hedging | (577) | 1,073 | (2,366) | 716 |
| Swap fixed to variable | - | - | - | - |
| Net position at floating rate after hedging | 793 | 1,154 | (1,094) | 733 |
| Net position at fixed rate after hedging | (1,370) | (81) | (1,272) | (17) |
| Net position after hedging | (577) | 1,073 | (2,366) | 716 |

The net short term loan position at floating rate after hedging amounts to 1,154 million. A 100 bps increase in the market rates would have decreased the net interest expense by 12 million, representing 5.7% of the net interest expense for the year ended 31 March 2005.

(c) Nominal and fair value of financial instruments outstanding at year-end

Nominal value of financial instruments

| | At 31 March 2005 | | | | |
|--|------------------|--------|-----------------------------|---------|------------------------------|
| | Total | 1 year | Remaining term 1-5 years | 5 years | Average fixed rat (*) |
| | (in million) | | | | |
| Interest rate instruments: | | | | | |
| Interest rate swaps - receive fixed (1) | 94 | - | 94 | - | 4% |
| Foreign exchange instruments: | | | | | |
| Currency swaps - currencies purchased (2) | 1,241 | 1,179 | 62 | - | |
| Currency swaps - currencies sold (2) | 2,459 | 2,247 | 212 | - | |
| Forward contracts - currencies purchased | 1,534 | 1,232 | 302 | - | |
| Forward contracts - currencies sold | 2,300 | 1,766 | 534 | - | |
| Insurance contracts - currencies purchased | 3 | 3 | - | - | |
| Insurance contracts - currencies sold | 193 | 34 | 159 | - | |
| Currency options - purchased | 130 | 130 | - | - | |
| Currency options - sold | 75 | 75 | - | - | |

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(*) Floating rates are generally based on EURIBOR/LIBOR.

(1) The interest rate swaps of 320 million that were hedging a portion of the 650 million bond issue were cancelled before maturity.

(2) The currency swaps whose final pay-off were related to the Group's share price reached maturity during the period.

| At 31 March 2004 | | | | | |
|--|-------|--------|--------------------------------|---------|-----------------------------|
| | Total | 1 year | Remaining term 1-5 years | 5 years | Average fixed rat (*) |
| (in million) | | | | | |
| Interest rate instruments: | | | | | |
| Interest rate swaps - receive fixed (1) | 374 | 21 | 353 | - | 5.1% |
| Foreign exchange instruments: | | | | | |
| Currency swaps - currencies purchased (2) | 2,728 | 2,705 | 23 | - | |
| Currency swaps - currencies sold (2) | 4,708 | 4,511 | 197 | - | |
| Forward contracts - currencies purchased | 922 | 691 | 231 | - | |
| Forward contracts - currencies sold | 2,477 | 2,028 | 449 | - | |
| Insurance contracts - currencies purchased | - | - | - | - | |
| Insurance contracts - currencies sold | 161 | 148 | 13 | - | |
| Currency options - purchased | 557 | 557 | - | - | |
| Currency options - sold | 522 | 522 | - | - | |

(*) Floating rates are generally based on EURIBOR/LIBOR.

(1) At 31 March 2004, the outstanding interest rate swaps mainly relate to 320 million receiving fixed rates hedging a portion of the 650 million bond issue.

(2) the currency swaps include four swaps, two swaps - currency purchased for a notional amount of 1,200 million and two swaps - currency sold for a notional amount of 1,200 million, whose final pay-off are also related to Group's share price. As a whole, these swaps do not create any currency position and their future potential losses are capped.

| At 31 March 2003 | | | | | |
|--|-------|--------|--------------------------------|---------|-----------------------------|
| | Total | 1 year | Remaining term 1-5 years | 5 years | Average fixed rat (*) |
| (in million) | | | | | |
| Interest rate instruments: | | | | | |
| Interest rate swaps - receive fixed (1) | 649 | 248 | 401 | - | 4.4% |
| Foreign exchange instruments: | | | | | |
| Currency swaps - currencies purchased (1) | 2,906 | 1,658 | 1,249 | - | |
| Currency swaps - currencies sold (1) | 6,898 | 4,867 | 2,031 | - | |
| Forward contracts - currencies purchased | 798 | 584 | 214 | - | |
| Forward contracts - currencies sold | 2,708 | 1,646 | 895 | 168 | |
| Insurance contracts - currencies purchased | 96 | 78 | 18 | - | |
| Insurance contracts - currencies sold | - | - | - | - | |
| Currency options - purchased | 591 | 568 | 23 | - | |

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Currency options - sold 564 544 20 -

(*) Floating rates are generally based on EURIBOR/LIBOR.

(1) At 31 March 2003, the main interest rate swaps outstanding are:

- 353 million receiving fixed rates, 320 million hedging a portion of the 650 million bond issue and 33 million hedging a bilateral loan.
- 33 million receiving fixed rates with an effective starting date at 20 January 2004.
- 200 million receiving fixed rates to optimise the short term liquidity management.

(2) the currency swaps include four swaps, two swaps - currency purchased for a notional amount of 1,200 million and two swaps - currency sold for a notional amount of 1,200 million, whose final pay-off are also related to Group's share price. As a whole, these swaps do not create any currency position and their future potential losses are capped.

Fair value of financial instruments

Publicly traded equity and marketable debt securities are disclosed at market prices. The fair values of all financial instruments other than specified items such as lease contracts, controlled businesses and Equity method investees, other investments and employers' pension and benefit obligations have been estimated using various valuation techniques, including the present value of future cash flows. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations, including the following:

- Fair values presented do not take into consideration the effects of future interest rate and currency fluctuations,
- Estimates as at 31 March 2005 are not necessarily indicative of the amounts that the Group would record upon further disposal/termination of the financial instrument.

The use of different estimations, methodologies and assumptions may have a material effect on the estimated fair value amounts. The methodologies used are as follows:

Long term loans, deposits and other fixed assets

The fair values of these financial instruments were determined by estimating future cash flows discounted using a risk free rate (Government bond yield) on an item-by-item basis or external valuations when available.

Cash and cash equivalents and short term investments

The carrying amounts reflected in the consolidated balance sheet approximate fair value due to the short-term maturity of these instruments.

Financial debt

The fair value of the financial debt is estimated based on either quoted market prices for traded instruments or current rates offered to the Group for debt of the same maturity.

Interest rate swaps, currency swaps, options, and forward exchange contracts

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The fair value of these instruments is the estimated amount that the Group would receive or pay to settle the related agreements, valued upon relevant yield curves and foreign exchange rates as of 31 March 2003, 2004 and 2005.

The fair value of forward exchange contracts was computed by applying the difference between the contract rate and the market forward rate at closing date to the nominal amount.

Export insurance contracts related to tenders are insurance contracts that are not marked to market. Export insurance contracts that hedge firm commitments are considered as acting as derivatives and were marked to market for the purpose of the disclosure.

The fair value of financial instruments outstanding is analysed as follows:

| | At 31 March 2003 | | At 31 March 2004 | | At 31 Ma |
|--|-------------------|---------------|-------------------|---------------|-------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value |
| | | | (in million) | | |
| Balance sheet | | | | | |
| Assets | | | | | |
| Long term loans, deposits and retentions | 814 | 701 | 798 | 782 | 829 |
| Other fixed assets | 83 | 83 | 62 | 62 | 82 |
| Short-term investments | 142 | 143 | 39 | 39 | 15 |
| Cash & cash equivalents | 1,628 | 1,628 | 1,427 | 1,427 | 1,462 |
| Liabilities | | | | | |
| Financial debt | 6,331 | 5,909 | 4,372 | 4,310 | 2,907 |
| Off balance sheet | | | | | |
| Interest rate instruments: | | | | | |
| Interest rate swaps - receive fixed | - | 39 | - | 18 | - |
| Foreign exchange instruments | | | | | |
| Currency swaps - currencies purchased | - | (178) | - | (127) | - |
| Currency swaps - currencies sold | - | 257 | - | 121 | - |
| Forward contracts - currencies purchased | - | (30) | - | (58) | - |
| Forward contracts - currencies sold | - | 87 | - | 94 | - |
| Insurance contracts - currencies purchased | - | (6) | - | - | - |
| Insurance contracts - currencies sold | - | - | - | (5) | - |
| Currency option contracts - purchased | - | 37 | - | 19 | - |
| Currency option contracts - sold | - | (7) | - | (4) | - |
| ----- | | | | | |

The increase in fair value of forward contracts and currency swaps (currency sold) and the decrease in fair value of forward contracts and currency swaps (currency purchased) during the fiscal years ended 31 March 2003, 2004 and 2005 is mainly due to the appreciation of the Euro against the US Dollar.

(d) Credit risk

The Group hedges up to 90% of the credit risk on certain contracts using export credit insurance contracts. The Group believes the risk of counterparty failure to perform as contracted, which could have a significant impact on the Group's financial statements or results of operations, is limited due to the Group seeking to ensure that customers generally have strong credit profiles or adequate financing to meet their project obligations.

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(e) Liquidity risk

The analysis by maturity and interest rate of the Group's debt is set out in Note 23(b). Details of short-term liquidity are set out below.

The Group available liquidity within one year at 31 March 2004 and 31 March 2005 is as follows:

| | At 31 March 2004 | At 31 March 2005 |
|---|---------------------|---------------------|
| | ----- | ----- |
| | (in million) | |
| Available credit lines (see Note 23(a)) | 783 | 1,202 |
| Cash equivalents available at parent Company level (1) | 532 | 796 |
| Cash equivalents and Short term investments at subsidiary level (1) | 934 | 681 |
| | ----- | ----- |
| Available liquidity | 2,249 | 2,679 |
| Financial debt to be reimbursed within one year (see Note 23) (b) | (278) | (444) |
| Available credit line to be reimbursed within one year | (420) | (27) |
| | ----- | ----- |
| Available liquidity for the coming year | 1,551 | 2,208 |
| | ===== | ===== |

(1) See Notes 18 & 19

(2) The reimbursement of securitisation of future receivables is excluded as it come from the direct payment of the customer to the investor to whom the Group sold the right to receive the payment.

The Group's lines of credit as well as certain of its other financing agreements contain covenants requiring it to maintain compliance with financial covenants as disclosed in Note 23(a) .

Note 30 - Payroll, staff, employee profit sharing

| | Year ended 31 March | | |
|---|---------------------|--------|--------|
| (in million except number of employees) | 2003 | 2004 | 2005 |
| | ----- | ----- | ----- |
| Total wages and salaries | 3,919 | 3,274 | 2,715 |
| Of which executive officers (*) | 5 | 5 | 6 |
| Social security payments and other benefits | 1,032 | 866 | 744 |
| Employee profit sharing | 18 | 16 | 8 |
| Staff of consolidated companies at year-end | | | |
| Managers, Engineers and professionals | 35,983 | 23,885 | 23,691 |
| Other employee | 73,688 | 52,926 | 45,903 |
| | ----- | ----- | ----- |
| Approximate number of employees | 109,671 | 76,811 | 69,594 |
| | ===== | ===== | ===== |

(*) executive officers at closing.

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Note 31 - stock options

Following the approval of the annual shareholders' meeting held on 9 July 2004, the Board of Directors decided on 17 September 2004 the implementation of a share capital increase reserved for the employees participating in the Group's saving plan and a new stock option plan (plan n°7).

The characteristics of the plan n°7 are the following:

| | Plan no. 7 |
|---|---|
| Date of shareholders' meeting | 9 July 2004 |
| Creation date | 17 September 2004 |
| Exercise price (1) | 0.43 |
| Beginning of exercise period | 17 September 2007 |
| Expiry date | 16 September 2014 |
| Number of beneficiaries | 1,007 |
| Number of options initially granted | 111,320,000 |
| Number of options exercised since the origin | 0 |
| Number of options cancelled | 1,200,000 |
| Number of remaining options at 31 march 2005 | 110,120,000 |
| Number of shares that may be subscribed by the members of the executive committee | 24,400,000 |
| Terms and conditions of exercise | <p>- 50% of options granted to each beneficiary are subject to exercise conditions relating to the group's free cash flow and operating margin for fiscal year 2006. The conditional options may only be exercised entirely if at the closing of fiscal year 2006, the free cash flow of the Group is positive and the operating margin of the group is superior or equal to 6%. Below these thresholds the options shall be partially exercisable. They will be forfeited if the free cash flow is negative at more than (500) million or if the operating margin is inferior to 5%.</p> |

In addition, the characteristics of the previous stock option plan outstanding

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at 31 March 2005 have been adjusted following the completion on 13 August 2004 of the share capital increase with preferential subscription rights and are as follows:

| | Plan no. 3 ----- | Plan no. 5 ----- | Plan no. 6 ----- |
|---|---|---|---|
| Date of shareholders' meeting | 24 July 2001 | 24 July 2001 | 24 July 2001 |
| Creation date | 24 July 2001 | 8 January 2002 | 7 January 2002 |
| Exercise price (1) | 33.00 | 13.09 | 6.00 |
| Adjusted exercise price (2) | 20.48 | 8.13 | 3.86 |
| Beginning of exercise period | 24 July 2002 | 8 January 2003 | 7 January 2004 |
| Expiration date | 23 July 2009 | 7 January 2010 | 6 January 2011 |
| Number of beneficiaries | 1,703 | 1,653 | 5 |
| Number of options originally granted | 4,200,000 | 4,200,000 | 1,220,000 |
| Number of options exercised | 0 | 0 | 0 |
| Number of options cancelled since the origin | 1,225,251 | 1,093,784 | 0 |
| Adjusted number of remaining options at 31 March 2005 (2) | 4,793,296 | 5,001,275 | 1,899,378 |
| Number of shares that may be subscribed by the members of the executive committee | 124,077 | 169,068 | 1,868,239 |
| Terms and conditions of exercise | - 1/3 of options exercisable as from 24 July 2002 | - 1/3 of options exercisable as from 8 January 2003 | - 1/3 of options exercisable as from 7 January 2004 |
| | - 2/3 of options exercisable as from 24 July 2003 | - 2/3 of options exercisable as from 8 January 2004 | - 2/3 of options exercisable as from 7 January 2005 |
| | - all options exercisable as from 24 July 2004. | - all options exercisable as from 8 January 2005. | - all options exercisable as from 7 January 2006. |

(1) Subscription price corresponding to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the board (no discount or surcharge) or the nominal value of the share when the average share price is lower.

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(2) Plans n°3, 5 and 6 have been adjusted in compliance with French law as a result of the completion of the operations which impacted the share capital in 2002, 2003 and August 2004.

The following is a summary of activity of the plans:

| | Shares | Weighted average exercise price per share |
|--------------------------------------|-------------|---|
| | ----- | ----- |
| Outstanding at 1 April 2002 adjusted | 14,726,354 | 24.81 |
| Granted | 1,220,000 | 6.00 |
| Exercised | - | - |
| Cancelled | (4,833,091) | 28.62 |
| Outstanding at 31 March 2003 | 11,113,263 | 21.09 |
| Outstanding at 1 April 2003 adjusted | 13,775,923 | 17.01 |
| Granted | - | - |
| Exercised | - | - |
| Cancelled (1) | (3,267,286) | 20.25 |
| Outstanding at 31 March 2004 | 10,508,637 | 16.00 |
| Outstanding at 1 April 2004 adjusted | 12,855,532 | 12.65 |
| Granted | 111,320,000 | 0.43 |
| Exercised | - | - |
| Cancelled | (2,361,563) | 7.17 |
| Outstanding at 31 March 2005 | 121,813,949 | 1.59 |

(1) including Plan n°1 which became void in April 2004.

Note 32 - Subsequent events

- On 6 April 2005, the Group signed a selling agreement with Areva for the acquisition of its T&D business of Alstom Ltd (India).

- On 23 May 2005, the Group signed a binding agreement to dispose of our Flow Systems Business headquartered in Fredericia (Denmark). This business manufactures district heating equipment mainly for the Northern Europe market and other Continental Europe markets. It was integrated in the Power Service Sector. This disposal will be included in the Group's commitment towards the European Commission.

- The Group launched the disposal of its Power Conversion Business.

Note 33 - Major companies included in the scope of consolidation

The major companies are selected according to the following criteria:

- holding companies
- sales above 50 million

| Companies | Country | Ownership % | Consolidation Method |
|----------------------------|----------------|-------------|-------------------------|
| ----- | ----- | ----- | ----- |
| ALSTOM..... | France | | Parent company |
| ALSTOM Holdings..... | France | 100.0 | Full consolidation |
| ALSTOM GmbH (holding)..... | Germany | 100.0 | Full consolidation |
| ALSTOM UK Holding Ltd..... | United Kingdom | 100.0 | Full consolidation |

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| | | | |
|-------------------------------------|----------------|-------|--------------------|
| ALSTOM Inc (holding)..... | United-States | 100.0 | Full consolidation |
| ALSTOM NV (holding)..... | Netherlands | 100.0 | Full consolidation |
| ALSTOM Mexico SA de CV (holding)... | Mexico | 100.0 | Full consolidation |
| ALSTOM Espana IB (holding)..... | Spain | 100.0 | Full consolidation |
| ALSTOM (Switzerland) Ltd..... | Switzerland | 100.0 | Full consolidation |
| ALSTOM Australia Ltd..... | Australia | 100.0 | Full consolidation |
| ALSTOM Belgium SA | Belgium | 100.0 | Full consolidation |
| | | | |
| ALSTOM Brasil Ltda..... | Brazil | 100.0 | Full consolidation |
| ALSTOM Canada Inc..... | Canada | 100.0 | Full consolidation |
| ALSTOM Controls Ltd..... | United Kingdom | 100.0 | Full consolidation |
| ALSTOM Ferroviaria Spa..... | Italy | 100.0 | Full consolidation |
| ALSTOM K.K..... | Japan | 100.0 | Full consolidation |
| ALSTOM Leroux Naval..... | France | 100.0 | Full consolidation |
| ALSTOM LHB GmbH..... | Germany | 100.0 | Full consolidation |
| ALSTOM Ltd | United Kingdom | 100.0 | Full consolidation |
| ALSTOM Ltd | India | 100.0 | Full consolidation |
| ALSTOM NL Service Provision Ltd.... | United Kingdom | 100.0 | Full consolidation |
| ALSTOM Power Asia Pacific Sdn Bhd.. | Malaysia | 100.0 | Full consolidation |
| ALSTOM Power Boiler..... | France | 100.0 | Full consolidation |
| ALSTOM Power Boiler GmbH..... | Germany | 100.0 | Full consolidation |
| ALSTOM Power Centrales..... | France | 100.0 | Full consolidation |
| ALSTOM Power Conversion GmbH..... | Germany | 100.0 | Full consolidation |
| ALSTOM Power Conversion Inc..... | United-States | 100.0 | Full consolidation |
| ALSTOM Power Conversion SA France.. | France | 100.0 | Full consolidation |
| ALSTOM Power Energy Recovery GmbH.. | Germany | 100.0 | Full consolidation |
| ALSTOM Power Flowsystems A/S..... | Denmark | 100.0 | Full consolidation |
| ALSTOM Power Generation AG..... | Germany | 100.0 | Full consolidation |
| ALSTOM Power Hydraulique..... | France | 100.0 | Full consolidation |
| ALSTOM Power Hydro..... | France | 100.0 | Full consolidation |
| ALSTOM Power Inc..... | United States | 100.0 | Full consolidation |
| ALSTOM Power Italia Spa..... | Italy | 100.0 | Full consolidation |
| ALSTOM Power ltd..... | Australia | 100.0 | Full consolidation |
| ALSTOM Power Norway AS..... | Norway | 100.0 | Full consolidation |
| ALSTOM Power O&M Ltd..... | Switzerland | 100.0 | Full consolidation |
| ALSTOM Power SA..... | Spain | 100.0 | Full consolidation |
| ALSTOM Power Service..... | France | 100.0 | Full consolidation |
| ALSTOM Power Service Ltd..... | United Arab | | |
| | Emirate | 100.0 | Full consolidation |
| ALSTOM Power Service GmbH..... | Germany | 100.0 | Full consolidation |
| ALSTOM Power Sp Zoo..... | Poland | 100.0 | Full consolidation |
| ALSTOM Power Sweden AB..... | Sweden | 100.0 | Full consolidation |
| ALSTOM Projects India Ltd..... | India | 68.5 | Full consolidation |
| ALSTOM Transport SA..... | France | 100.0 | Full consolidation |
| ALSTOM Transportation Inc..... | United States | 100.0 | Full consolidation |
| ALSTOM Transport BV..... | Netherlands | 100.0 | Full consolidation |
| ALSTOM Transporte | Spain | 100.0 | Full consolidation |
| Chantiers de l'Atlantique..... | France | 100.0 | Full consolidation |
| West Coast Traincare..... | United Kingdom | 100.0 | Full consolidation |

Companies included in the list of major companies at 31 March 2004 for which sales are below 50 million at 31 March 2005.

| | |
|----------------------------------|----------------|
| ALSTOM Power Turbomachines..... | France |
| Eurokrail..... | South Korea |
| ALSTOM Power sro..... | Czech republic |
| ALSTOM Schienenfahrzeuge AG..... | Switzerland |
| Alstom Signalling Inc..... | United States |
| Alstom Transporte SA de CV..... | Mexico |

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| | |
|-------------------------------------|---------------|
| Alstom Power Mexico SA de CV..... | Mexico |
| Alstom Power Austria Gmbh..... | Austria |
| Alstom Export SDN Bhd..... | Malaysia |
| Alstom T&D Inc..... | United States |
| Alstom New Zealand Holding Ltd..... | New Zealand |

Companies included in the list of major companies at 31 March 2005 for which sales were below 50 million at 31 March 2004.

| | |
|-------------------------------------|----------------|
| Alstom Leroux Naval..... | France |
| Alstom NL Service Provision Ltd.... | United Kingdom |
| Alstom Power Boiler..... | France |
| Alstom Power Flowsystems A/S..... | Denmark |

A list of all consolidated companies is available upon request at the head office of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS ON CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2005

FISCAL YEAR 2004/05

The following discussion should be read together with the 31 March 2005 Consolidated Financial Statements. During the periods discussed in this section, we undertook several significant transactions that affected the comparability of our financial results with previous periods. In order to allow you to compare the relevant periods, we present certain information both as it appears in our financial statements and adjusted for business composition and exchange rate variations to improve comparability. These adjustments are described below, under "--Change in business composition and presentation of our accounts, non-GAAP measures--Comparable basis" below.

OVERVIEW

INTRODUCTION

We serve the energy market through our activities in the field of power generation and the transport market through our activities in the rail transport and ship-building. We design, supply and service a complete range of technologically advanced products and systems for our customers, and possess a unique expertise in systems integration and through-life maintenance and service.

We believe the power and transport markets we operate in are sound, offering:

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- solid long-term growth prospects based on customers' need to expand essential infrastructure systems in developing economies and to replace or modernise them in the developed world ; and
- attractive opportunities in service and systems.

We believe we can capitalise on our long-standing expertise in these two markets to achieve competitive differentiation. We are strategically well-positioned for the following reasons:

- we are one of the top players in all major market segments ;
- we benefit from one of the largest installed bases of equipment in power generation and rolling stock, which should enable us to develop our service business ;
- we are a recognised technology leader in most of our fields of activity, providing best-in-class technology ; and
- we have global reach, with a presence in around 70 countries worldwide.