ALSTOM

Press information

17 May 2006

After meeting its targets at the end of March 2006,

ALSTOM SUCCESSFULLY CONFIRMS ITS TURN-AROUND AND MOVES FORWARD TO GROWTH

During fiscal year 2005/06, ALSTOM met its stated targets: an operating margin of 5.6%, a positive free cash flow of €525 million and a net profit of €178 million. The achievement of these targets confirms the Group's turn-around. With the forthcoming sale of the Marine Sector, the Group is refocusing on its core businesses: power generation (Power) and rail transport (Transport). The acquisition of a stake of 21% in its equity by Bouygues as reference shareholder, combined with a broad commercial and operational agreement, will consolidate ALSTOM's capacity to fully take advantage for the long term of its extensive range of technology, its strong international base and growth in its markets.

Sustained activity and progress on operational performance

Order intake increased, on a comparable basis[1], by 8% to €15.3 billion, taking the total order backlog to €27 billion (+9%), in markets globally expanding with contrasted situations depending upon geographical areas. A sharp rise in orders was registered during the fiscal year in the Power Sectors whereas in Transport the level of orders remained generally stable at a high level.

This strong activity over fiscal year 2005/06 led to sales of €13.4 billion, up by 8% on a comparable basis. The growth in sales was particularly strong in Power Turbo-Systems / Power Environment (+17%), following the recovery in order intake over the last two years.

This improved performance is illustrated by an income from operations up by 73%, on a comparable basis, at €746 million against €430 million in 2004/05, increasing the Group's operating margin to 5.6% against 3.5% in 2004/05. All the Sectors contributed to this progress: Power Turbo-Systems / Power Environment achieved an operating margin of 2%, after a negative margin of -2.3% in 2004/05; Power Service, confirming its high level of profitability, exceeded its target with a margin of 15.5% and Transport raised its own margin to 6.3% compared to 4% in 2004/05. These improvements are due to a strict selectivity in order intake, to higher volumes and to cost reductions and improved project execution.

[1] Same scope and exchange rates

A return to profitability and reinforced balance sheet structure

ALSTOM's profitability has made strong progress, showing a positive net income of €178 million for the fiscal year 2005/06 after a net loss of €628 million in 2004/05.

Free cash flow also improved very significantly at €525 million in 2005/06, compared to €77 million in 2004/05, due to the combined effects of better operating performance, continued reduction in working capital requirements in all Sectors and reduced cash outflow linked to past problems on GT24/GT26 gas turbines (€115 million compared to €366 million in 2004/05).

The structure of the balance sheet is getting stronger. Net debt has been reduced to €1.25 billion on 31 March 2006 from €1.65 billion on 1 April 2005, due to the proceeds from disposals and the positive free cash flow. The positive net income increased equity to €1.84 billion on 31 March 2006 compared to €1.58 billion on 1 April 2005. As a consequence, gearing (ratio of net debt to equity) fell from 104% to 68% on 31 March 2006.

A new dynamic based on profitable growth

During the fiscal year 2005/06, ALSTOM has completed the action plan it started three years ago. Commercial activity has returned to a normal level; the problems with GT24/GT26 gas turbines have now been resolved and new machines sold; restructuring programmes are close to completion; contract execution has been very substantially improved with the implementation of better organisation, more effective management methods and stricter controls. The financial structure has been strengthened notably by the implementation of a bonding programme that should cover the needs of the Group until July 2008.

The sale of Chantiers de l'Atlantique to Aker Yards should be completed by the end of May 2006. The other disposals, agreed with the European Commission and which represent sales of €1.5 billion, have either been completed or are in the final stage of completion. An agreement in principle has been reached between Bouygues and ALSTOM for the creation of a joint venture in the hydro power business which will become effective following approval by the European Commission and consultation with the works councils concerned. Industrial partnerships have been put in place in key countries (China, India, Russia) to strengthen the Group's positions and speed its development.

ALSTOM announced on 27 April 2006 a frame agreement with Bouygues for operational and commercial cooperation that should reinforce the commercial offering and the operating performance of both partners. In addition to this frame agreement, the acquisition by Bouygues of the 21% stake in ALSTOM currently held by the French State, which is conditional upon approval from the European Commission and the completion of the sale of the Marine Sector, will give the Company the long-term reference shareholder it needs for future stability.

Patrick Kron, Chairman and CEO of ALSTOM, emphasised that "*the Group is now well placed to take full advantage of its broad technology offering and its strong positions in infrastructure markets with a strong growth potential. ALSTOM is now entering a new phase driven by profitable growth, which the cooperation with Bouygues will further enhance. In this context, ALSTOM's operating margin should reach 7% for fiscal year 2007/08, this being at the top end of the target range previously announced, with 8% for the combination of the two Sectors Power Turbo-Systems / Power Environment and Power Service and 7% for the Transport Sector. The on-going cash generation should allow the Company to further reduce debt, reward shareholders and initiate a programme of external growth by selected acquisitions".*

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Key Figures[2]

The Board of Directors, which met on 16 May 2006, approved the consolidated financial statements for fiscal year 2005/06.

Total Group **Actual figures** **(in € million)**	**Mar. 05**	**Mar. 06**	% Variation Mar. 05/ Mar. 06
Order backlog	25,937	26,944	4%
Orders received	14,737	15,290	4%
Sales	12,920	13,413	4%
Income from Operations	471	746	58%
Operating margin	3.6%	5.6%	
Net profit/(loss) Group share	(628)	178	N/A
Free Cash Flow	77	525	582%

Total Group **Comparable figures** **(in € million)**	**Mar. 05**	**Mar. 06**	% Variation Mar. 05/ Mar. 06
Order backlog	24,783	26,944	9%
Orders received	14,114	15,290	8%
Sales	12,429	13,413	8%
Income from Operations	430	746	73%
Operating margin	3.5%	5.6%	

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

[2] The Marine Sector is treated as a discontinued operation.