Press Release

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In a still challenging commercial environment in the first half of 2010/11,

Alstom performed in line with guidance and adapts its Power Thermal activity to market evolutions

Between 1st April 2010 and 30th September 2010, Alstom registered a low level of order intake, as demand continued to be affected by some weak end-markets in Power. Over this first half year 2010/11, sales amounted to €10.4 billion including Grid, and income from operations reached €763 million, corresponding to a margin of 7.3%. The net result stood at €401 million, whilst the free cash flow was negative at €(963) million, due to the low volume of orders and the lack of large turnkey contracts.

Key figures

(in € million)	30 September 2009	30 September 2010 (excl. Grid)	30 September 2010 (incl. Grid[1])	% Var. Sept 10 / Sept 09 (excl. Grid)	% Var. Sept 10 / Sept 09 (incl. Grid)
Actual figures					
Orders received	7,134	5,638	7,038	-21%	-1%
Backlog	43,787	40,024	45,287	-9%	+3%
Sales	9,683	8,905	10,432	-8%	+8%
Income from operations	828	675	763	-18%	-8%
Operating margin	8.6%	7.6%	7.3%	-	-
Net income	562	-	401[2]	-	-29%
Free cash flow	77	-	(963)	-	-

"During the first half of 2010/11, demand remained weak for new thermal power equipments in mature markets, leading to a low level of order intake. To address this situation, a restructuring plan was launched in the concerned European and North-American businesses. The rest of the portfolio has been doing better with a number of opportunities being worked upon, notably in the emerging countries. While cash generation was strongly impacted by the level and nature of orders, the operational performance was overall in line with expectations, as illustrated by the evolution of sales and margin. This performance combined with the expected impact of the adjustment plan on costs allow us to confirm that over the current and next fiscal years, the Group's operating margin should stay within a 7 to 8% bracket", said Patrick Kron, Alstom's Chairman & Chief Executive Officer.

[1] Consolidated for four months (from June to September 2010)

[2] After a negative impact of €75 million from Grid purchase price allocation and acquisition costs

Contrasted markets

During the first six months of 2010/11, the market conditions remained overall challenging with contrasted situations across geographies and technologies. GDP growth in emerging countries was quick to rebound, leading to increasing needs for new infrastructure. On the other hand, the sluggish recovery experienced in Europe and in the USA kept on hold a number of projects, which particularly affected thermal activity in Power. Renewables and services overall confirmed their resilience. Demand for rail transportation remained sustained, whilst the transmission market started to recover after the 2009 crisis.

Weak order level

Orders booked over the first half amounted to €5.6 billion, a 21% decrease (excluding Grid which registered €1.4 billion of new contracts over 4 months) from the same period last year, which included two large projects, one for a turnkey power plant in the UK and the other one for suburban trains in Paris. On 30th September 2010, the total backlog amounted to €45.3 billion, representing 23 months of sales.

In Power, Thermal Systems & Products recorded no large projects during the first semester, leading to a new decline of their orders in comparison to last year. Thermal Services registered a flow of small and medium-sized orders for regular service and retrofit, as well as the extension of long-term operation and maintenance contracts for two power plants in Spain. In Renewables, the main orders booked during the period were for wind projects in Brazil and in the UK, as well as for hydro contracts in Asia and in the Americas.

In Transport, the main contracts registered during the first half of the fiscal year included locomotives in Russia, metros in India, various tramway projects in France as well as contracts for suburban trains and maintenance in Sweden.

Grid booked, among others, two main orders for gas-insulated substations in the United Arab Emirates and Libya.

Operational performance in line with guidance

Sales in the first half of 2010/11 amounted to €8.9 billion, compared to €9.7 billion for the first half of 2009/10, representing an 8% decrease when excluding Grid's four months (amounting to €1.5 billion). As anticipated, sales declined in Power (-13%) following the drop of orders over the past 18 months, whilst turnover in Transport continued to ramp-up (+5%).

Income from operations amounted to €763 million for the first half of 2010/11 , representing a margin of 7.3%, in line with the full year forecast. Excluding Grid, income from operations was down 18% as compared to the first half of 2009/10 and operating margin moved from 8.6% to 7.6% mainly due to the lower volume of sales and manufacturing activities. Power's operating margin dropped from 9.8% to 8.5%, whilst in Transport the operating margin increased from 7.0% to 7.3%. Grid's operating margin stood at 5.8%.

Net profit, which included a specific negative impact of €75 million linked to Grid's acquisition, amounted to €401 million compared with €562 million in the first half of 2009/10. This decrease resulted from lower income from operations as well as higher financial and restructuring charges.

Strong balance sheet despite current pressure on cash flow

Free cash flow became negative at €(963) million during the first half of 2010/11, due to the strong deterioration of the working capital linked to the low book-to-bill ratio, the lack of down payments associated to turnkey orders as well as the unfavourable cash profile of contracts at the end of execution.

At 30 September 2010, Alstom turned into a net debt position of €1,473 million as compared to net cash of €2,222 million at 31 March 2010, due to the financing of Grid for €2,351 million, the negative free cash flow over the period and the payment of the dividend for 2009/10. Since 31st March 2010, the Group consolidated its liquidity with the extension of two existing bonds by a total amount of €500 million and the issuance post-closing of two new ones for €1 billion. At 30 September 2010, gross cash amounted to €1,685 million whilst a credit line of €1 billion maturing in 2012 remained undrawn.

Equity remained almost flat over the period, standing at €3,989 million at 30 September 2010 from €4,101 million at 31 March 2010, with the pensions variation and dividend partially offset by the net income.

Adaptation to the load and preparation for the rebound

To adapt to the current low demand for coal and gas plants in Europe and USA, Alstom announced a plan to reduce by 4,000 positions (i.e. around 20%) the headcount of the Thermal Systems & Products businesses in these regions. Over the first six months of the fiscal year, the Group's workforce (excluding Grid) was adjusted by 1,800 either by natural attrition or non-renewal of some fixed term contracts. Including Grid, Alstom employed 94,500 people at 30 September 2010.

To be more flexible and to benefit from the most favourable markets, Power reorganised its activities by fuel. Since the beginning of the fiscal year, the Sector also strengthened its portfolio in renewables and services, with the acquisition of Amstar, the investment in Brightsource Energy and the cooperation agreement with Rushydro.
The two other Sectors remained active in preparing the future: Transport established or consolidated strategic partnerships to access the large CIS market and strengthened its presence in China, whilst Grid signed a cooperation agreement with FSK in Russia.

Research and development expenses in Power and Transport remained at a high level. Including Grid, they amounted to €329 million and aim at reinforcing the three Sectors' competitive edge.

Capital expenditures, at €196 million with Grid accounting for €47 million, were maintained while selectivity was strictly applied on any new project. Major investments in Power for wind in the Americas and steam in India have been launched.

Outlook

Even though the level of commercial and industrial activities will be impacted by the slower than expected recovery of demand in some areas and businesses in Power, given its sound backlog, Alstom confirms its Group's operating margin guidance at 7 to 8% for fiscal years 2010/11 and 2011/12.

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The half-year financial report can be found on Alstom's website at www.alstom.com.

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