Press Release

14 May 2007

With a large increase in commercial and financial performance in fiscal year 2006/07,

Alstom reaps the rewards of its profitable growth strategy

During fiscal year 2006/07, Alstom registered an outstanding order intake (+34%), reflecting the strong positions of the Group on its markets, a sharp rise in sales (+14%) and a strong progression in financial performance. The operating income reached €957 million, up 40% from 2005/06, generating a margin of 6.7% as compared to 5.5% last year. Alstom recorded a net result of €448 million and a strong free cash flow making the company debt free in March 2007. Alstom will propose to its next Annual General Meeting to pay a dividend of 0.8€ per share.

Key figures

(in € million)	**March 07**	**March 06**	% Variation March 07 / March 06
*Comparable figures**			
Orders received	19,029	14,173	+34%
Sales	14,208	12,432	+14%
Income from Operations	957	686	+40%
Operating margin	6.7 %	5.5 %	
Actual figures			
Net profit/(loss) Group share	448	178	+152%
Free cash flow	745**	525	+42%

* same scope and exchange rates

** after discretionary contribution to pension funds (€300 million)

"The performance registered during fiscal year 2006/07 is excellent with a record level of orders, a strong growth of sales, a marked improvement of results and a high free cash flow resulting in a debt free company. Its solid backlog gives good visibility for future growth that the acceleration of research and development programmes and capital expenditures made in 2006/07 in both Power and Transport will support. Over the coming period, Alstom will continue to combine growth, both organically and through targeted acquisitions, and performance improvement. In fiscal year 2007/08, the Group should experience a double-digit growth of its sales on a comparable basis while the operating margin target of 7% should be exceeded. Margin should further increase and, for fiscal year 2009/10, it should be over 8%", said Patrick Kron, Alstom's Chairman & Chief Executive Officer.

Buoyant commercial activity

During fiscal year 2006/07, the Group booked €19 billion of new orders, a 34% increase from previous fiscal year on a comparable basis, bringing its backlog to €32 billion (+22%), which represents 27 months of sales.

The strong growth in order intake came from all Sectors: Power Systems (+65%), Power Service (+22%) and Transport (+8%).
The Group fully benefited from its good positioning on a sound power market. Power Systems booked twenty gas turbines of which thirteen GT26 as well as three major coal power plants and received a key order for the conventional island of the new EPR nuclear power plant in France. Power Service signed several major contracts for Operation and Maintenance as well as for various upgrades of plants, gas turbines, steam turbines and boilers, notably in Europe and in the US.
Transport achieved a high level of order intake in a competitive environment, booking significant orders for regional trains in Europe, metros and tramways in numerous cities, locomotives in China, rail infrastructure in Turkey as well as several maintenance contracts (UK and Argentina).

Sales in fiscal year 2006/07 amounted to €14.2 billion compared to €12.4 billion for fiscal year 2005/06 on a comparable basis, representing a 14% increase, as a result of the growing order intake during the last periods. All Sectors contributed to this growth: Power Systems (+20%), Power Service (+18%) and Transport (+7%).

Recruitment has been particularly important to support this strong order intake. Over the financial year, 8,700 employees have been recruited, including 4,100 engineers and managers. Training efforts were also a crucial part of Alstom's active human resources management. Similarly research and development expenses rose substantially (up 26%) as well as capital expenditures (up 35%) to support the future growth.

Sharp rise in results

Income from operations in fiscal year 2006/07 amounted to €957 million, up 40% from €686 million in fiscal year 2005/06 on a comparable basis; operating margin improved from 5.5% to 6.7%. The operating margin of Power Systems grew from 1.8% to 3.5%, driven by higher volume, cost reduction and improved project execution. As anticipated, Power Service maintained a high operating margin at 15.9% with a strong top line growth. Transport's operating margin increased from 6.3% to 6.6%, as a result of better project management and cost reductions related to standardisation and improved industrial processes.

Net profit amounted to €448 million compared with €178 million in fiscal year 2005/06, up 152%. This increase resulted mainly from improved operational performance and lower financial expenses.

High free cash flow

Free cash flow amounted to €745 million for fiscal year 2006/07 after a discretionary contribution of €300 million to pension plans in Germany. Before this non-recurring event, the Group generated a free cash flow of €1,045 million, compared to €525 million in fiscal year 2005/06. A better profitability, a significant improvement of the working capital, partly related to the high level of order intake, as well as a decrease in restructuring cash outflow and financial expenses explained this strong cash flow generation.

The Group initiated acquisitions, notably in the Power Service Sector both in the USA and in China, for which it spent €232 million. Despite this investment, the Group has reduced its net debt to €64 million at 31 March 2007 compared with €1,248 million at 31 March 2006. This improvement came primarily from the high free cash flow and the €700 million cash collateral of the former bonding programme released earlier than expected.

As equity increased from €1,840 million at 31 March 2006 to €2,271 million at 31 March 2007 as a result of the strong net income, gearing was down from 68% to 3%.

Restart of a dividend policy

The Board of Directors decided to propose a 0.8€ per share dividend at the next Annual General Meeting to be held on 26 June 2007.

Fruitful cooperation with Bouygues

During fiscal year 2006/07, Bouygues became a long-term shareholder and holds 25.35% of the capital as at 1 May 2007. Bouygues and Alstom are progressively stepping up cooperation, at both commercial and operational levels. The 50-50 joint venture set in the hydro business is operational since November 2006.

Outlook

For the future, the Group aims at capitalizing on its favourable positioning in both power and rail transport markets to further focus on growth and performance improvement. Priority for the Group is to consolidate its commercial activity, to keep strengthening its project execution while executing a loaded backlog and to adapt its industrial organisation to new challenges. The Group will continue to support its future growth through adequate spending in research and development and capital expenditures that will maintain technology leadership and build new capacities. Selected partnerships and acquisitions should also boost this growth.

In this context, for fiscal year 2007/08, sales should experience a double digit increase (on a comparable basis) while the operating margin target of 7% should be exceeded. For fiscal year 2009/10, the operating margin should range between 9% and 10% for the combined Power Sectors and between 7% and 8% for the Transport Sector, leading to an operating margin for the Group over 8%.

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The Group activity and the consolidated financial statements can be found on Alstom's website at www.alstom.com.

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