

Edgar Filing: ALSTOM - Form 6-K

ALSTOM  
Form 6-K  
May 28, 2004

FORM 6-K  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of May 2004

Commission File Number: 1-14836

ALSTOM

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(Translation of registrant's name into English)

25, avenue Kléber, 75116 Paris, France

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(Address of principal executive offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F

Form 20-F	<input checked="" type="checkbox"/>	Form 40-F	<input type="checkbox"/>
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Indicate by check mark whether the Registrant, by furnishing the information contained in this Form, is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b)

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This Report on Form 6-K includes materials that make reference and relate in part to certain proposed issuances of securities by ALSTOM. The securities mentioned in these materials have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or exemption from registration under the Securities Act.

These materials are not an offer to sell securities or the solicitation of an offer to buy securities, nor shall there be any offer or sale of securities in any jurisdiction in which such offer or sale would be unlawful.

25 May 2004

### ALSTOM SIGNS LONG-TERM SERVICE AGREEMENT FOR MUARA TAWAR POWER STATION IN INDONESIA

ALSTOM has signed a long-term service agreement (LTSA) for six years, worth about 110 million euros, with PT Pembangkitan Jawa Bali (PJB).

The agreement includes the supply of new and reconditioned turbine hot gas path components for the Muara Tawar power station. The LTSA, which covers major inspections of the gas turbines also includes the cooperation in outage planning and technology issues and will help PJB ensure the efficient and economic operation and maintenance of the existing plant.

The Muara Tawar power station, which is located about 20 km from downtown Jakarta, consists of one combined cycle KA13E2-3 (block 1) and two further GT13E2 gas turbines in single cycle operation forming block 2. It has a total electricity output of 950 MW.

PJB is one of the Electricity Generation Company in Java and Bali, which is the subsidiary from PT PLN, Indonesian State owned company for Electricity Generation and Distribution.

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PRESS INFORMATION

26 May 2004

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### BOARD CHANGES AT ALSTOM - PROPOSED APPOINTMENT OF PASCAL COLOMBANI

The Board of ALSTOM has proposed the appointment of Pascal Colombani as a Director of the Board. A resolution relative to his appointment will be submitted for shareholders' approval at the Shareholders' Meeting to be held on second call on 9 July 2004.

Mr. Colombani is currently Associate Director of A.T. Kearney, Paris, the management consulting firm, and a non-executive director of British Energy. He is also a member of the French Academy of Technology.

M. Colombani was a member of several Boards of Directors in recent years, including France Telecom (1998-2000), Electricité de France (2000-2003) and Areva (2001-2003), where he was Chairman of the Supervisory Board.

He held several management positions at Schlumberger in the USA and France (1978-1992), in Brussels (1993-1995) and in Japan (1995-1997), before joining the French Ministry of Research as Director of Technology (1998-1999) and heading the Atomic Energy Commission of France (2000-2002).

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#### PRESS INFORMATION

#### COMPREHENSIVE FINANCING PACKAGE

FULL-YEAR RESULTS 2003/04  
1ST APRIL 2003 - 31ST MARCH 2004

#### COMPREHENSIVE FINANCING PACKAGE IN ADVANCED NEGOTIATION

- o Equity to be strengthened by between 1.8 - 2.5 bn
  - > Conversion into equity of 300 m subordinated bonds held by the French State
  - > New capital increase of between 1.5 - 2.2 bn
    - rights issue of between 1.0 - 1.2 bn
    - debt-to-equity swap of between 500 m - 1.2 bn
- o Extension of bonding capacity aimed at covering commercial needs for next 2 years
- o ALSTOM's current scope of activities confirmed: additional disposals representing 1.5 bn in sales will not affect remaining activities
- o Shareholding structure stabilised: French State to become important minority shareholder pending the Group's recovery
- o Package subject to European Commission approval (formal decision expected end-June 2004)

FULL-YEAR RESULTS 2003/04

|\_| OPERATING MARGIN IN LINE WITH GUIDANCE

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- o Orders received: 16.5 bn, up 1% from fiscal year 2002/03 on a comparable basis, with strong rebound in the second half (+34%)
- o Sales: 16.7 bn, down 10% from fiscal year 2002/03 on a comparable basis
- o Operating margin at 1.8%, hit by exceptional charges
- o Implementation of major restructuring and overhead reduction plans

### |\_| HEAVY NET LOSS DUE TO LOW OPERATING INCOME, HIGH FINANCIAL AND EXCEPTIONAL RESTRUCTURING EXPENSES, WRITE-DOWN OF DEFERRED TAX ASSETS

- o Exceptional restructuring ( 655 m) and financial ( 460 m) COSTS
- o Net loss of 1,836 m
- o Nominal value of the share to be reduced from 1.25 to 0.35 subject to shareholder approval

### |\_| FREE CASH FLOW IN LINE WITH GUIDANCE; FURTHER DEBT REDUCTION

- o Negative free cash flow of 1,007 m, after cash outflow of 766 m for GT24/GT26
- o Economic debt reduced to 3.0 bn at 31 March 2004 from 4.9 bn at 31 March 2003

## PRESS INFORMATION

Commenting on the financing package and results, Patrick Kron, ALSTOM's Chairman & Chief Executive Officer, said:

"We are currently working on a comprehensive financing package, which, subject to its approval by the European Commission and our shareholders, will give ALSTOM the visibility and stability needed to progress towards recovery.

We worked hard over the last year to refocus the Group on its core businesses and to build a base for better profitability, while strengthening our balance sheet. We made major progress on all these fronts, which are essential for the success of our recovery plan. We are still facing three difficult issues: debt and financial expenses are too high; we need access to contract bonding necessary for our future commercial activity; and we lack stability in our shareholder base which results in high volatility of the share price.

The financing package is designed to address these three issues.

### A COMPREHENSIVE FINANCING PACKAGE

We aim at syndicating through our banks a new bonding facility which should cover our needs for the next 2 years. We expect our core banks to provide approximately three-quarters of these needs; discussions on this issue are on-going. The remainder would be proposed to other financial institutions. The participating financial institutions would be protected by a guarantee scheme, including a first loss guarantee through a cash collateral of 700 million provided by ALSTOM and a second loss guarantee of 1.3 billion provided By the French State and a group of banks.

We target strengthening our equity by between 1.8 - 2.5 billion by the conversion of the 300 million 20-year bonds held by the French State and a capital increase of between 1.5- 2.2 billion which would be submitted to an Annual General Meeting to be called in July. This would comprise a rights issue of between 1.0 - 1.2 billion with preferential subscription rights and a debt-to-equity swap of between 500 million - 1.2 billion, of which 500 million is to be subscribed by the French State and the remainder on an optional basis by our banks.

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The French State would become an important minority shareholder to accompany ALSTOM's recovery through the conversion of its existing subordinated bonds into equity, its participation in the rights issue and its intended conversion of existing loans. It would have Board representation.

The European Commission is expected to render its decision on this package, when finalised, before the end of June 2004, and its approval is obviously a condition to implementation. This approval will also be conditional upon certain commitments we will make including the sale of businesses representing around 10% of the current scope of the Group; these asset sales, however, will not affect our remaining activities and should not impact our recovery plan.

### PRESS INFORMATION

With a defined portfolio, strengthened balance sheet and stable shareholding structure after the entry of the French State in the Group's capital, this plan would allow us to concentrate fully on our operational priorities: to sharpen our commercial focus and to significantly improve operational performance through more effective project tendering and execution and continued cost reduction.

### FISCAL YEAR 2003/04: UNDERLYING IMPROVEMENT DESPITE UNSATISFACTORY RESULTS

Our results for fiscal year 2003/04 are again unsatisfactory, with a net loss of 1.8 billion and a negative free cash flow of 1 billion. I believe that the legitimate disappointment at these results should be mitigated by a review of the decisive actions taken over this period which will translate into benefits for the Group:

- after the concerns over the Group's liquidity problems were addressed last summer, we saw a major rebound in orders taken in the second half of the year (+34% on a comparable basis), with margins entirely consistent with the performance targets we have committed to;
- our GT24/GT26 issues are under control and the action plans to deal with this past problem are proceeding to schedule. The booking last December of our first GT26 gas turbine order since we identified technical problems with this technology in 2000 confirms the success of our gas turbine recovery programme and our return to the large gas turbine market;
- we also made good headway on numerous other aspects of our action plan. All our restructuring and cost-reduction programmes are now well-advanced. Our risk management processes are constantly improving to ensure stricter control of order intake and more effective project execution.

Of course, we must clear some hurdles in the short-term: finalisation of the financing package; the European Commission's decision on the package, expected by the end of June; syndication of the bonding lines and the submission of the capital increase for our shareholders' approval at an Extraordinary and Ordinary General Shareholders' Meeting scheduled to take place on 9 July; and finally, implementation of the financing package upon approval.

Following implementation of the financing package, our focus will remain the

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achievement of our operational targets for 2005/06: an operating margin of 6% and positive free cash flow. Together with the new management team, I believe that this package will provide a sound base from which to move forward and meet these objectives."

### PRESS INFORMATION

#### COMPREHENSIVE FINANCING PACKAGE

##### o SECURED BONDING FACILITY TO COVER OUR COMMERCIAL NEEDS FOR THE NEXT 18-24 MONTHS

We intend to launch the syndication of a bonding facility programme which would include a maximum outstanding amount of 8 billion. This programme would include the bonds issued under the bonding line of 3.5 billion provided last summer by a syndicate of banks and counter guaranteed by a French State-guaranteed financial institution and new bonds to be issued over the coming 2 years. This programme is revolving: any bond expiring releases capacity to issue new bonds within the 8 billion limit. The bonds under this programme would benefit from a 2 billion guarantee package with 700 million collateral provided by ALSTOM, guarantees given by a French State-guaranteed institution for 1.25 billion and the remainder by a group comprising our core banks.

We expect these banks to participate in the programme for around 75% of the Group's forecast bonding needs for the next 2 years; discussions on this issue are on-going. The remainder would be syndicated to other financial institutions.

##### o CONVERSION INTO EQUITY OF 300 MILLION SUBORDINATED BONDS BY THE FRENCH STATE

Under the financing package announced in September 2003, the French State subscribed to 300 million of subordinated bonds reimbursable with shares with a 20-year maturity (TSDDRA). They will be automatically reimbursed with shares upon approval by the European Commission, giving the French State an equity participation in ALSTOM of approximately 18.5%.

##### o NEW CAPITAL INCREASE AND DEBT-TO-EQUITY SWAP TO RAISE BETWEEN 1.5 BILLION - 2.2 BILLION

We intend to raise between 1.5 - 2.2 billion through a capital increase by way of a rights issue and a debt-to-equity swap as follows:

##### CAPITAL INCREASE OF BETWEEN 1- 1.2 BILLION

o A new capital increase of up to 1.2 billion would involve the issue of shares with preferential subscription rights in countries where it is practical under applicable local law. The French State has indicated its readiness to subscribe to this capital increase by exercise of its preferential subscription rights - after reimbursement with shares of the TSDDRA - for approximately 185 million. We are in advanced negotiations with our core banks for the underwriting of 1 billion of the capital increase, less the French State's part.

CONVERSION INTO EQUITY OF BETWEEN 500 MILLION - 1.2 BILLION OF EXISTING DEBT.

### PRESS INFORMATION

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- o The conversion of up to 500 million of subordinated bonds and loans issued by the French State ("TSDD", "PSDD"), provided that its equity participation in ALSTOM does not exceed 31.5%.
- o The conversion into equity, to be proposed to our lenders, of an aggregate maximum amount of existing debt of 700 million.

The maximum amount proposed for conversion by our lenders would be reduced accordingly should the rights issue exceed 1 billion.

Resolutions regarding the capital increase will be submitted for approval at ALSTOM's Ordinary and Extraordinary Annual General Meeting to be held on 9 July 2004. The timing, terms and final amount of the capital increase would be decided by our Board of Directors, and would depend on market conditions and the willingness of our creditors to convert their debt.

o COMMITMENTS INCLUDING ADDITIONAL ASSET DISPOSALS

To respond to the European Commission's requirements, we have committed not to make any significant acquisitions in the transport sector within Europe over the next four years and to dispose of businesses representing approximately 1.5 billion in sales.

Around 50% of this figure covers the following:

- o our freight locomotive business in Valencia, Spain;
- o our Transport Sector's activities in Australia and New Zealand; and
- o our industrial boilers business, which is part of our Power Environment Sector.

The remaining 50% covers other businesses which have not yet been identified and which will be disposed of within the next two years.

We have agreed that, as part of our international development in the Hydro business, we would enter into a 50-50 joint venture in the coming years.

Finally, we intend to implement, within the next four years, industrial partnerships to ensure our future development; this is supported by both the French State and the European Commission.

o APPROVAL BY THE EUROPEAN COMMISSION

This package will be subject to European Commission approval. A decision is expected before the end of June 2004, prior to our Annual General Shareholders' Meeting.

PRESS INFORMATION

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 FULL-YEAR RESULTS 2003/04

SUMMARY OF RESULTS

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TOTAL	Year ended March	% Var.
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ACTUAL FIGURES (IN MILLION)	2003	2004	March 04/ March 03
Orders received	19,123	16,500	(14%)
Sales	21,351	16,688	(22%)
Operating income	(507)	300	
Net income	(1,432)	(1,836)	
Free Cash Flow (a)	(265)	(1,007)	
Economic debt (b)	4,918	3,000	

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TOTAL COMPARABLE FIGURES (c) (IN MILLION)	Year ended March 2003	2004	% Var. March 04/ March 03
Orders received	16,366	16,500	(1%)
Sales	18,531	16,688	(10%)

(a) We define Free Cash Flow to mean Net cash provided by (used in) operating activities less Capital expenditures, net of proceeds from disposals of property, plant and equipment (excluding proceeds from the sale of real estate as part of our strategic plan) and increase (decrease) in variation in existing receivables considered as source of funding of our operations. However, this measure is not a measurement of performance either under French or US GAAP.

(b) We define Economic debt to mean Net debt (or Financial debt net of short term investments and cash and cash equivalents) plus cash proceeds from sale of trade receivables ("securitisation of existing receivables"). Economic debt does not represent our Financial debt as calculated under French GAAP, and should not be considered as an indicator of our currently outstanding indebtedness because trade receivables securitised are sold irrevocably and without recourse.

(c) Adjusted for changes in business composition and exchange rates

### REBOUND OF ORDERS IN CHALLENGING MARKET CONDITIONS

Despite an unfavourable economic climate, markets remained buoyant in rail transport and sound in power generation service. The new equipment market in power, however, remained at historically low levels. New emissions regulations continue to drive needs for environmental control equipment in Europe and the US, and there is growing demand for new boiler and hydro equipment in Asia and Latin America. The cruise-ship market remained weak.

Overall, Group order intake was up 1% on a comparable basis against the prior year, with a first half down 23% on a comparable basis and the second half showing a strong rebound in the level of orders received (+34% on a comparable basis). The margins on these orders are consistent with our performance targets. Major orders included three GT26 gas turbines in Spain and associated services, a steam power plant in Saudi Arabia, service contracts in the US and Brazil and orders for trams and metros across Europe and for high-speed tilting trains in Italy.

### PRESS INFORMATION

Sales decreased by 10% on a comparable basis as a result of the low level of orders booked last year.

The order backlog amounted to over 25.4 billion at 31 March 2004, representing approximately 18 months of sales. This year the book to bill ratio stands at 1,



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compared to 0.9 last year.

### OPERATING INCOME AFFECTED BY LOWER SALES AND NON-RECURRING CHARGES

Operating income was 300 million, or 1.8% of sales, due to a lower sales level leading to underactivity and exceptional charges on US projects amounting to 102 million for our Transport Sector and 108 million for our Power Environment Sector.

Stricter control of terms and conditions and margins in our order intake is fully in place and processes to monitor the execution of large projects are rigorously applied.

### NET INCOME; REDUCTION OF THE NOMINAL VALUE OF SHARE

Net loss after goodwill amortisation was 1,836 million for fiscal year 2003/04, as a result of low operating income, high restructuring charges (655 million versus 268 million in prior year), high financial expenses (460 million compared with 270 million in fiscal year 2002/03) and tax charges of 251 million (compared with tax income of 263 million in the prior year).

As a result of a net loss in our statutory accounts, the reduction of the nominal value of the share from 1.25 to 0.35 will be proposed to our shareholders at the next Annual General Meeting.

### FREE CASH FLOW: STRONGLY NEGATIVE DUE TO CASH OUTFLOWS ON GT24/GT26

In line with our previous guidance, free cash flow was (1,007) million, reflecting scheduled cash outflows of 766 million relating to the GT24/GT26 gas turbines and higher restructuring and financial expenses. This was partly offset by the improvement in our working capital following the rebound in orders received during the second half of the fiscal year and continued efforts to reduce receivables and inventories.

Excluding cash outflow on the GT24/GT26, free cash flow was positive in the second half.

### ECONOMIC DEBT REDUCED BY APPROXIMATELY 2 BILLION

Economic debt was 3,000 million at the end of March 2004 compared with 4,918 million at the end of March 2003. This primarily reflects the impact of the capital increase and proceeds from the disposal notably of our Transmission &

### PRESS INFORMATION

Distribution activities and Industrial Turbines businesses during the year, partly offset by the negative free cash flow for the fiscal year.

### PRESS INFORMATION

#### UPDATE ON GT24/GT26 GAS TURBINE ISSUES

The resolution of our GT24/GT26 issues is progressing satisfactorily. Of the 80 machines, 74 are now in operation, one is in commissioning, one is under construction and one contract for four units which was previously suspended has

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now been cancelled.

The machines in service are demonstrating good levels of reliability and have accumulated around 900,000 operating hours. We have reached settlements on 64 units, with only twelve units subject to commercial dispute. Our previous cases of customer litigation in court have been settled.

At end-March 2004, we retained 738 million of provisions related to the GT24/GT26 issues, assuming 234 million of mitigation. At end-March 2003, we retained 1,655 million, assuming 454 million of mitigation. Both numbers have thus been reduced significantly.

### PRESS INFORMATION

#### SECTOR REVIEW\*

##### POWER TURBO-SYSTEMS

POWER TURBO-SYSTEMS ACTUAL FIGURES (IN MILLION)	Year ended 31 March 2003	31 March 2004	% Variation March 04/ March 03
Order backlog	3,445	2,940	(15%)
Orders received	1,821	2,463	35%
Sales	3,857	2,381	(38%)
Operating income	(1,399)	(246)	
Operating margin	(36.3%)	(10.3%)	
EBIT	(1,527)	(461)	
Capital employed (a)	n/a	(1,232)	

POWER TURBO-SYSTEMS COMPARABLE FIGURES (IN MILLION)	Year ended 31 March 2003	31 March 2004	% Variation March 04/ March 03
Order backlog	3,355	2,940	(12%)
Orders received	1,732	2,463	42%
Sales	3,659	2,381	(35%)
Operating income	(1,275)	(246)	
Operating margin	(34.8%)	(10.3%)	

(a) We define capital employed to mean net fixed assets, plus current assets (excluding net amount of securitisation of existing receivables), less provisions for risks and charges and current liabilities. Capital employed does not represent current assets, as calculated under French GAAP.

Despite difficult conditions linked to the new equipment market downturn, particularly in the US, orders increased by 42% on a comparable basis, with recent positive signs of an upturn in Europe, the Middle East and Asian markets. Sales on a comparable basis declined by 35%, in comparison with the very high level achieved in the previous year.

The Sector's operating margin remained strongly negative, at (10.3)%, mainly because our cost structure is not yet in line with our current volume, together with the impact of cost increases in the execution of certain turnkey contracts.

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\* only Sectors existing as of 31 March 2004 are discussed here below.

### PRESS INFORMATION

#### POWER ENVIRONMENT

POWER ENVIRONMENT ACTUAL FIGURES (IN MILLION)	Year ended 31 March		% Variation
	2003	2004	March 04/ March 03
Order backlog	3,863	3,508	(9%)
Orders received	2,583	2,644	2%
Sales	3,098	2,678	(14%)
Operating income	224	(7)	
Operating margin	7.2%	(0.3%)	
EBIT	107	(180)	
Capital employed	n/a	733	

POWER ENVIRONMENT COMPARABLE FIGURES (IN MILLION)	Year ended 31 March		% Variation
	2003	2004	March 04/ March 03
Order backlog	3,761	3,508	(7%)
Orders received	2,427	2,644	9%
Sales	2,860	2,678	(6%)
Operating income	203	(7)	
Operating margin	7.1%	(0.3%)	

The US market downturn continued to impact Power Environment, though there has been slight recovery. In Europe, the market remained active in certain areas, in particular, Germany and Italy. China continued to develop its power generation capacity at a fast pace, creating numerous opportunities particularly for hydro equipment and boilers.

Orders increased by 9% on a comparable basis, driven by a strong performance in the second half across all the Sector's businesses. Sales fell 6% compared with fiscal year 2002/03 on a comparable basis.

As already disclosed, the Sector's operating margin, at (0.3%), was negatively impacted by the 108 million charge related to the revised cost to complete of a utility boiler contract in the US (Seward).

### PRESS INFORMATION

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### POWER SERVICE

POWER SERVICE ACTUAL FIGURES (IN MILLION)	Year ended 31 March		% Variation March 04/ March 03
	2003	2004	
Order backlog	2,793	3,107	11%
Orders received	2,934	3,023	3%
Sales	2,678	2,747	3%
Operating income	403	417	
Operating margin	15.0%	15.2%	
EBIT	304	227	
Capital employed	n/a	1,921	

POWER SERVICE COMPARABLE FIGURES (IN MILLION)	Year ended 31 March		% Variation March 04/ March 03
	2003	2004	
Order backlog	2,707	3,107	15%
Orders received	2,760	3,023	10%
Sales	2,507	2,747	10%
Operating income	371	417	
Operating margin	14.8%	15.2%	

The power service market remained sound, despite some price pressure. Growth is expected due to expansion of the world's base of power generation equipment and the need to modernise aging equipment, while the trend to outsource service and maintenance continues. Orders were strong in the US, Spain and Italy, while new long-term service agreements were signed notably in Asia.

Orders received were 10% higher than in fiscal year 2002/03 on a comparable basis. Sales increased 10% as compared with the previous fiscal year on a comparable basis due to stable growth in several European countries, including the UK, Italy and the Netherlands, and increased volumes in the Asia/Pacific region.

The Sector's operating margin was 15.2%, broadly stable as compared with the previous fiscal year (14.8%).

### PRESS INFORMATION

### TRANSPORT

TRANSPORT ACTUAL FIGURES (IN MILLION)	Year ended 31 March		% Variation March 04/ March 03
	2003	2004	
Order backlog	14,676	14,321	(2%)
Orders received	6,412	4,709	(27%)

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Sales	5,072		4,862		(4%)
Operating income	(24)		64		
Operating margin	(0.5%)		1.3%		
EBIT	(113)		(189)		
Capital employed	738		360		

TRANSPORT COMPARABLE FIGURES (IN MILLION)	Year ended 31 March	-----	2004		% Variation March 04/ March 03
	2003	-----	2004		-----
Order backlog	14,537		14,321		(1%)
Orders received	6,065		4,709		(22%)
Sales	4,903		4,862		(1%)
Operating income	(9)		64		
Operating margin	(0.2%)		1.3%		

Transport took advantage of a generally active market in Europe and Asia, which partially offset a downturn in North America. The market for tramways remains most active, while advanced signaling systems (information solutions) and the expansion of high-speed rail networks in a number of European countries will represent significant opportunities for the Sector over the coming period.

Orders decreased by 22% on a comparable basis due to lower order intake in the US, where there were few major transport projects this year. Order levels, however, almost doubled in the second half of the fiscal year compared with the first half. Sales were stable on a comparable basis (-1%) compared with fiscal year 2002/03.

Transport's operating margin at 1.3% was affected by a 102 million exceptional charge in relation to its US Transport business.

### PRESS INFORMATION

### MARINE

MARINE ACTUAL FIGURES (IN MILLION)	Year ended 31 March	-----	2004		% Variation March 04/ March 03
	2003	-----	2004		-----
Order backlog	1,523		817		(46%)
Orders received	163		381		134%
Sales	1,568		997		(36%)
Operating income	24		(19)		
Operating margin	1.5%		(1.9%)		
EBIT	12		(40)		
Capital employed	(343)		(580)		

MARINE COMPARABLE FIGURES (IN MILLION)	Year ended 31 March	-----	2004		% Variation March 04/ March 03
	2003	-----	2004		-----

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Order backlog	1,523		817		(46%)
Orders received	163		381		134%
Sales	1,568		997		(36%)
Operating income	24		(19)		
Operating margin	1.5%		(1.9%)		

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The cruise-ship construction market remained weak worldwide, due to a high level of orders in previous years and uncertainties linked to the international situation. Orders received were low, at 381 million, while sales amounted to 997 million. The Sector's operating margin was negative mainly due to underactivity during the second half of the fiscal year.

### PRESS INFORMATION

### OUTLOOK

The prompt finalisation and implementation of the financing package are essential for ALSTOM's future.

ALSTOM's scope is clear, with core activities focused on the power generation and rail transport markets. We expect overall demand to remain generally low over the next months in the power new equipment market but are confident that market fundamentals will lead to an upturn in demand. The transport and power service markets should remain generally sound. The timing of the expected recovery in the cruise-ship market remains uncertain.

Fiscal year 2004/05 will be a transitional year. We forecast orders to be above the level recorded in fiscal year 2003/04 on a comparable basis. On the same basis, sales are expected to be at around the same level as fiscal year 2003/04. Operating margin for fiscal year 2004/05 should be between 3.5% and 4% in comparison with a proforma margin of 2.6% before exceptionals in 2003/04. Free cash flow, though difficult to predict with accuracy, is forecast at around (400) million.

We confirm our previously announced targets for fiscal year 2005/06: operating margin of 6% and positive free cash flow.

\* \* \*

- ends -

A FULL SET OF ACCOUNTS AND NOTES IS AVAILABLE ON ALSTOM'S WEBSITE (WWW.ALSTOM.COM).

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an offer to buy securities, nor shall there be any sale of securities in any jurisdiction, including the United States, in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. Securities may not be offered or sold in the United States absent registration or exemption from registration. If any offering of securities is made, it will only be made pursuant to a prospectus prepared for such purpose and filed with the appropriate regulatory authorities or exempt from filing requirements. The prospectus will contain important

### PRESS INFORMATION

information regarding the Company, including financial statements and a description of its business and strategy.

### FORWARD-LOOKING STATEMENTS:

This press release contains, and other written or oral reports and communications of ALSTOM may from time to time contain, forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Examples of such forward-looking statements include, but are not limited to (i) projections or expectations of sales, orders received, income, operating margins, dividends, provisions, cash flow, debt or other financial items or ratios, (ii) statements of plans, objectives or goals of ALSTOM 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 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 management's 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; (iv) the effects of competition in the product markets and geographic areas in which ALSTOM operates; (v) the 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 ability to implement the financing package and to meet the financial and other covenants contained in ALSTOM's financing agreements; (viii) difficulties in obtaining bid, performance and other bonds with customary amounts or terms; (ix) the timing of and ability to meet the cash generation, cost control, restructuring and other initiatives of the new action plan, including the ability to dispose of certain real estate and other assets on favourable terms or in a timely fashion; (x) the results of the United States Securities and Exchange Commission's ("SEC") investigation of matters relating to ALSTOM Transportation Inc., and the impact thereof on ALSTOM Transportation Inc.'s ability to conduct its business; (xi) the outcome of the putative class action lawsuits filed against ALSTOM and certain of its current and former officers; (xii) the results of the European Commission's review of the French State's involvement in ALSTOM's financing package, the sale of our T&D Sector to Areva and other aspects of ALSTOM's businesses; (xiii) whether ALSTOM finalised and receives shareholder approval of important elements of its new comprehensive financing package; (xiv) the availability of external sources of

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financing on commercially reasonable terms; (xiii) the inherent technical complexity of many of ALSTOM's products and technologies 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 and the UK trains; (xiv) risks inherent in large contracts and/or significant fixed price contracts that comprise a substantial portion of ALSTOM's business; (xv) the inherent difficulty in estimating future charter or sale prices of any cruise ship in any appraisal of ALSTOM's exposure in respect of Marine vendor financing; (xvi) the inherent difficulty in estimating ALSTOM's vendor financing risks and other credit risks, which may notably be affected by customers' payment default; (xvii) ALSTOM's ability to invest successfully in, and compete at the leading edge of, technology developments across all of its 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) whether certain of ALSTOM's markets, particularly the Power Sectors, recover from their currently depressed state; (xx) the possible impact on customer confidence of ALSTOM's recent financial difficulties, and if so its ability to re-establish this confidence; (xxi) the effects of acquisitions and disposals generally; (xxii) the unusual level of

### PRESS INFORMATION

uncertainty at this time regarding the world economy in general; and (xxiii) ALSTOM's success in adjusting to and managing the foregoing risks.

The foregoing list is not exhaustive; when relying on forward-looking statements to make decisions with respect to ALSTOM, you should carefully consider the foregoing factors and other uncertainties and events, as well as other factors described in other documents ALSTOM files or submits from time to time with the SEC, including reports submitted on Form 6-K and our Annual Report on Form 20-F for the fiscal year ended 31 March 2003 which was filed with the SEC on October 16, 2003. Forward-looking statements speak only as of the date on which they are made, and ALSTOM undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

### CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEAR 2004



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ALSTOM

## CONSOLIDATED INCOME STATEMENTS

		YEAR ENDED	
	NOTE	2002	2001
		(IN	MILLIONS)
SALES		23,453	21,453
OF WHICH PRODUCTS		17,541	16,541
OF WHICH SERVICES		5,912	4,912
Cost of sales		(19,623)	(19,623)
OF WHICH PRODUCTS		(15,141)	(15,141)
OF WHICH SERVICES		(4,482)	(3,482)
Selling expenses		(1,078)	(1,078)
Research and development expenses		(575)	(575)
Administrative expenses		(1,236)	(1,236)
		941	(1,236)
OPERATING INCOME (LOSS)			
Other income (expenses), net	(4)	(390)	(390)
Other intangible assets amortisation	(8)	(64)	(64)
		487	(1,790)
EARNINGS BEFORE INTEREST AND TAX			
Financial income (expense), net	(5)	(294)	(294)
		193	(1,790)
PRE-TAX INCOME (LOSS)			
Income tax (charge) credit	(6)	(10)	(10)
Share in net income (loss) of equity investments		1	1
Dividend on redeemable preference shares of a subsidiary		(14)	(14)
Minority interests		(23)	(23)
Goodwill amortisation	(7)	(286)	(286)
		(139)	(1,790)
		941	(1,790)
NET INCOME (LOSS)			
Earnings per share in Euro			
Basic		(0.6)	(0.6)
Diluted		(0.6)	(0.6)

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED BALANCE SHEETS

	NOTE	2002	AT 3
	-----	-----	-----
			(IN
ASSETS			
Goodwill, net	(7)	4,612	
Other intangible assets, net	(8)	1,170	
Property, plant and equipment, net	(9)	2,788	
Equity method Investments and other investments, net	(10)	301	
Other fixed assets, net	(11)	1,326	
		-----	
FIXED ASSETS, NET		10,197	
DEFERRED TAXES	(6)	1,486	
Inventories and contracts in progress, net	(12)	5,593	
Trade receivables, net	(13)	4,730	
Other accounts receivable, net	(15)	3,304	
		-----	
CURRENT ASSETS		13,627	
SHORT TERM INVESTMENTS	(17)	331	
CASH AND CASH EQUIVALENTS	(18)	1,905	
		-----	
TOTAL ASSETS		27,546	
		=====	
LIABILITIES			
SHAREHOLDERS' EQUITY		1,752	
MINORITY INTERESTS	(19)	91	
BONDS REIMBURSABLE WITH SHARES		-	
REDEEMABLE PREFERENCE SHARES OF A SUBSIDIARY	(22)	205	
UNDATED SUBORDINATED NOTES	(22)	250	
PROVISIONS FOR RISKS AND CHARGES	(20)	3,849	
ACCRUED PENSION AND RETIREMENT BENEFITS	(21)	994	
FINANCIAL DEBT	(22)	6,035	
DEFERRED TAXES	(6)	47	
Customers' deposits and advances	(24)	4,221	
Trade payables		5,564	
Accrued contract costs and other payables	(23)	4,538	
		-----	
CURRENT LIABILITIES		14,323	
		-----	
TOTAL LIABILITIES		27,546	
		=====	
Commitments and contingencies	(27&28)		

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

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED 31	
	2002	2003
	(IN	MILL
NET INCOME (LOSS)	(139)	(1,43
Minority interests	23	1
Depreciation and amortisation	792	75
Changes in provision for pension and retirement benefits, net	(51)	2
Net (gain) loss on disposal of fixed assets and investments	(198)	(1
Share in net income (loss) of equity investees (net of dividends received)	-	(
Changes in deferred tax	(86)	(42
	341	(1,08
NET INCOME AFTER ELIMINATION OF NON CASH ITEMS		
Decrease (increase) in inventories and contracts in progress, net	54	41
Decrease (increase) in trade and other receivables, net	528	65
Increase (decrease) in sale of trade receivables, net	140	(66
Increase (decrease) in contract related provisions	(948)	16
Increase (decrease) in other provisions	2	(4
Increase (decrease) in restructuring provisions	(123)	(2
Increase (decrease) in customers' deposits and advances	(1,254)	(9
Increase (decrease) in trade and other payables, accrued contract costs and accrued expenses	681	16
CHANGES IN NET WORKING CAPITAL (2)	(920)	55
	(579)	(53
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	118	25
Capital expenditures	(550)	(41
Decrease(increase) in other fixed assets	(104)	(5
Cash expenditures for acquisition of investments, net of net cash acquired	(113)	(16
Cash proceeds from sale of investments, net of net cash sold (4)	772	3
	123	(34
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Capital increase	-	62
Bonds reimbursable with shares not yet converted	-	-
Dividends paid including minorities	(136)	(
	(136)	62
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Net effect of exchange rate	(12)	(4
Other changes (3)	16	(46
	(588)	(76
DECREASE (INCREASE) IN NET DEBT		
NET DEBT AT THE BEGINNING OF THE PERIOD (1)	(3,211)	(3,79
	(3,799)	(4,56
NET DEBT AT THE END OF THE PERIOD (1)		
Cash paid for income taxes	154	7
Cash paid for net interest	165	17

(1) NET DEBT INCLUDES SHORT-TERM INVESTMENTS, CASH AND CASH EQUIVALENTS NET OF FINANCIAL DEBT.

(2) SEE NOTE 16.

(3) INCLUDING IN YEAR ENDED 31 MARCH 2003 RECLASSIFICATION OF REDEEMABLE PREFERENCE SHARES OF A SUBSIDIARY AND UNDATED SUBORDINATED NOTES TOTTALLING

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455 MILLION AS DISCLOSED IN NOTE 22 (a).

- (4) 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 (SEE NOTE 3),
  - 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.

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	CUM TRA ADJ
	-----	-----	-----	-----	-----
AT 1 APRIL 2001	215,387,459	1,292	85	774	
Changes in Cumulative Translation Adjustments	-	-	-	-	
Net income (loss)	-	-	-	(139)	
Dividend paid	-	-	-	(119)	
AT 31 MARCH 2002	215,387,459	1,292	85	516	
Capital increase	66,273,064	398	224	-	
Changes in Cumulative Translation Adjustments	-	-	-	-	
Net income (loss)	-	-	-	(1,432)	
Dividend paid	-	-	-	-	
AT 31 MARCH 2003	281,660,523	1,690	309	(916)	
Capital increase	774,997,049	969	64	-	
Capital decrease		(1,338)	(309)	1,647	
Changes in Cumulative Translation Adjustments	-	-	-	-	
Net income (loss)	-	-	-	(1,836)	
Dividend paid	-	-	-	-	
AT 31 MARCH 2004	1,056,657,572	1,321	64	(1,105)	

In July 2002, an issue of shares was made and 66,273,064 shares having a par value of 6 were subscribed. Related costs net of tax of 15 million were charged against additional paid-in capital of 239 million.

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, at the General Shareholders' Meeting held on 2 July 2003, to decide not to liquidate the company. Further, it was decided at that General Shareholders' Meeting, to reduce ALSTOM's share capital, due to losses, from 1,689,963,138 to 352,075,653. This reduction in the share capital was implemented through the reduction in the nominal value of ALSTOM ordinary share from 6 per share to 1.25 per share.

Subsequently, in November 2003, an issue of shares was made and 239,933,033

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shares with a par value of 1.25 were subscribed.

In December 2003, an issue of bonds reimbursable in shares "OBLIGATIONS REMBOURSABLES EN ACTIONS" was made and 643,795,472 bonds having a par value of 1.25 were subscribed. At 31 March 2004, 535,064,016 bonds were converted into shares on the basis of one share for one bond. Related costs net of tax of 16 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 are fully paid up.

At the Ordinary General Shareholders' Meeting which is scheduled on first call on 30 June 2004 and if the quorum requirement is not met on that date will be held on 9 July 2004, the Board will propose that no dividend be paid.

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, 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 the year ended 31 March 2004 have been prepared on the basis of the accounting policies and methods of computation as set out in Note 2.

In preparing these consolidated financial statements the Group has taken into account the matter set out hereafter :

- The Financing Package negotiated in September 2003 resulted in a new set of financial covenants which are set out in Note 22. 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 3,500 million, of which 65% was guaranteed by the Republic of France. This facility was sufficient to meet approximately one year of orders and is now expected to be used during the summer 2004. The Group has 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

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on 22 September 2003 remains outstanding.

Having considered the matters set out above, the Group has concluded that the going concern principle is the appropriate basis of preparation for these consolidated financial statements on the assumption that it will be able to:

- Secure contract bonding and guarantee facilities to meet its normal business activity (see Note 27 (a)),
- Successfully negotiate new covenants with its lenders (see Note 22 (a) and 29 (e)),
- Obtain all necessary approvals from the European Commission,
- 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 Accounting Principles and Règlements 99-02 & 00-06 of the Comité de Règlementation Comptable (French Consolidation Generally accepted in France methodology). Benchmark treatments are generally used. Capital lease arrangements and long term rentals are not capitalised, see Note 27 (b).

#### (A) CONSOLIDATION METHODS

Investments 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.

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.

Investments 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 32.

#### (B) 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 on a contract by contract basis. Costs to date

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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.

### (C) REVENUE AND COST RECOGNITION

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

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.

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 Marine sector are added to the related contract value and are recognised as revenue using the percentage of completion method.

For long term service contracts, revenues are recognised as delivery occurs or as services are performed over the term of the contract, using estimated contract profit margins.

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 recorded 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 applied to total estimated costs. The excess of that 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.

### (D) TRANSLATION OF FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCIES

The functional currency of the Group's foreign subsidiaries is the applicable

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

### (E) FOREIGN CURRENCY TRANSACTION

Foreign currency transactions are translated into local currency at the rate of exchange applicable to the transaction (market rate or forward hedge rate). At year-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.

### (F) 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, forward rate agreements ("FRA") and floors 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 recorded against the related hedged asset or liability.

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.

### (G) 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.

### (H) 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



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sectors due to the long-term nature of the contracts and activities involved.

### (I) 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

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

### (J) 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.

### (K) OTHER FIXED ASSETS

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

### (L) 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.

### (M) 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.

### (N) CASH AND CASH EQUIVALENTS

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

### (O) 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 up to their expected recoverable amount. Deferred tax amounts are adjusted for changes in

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the applicable tax rate upon enactment.

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

### (P) 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.

### (Q) 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;
- 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.

### (R) IMPAIRMENT

At the balance sheet date, whenever events or changes in markets indicate a potential impairment including goodwill, other intangible assets, property, plant and equipment and deferred tax assets, a detailed review is carried out based on projected operating performance. Whenever such review indicates that there is an impairment, the carrying amount of such assets is reduced to their estimated recoverable value.

### (S) STOCK OPTIONS

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

### (T) RESEARCH AND DEVELOPMENT

Internally generated research and development costs are expensed as incurred.

### (U) EMPLOYEE BENEFITS

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

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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 recorded as incurred.

### (V) RESTRUCTURING

Restructuring costs are accrued when management announces the reduction or closure of facilities, or a program to reduce the workforce and when related costs are precisely determined. Such costs include employees' severance and termination benefits, estimated facility closing costs and write-off of assets.

### (W) FINANCIAL INCOME (EXPENSE)

Financial income (expense) is principally comprised of interest payable on borrowings, interest receivable on funds invested, foreign exchange gains and losses as well as 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 interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs.

### (X) EARNINGS PER SHARE

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

Diluted earnings per share are computed by dividing the annual 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.

### (Y) EXCHANGE RATES USED FOR THE TRANSLATION OF MAIN CURRENCIES

FOR 1 MONETARY UNIT	2002		2003		200
	AVERAGE	CLOSING	AVERAGE	CLOSING	AVERAGE
British pound	1.627372	1.631321	1.549571	1.450116	1.444363
Swiss franc	0.670010	0.681663	0.682536	0.677323	0.646074
US dollar	1.136956	1.146263	0.997990	0.917852	0.849427
Canadian dollar	0.725494	0.718236	0.646284	0.623558	0.628913

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Australian dollar	0.582556	0.610426	0.563472	0.553220	0.591628
-------------------	----------	----------	----------	----------	----------

### NOTE 3 - CHANGES IN CONSOLIDATED COMPANIES

The main changes in the consolidated companies during the year ended 31 March 2004 are as follows:

#### (1) DISPOSAL OF INDUSTRIAL TURBINES BUSINESSES

In April 2003, the Group signed binding agreements to sell its small gas turbines business and medium-sized gas turbines and industrial steam turbines businesses in two transactions.

The first transaction covered the small gas turbines business, and the second transaction covered medium-sized gas turbines and industrial steam turbines businesses.

In April 2003, the closing of the sale of the small gas turbines business occurred. In August 2003 completion of the major part of the disposal of the medium gas turbines and industrial steam turbines businesses (excluding US businesses) occurred following approval from both the European Commission and US merger control authorities.

These businesses have ceased to be consolidated from their respective dates of disposal.

On 15 April 2004, the disposal of the US businesses was completed with effect from 1 April 2004 (See Note 31). This business will be de-consolidated from 1 April 2004.

Total selling price is 970 million of which 125 million is held in escrow at 31 March 2004.

#### (2) DISPOSAL OF TRANSMISSION & DISTRIBUTION SECTOR (EXCLUDING THE POWER CONVERSION BUSINESS)

In early January 2004, the Group disposed of the T&D Sector excluding the Power Conversion business, which is being retained.

Total selling price is 957 million (subject to closing price adjustments) of which 89 million is held in escrow at 31 March 2004.

As a result, the T&D Sector ceased to be consolidated with effect from 31 December 2003.

Alstom continues to own and therefore to consolidate certain former T&D businesses insignificant to the Group which are expected to be transferred to Areva subject to local regulatory approvals.

### NOTE 4 - OTHER INCOME (EXPENSE), NET

	YEAR ENDED 31 MARCH	
	2002	2003
	(IN MILLION)	
Net gain on disposal of fixed assets	11	29
Net gain (loss) on disposal of investments (1)	107	(35)
Restructuring costs (2)	(227)	(268)

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Employees' profit sharing	(5)	(18)
Pension costs (3)	(139)	(214)
Others, net (4)	(137)	(49)
	-----	-----
OTHER INCOME (EXPENSE), NET	(390)	(555)

- (1) In the year ended 31 March 2002, it reflects :
- the net gains on the disposal of Contracting Sector of 106 million and GTRM of 43 million
  - the net loss on disposal of the Waste to Energy business of (42) million.

In the year ended 31 March 2003 it mainly reflects 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 (See Note 3). The Group has 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 accounting principles and judgements, consistently applied. These adjustments resulted in no impact on Earnings Before Interest and Taxation on or 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 (See Note 3). Certain restructuring costs in T&D totaling 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" (see Note 10)
  - other net losses of 8 million on various disposal of non significant consolidated companies
- (2) 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.
- (3) See Note 21 "Retirement, termination and post-retirement benefits".
- (4) In the year ended 31 March 2002, in addition to other non operating costs it mainly includes 90 million for additional Marine vendor finance provisioning.  
 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.

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	YEAR ENDED 31 MARCH		
	2002	2003	2004
		(IN	MILLION)
Net interest income (expense)	(163)	(182)	(247)
Securitisation expenses	(87)	(82)	(24)
Foreign currency gain (loss) (1)	(3)	55	(19)
Other financial income (expense) (2)	(41)	(61)	(170)
FINANCIAL INCOME (EXPENSE)	(294)	(270)	(460)

(1) 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 USA.

(2) Other financial income (expenses), net include fees paid on guarantees, syndicated loans and other financing facilities of 22 million, 41 million and 125 million for the years ended 31 March 2002, 2003 and 2004 respectively.

NOTE 6 - INCOME TAX

(A) ANALYSIS BY NATURE AND GEOGRAPHIC ORIGIN

	YEAR ENDED 31 MARCH		
	2002	2003	2004
		(IN	MILLION)
France	(3)	(3)	(7)
Foreign	(94)	(150)	(95)
CURRENT INCOME TAX	(97)	(153)	(102)
France	114	8	14
Foreign	(27)	408	(163)
DEFERRED INCOME TAX	87	416	(149)
INCOME TAX (CHARGE) CREDIT	(10)	263	(251)

(B) EFFECTIVE INCOME TAX RATE

	YEAR ENDED 31 MARCH	
	2002	2003
		(IN
		MILLION)
France	(128)	(218)
Foreign	321	(1,181)
PRE-TAX INCOME (LOSS)	193	(1,399)
Statutory income tax rate of the parent company	35.43 %	35.43 %

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EXPECTED TAX (CHARGE ) CREDIT	(68)	496
Impact of :		
- difference in rate of taxation	4	(110)
- reduced taxation of capital gain (non recognised losses on disposals)	39	36
- recognition (non recognition) of deferred tax assets	(20)	(76)
- net change in estimate of tax liabilities	37	35
- intangible assets amortisation	(23)	(22)
- other permanent differences	21	(96)
	-----	-----
INCOME TAX ( CHARGE ) CREDIT	(10)	263
	-----	-----
EFFECTIVE TAX RATE	5.2 %	-
	=====	=====

In the year ended 31 March 2002, the effective tax rate was principally affected by the reduced tax rate on capital gains.

In the year ended 31 March 2003 the effective tax rate was principally affected by the non recognition of deferred tax assets and the lower rate of taxation in Switzerland.

In the year ended 31 March 2004, the effective tax rate is principally affected by the non recognition of deferred tax assets and the taxation of disposals.

The Group consolidates most of its country operations for tax purposes, including in France, the United Kingdom, the United States, and Germany. At 31 March 2004 there were tax losses, principally relating to France, Germany, Italy, Switzerland, United Kingdom and United States, which aggregated 4,482 million.

Furthermore, the changes in industrial activity and shareholding that the Group is undergoing may in some jurisdictions cause certain deferred tax assets on loss carry forward to be examined under anti-abuse legislation relating to change. The Group is aware of this possibility but does not currently believe that any material impact on the Consolidated Financial statements would arise.

The tax loss carry forward by maturity is as follows

	AT 31 MARCH 2003	AT 31 MARCH 2004
	-----	-----
	(IN MILLION)	
Expiring within		
1 year	221	20
2 years	66	15
3 years	157	75
4 years	507	80
5 years and more	2,873	1,999
Not subject to expiration	1,501	2,293
	-----	-----
TOTAL	5,325	4,482
	=====	=====

On the part of the 4,482 million that led to recognition of net deferred tax assets, 22 million of losses expire within 5 years.

The losses incurred over the last two years have lead 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

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led to valuation allowance on deferred tax assets of 730 million at 31 March 2004. Most of the deferred tax assets currently subject to valuation allowance remain available to be utilised in future.

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

	AT 31 MARCH	
	2002	2003
	-----	-----
	(IN MILLION)	
Accelerated depreciation	54	48
Intangible assets	188	245
Profit sharing, annual leave and pension accrual not yet deductible	137	113
Provisions and other expenses not currently deductible	629	535
Contract provisions taxed in advance	91	110
Tax loss carryforwards	1,294	1,755
Others	21	149
	-----	-----
GROSS DEFERRED TAX ASSETS	2,414	2,955
	-----	-----
VALUATION ALLOWANCE	(270)	(365)
	-----	-----
NETTING BY TAX GROUPING OR BY LEGAL ENTITY	(658)	(759)
	-----	-----
DEFERRED TAX ASSETS	1,486	1,831
	=====	=====
Accelerated depreciation for tax purposes	(88)	(81)
Contract revenues not currently taxable	(209)	(255)
Losses on intercompany transfers	(44)	(34)
Deferred income related to leasing transactions	(32)	(60)
Inventory valuation methods	(69)	(49)
Pensions and other adjustments not currently taxable	(76)	(91)
Provisions and other expenses deducted in advance	(187)	(226)
	-----	-----
GROSS DEFERRED TAX LIABILITIES	(705)	(796)
	-----	-----
NETTING BY TAX GROUPING OR BY LEGAL ENTITY	658	759
	-----	-----
DEFERRED TAX LIABILITIES	(47)	(37)
	=====	=====

The Group is satisfied as to the recoverability of the deferred tax assets, net at 31 March 2004 of 1,531 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.

### NOTE 7 - GOODWILL, NET

NET VALUE AT 31 MARCH 2002 (1)	NET VALUE AT 31 MARCH 2003 (1)	ACQUISITIONS/ DISPOSALS	AMORTISATION
-----	-----	-----	-----



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			(IN	MILLION)
Power Environment (a)	790	755	-	(45)
Power Turbo Systems (a)	121	115	-	(7)
Power Service (a) & (2)	2,268	2,166	(47)	(128)
Transport (b)	449	558	7	(38)
Marine	2	2	-	-
Power Industrial Turbines (a) & (2)	345	329	(324)	(5)
Transmission & Distribution (3)	564	515	(394)	(26)
Power conversion (3)	-	-	(1)	(7)
Other (c)	73	-	-	-
	-----	-----	-----	-----
GOODWILL, NET	4,612	4,440	(759)	(256)
	=====	=====	=====	=====

(1) From 1 April 2003, the former Power Sector was reorganised into three new sectors, Power Turbo-Systems, Power Service and Power Environment (See Note 26). Consequently, the Goodwill, net allocated to the former 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. The result of these transactions is a decrease of Goodwill of 371 million (See Note 3).

(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 2002 and 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" (See Note 3).

The gross value of goodwill was 5,452 million, 5,449 million and 4,420 million at 31 March 2002, 2003 and 2004 respectively.

### (a) Power Turbo Systems, Power Environment and Power Service (ex Power Sector)

The goodwill of Power Turbo Systems, Power Environment and Power Service arose from the acquisition of ABB ALSTOM Power in a two step process in 1999 and 2000.

The aggregate amount of goodwill recorded in connection with the acquisition of ALSTOM Power in the June 1999 and May 2000 transactions was 3,953 million.

### (b) Transport

In October 2000, the Group purchased 51% of Fiat Ferroviaria SPA now renamed ALSTOM Ferroviaria SPA for 149 million. Goodwill arising on that acquisition is 109 million.

In April 2002, a put option requiring the Group to purchase the remaining 49% of

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the capital was exercised by Fiat Spa for an amount of 154 million. The resulting goodwill increase amounts to 158 million.

### (c) Other

At 31 March 2003, other goodwill, which substantially reflected the acquisition costs of the Group's international network activity, was re-allocated to the sectors which the Network serves.

### (d) Impairment

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 over 10 years.
- Terminal value at the end of the ten year period representing approximately 45% of total enterprise value.
- The Group's Weighted Average Cost of Capital, post-tax, of 10.5 % to 11.5 %.

The valuation supported the Group's opinion that its goodwill and other intangible assets were not impaired on a reporting unit basis.

### NOTE 8 - OTHER INTANGIBLE ASSETS, NET

	AT 31 MARCH 2002	AT 31 MARCH 2003	ACQUISITIONS/ AMORTISATION	DISPOSALS	TRANS ADJUS AND CHA
	-----	-----	-----	-----	-----
			(IN	MILLION)	
Gross value	1,289	1,354	16	(193)	
Amortisation	(119)	(186)	(60)	30	
	-----	-----	-----	-----	-----
OTHER INTANGIBLE ASSETS, NET	1,170	1,168	(44)	(163)	
	=====	=====	=====	=====	=====

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 2003 and 2004 reflect payments under a technology sharing agreement signed during the year ended 31 March 2002.

The decrease of 163 million results from the disposal of the small and medium gas turbine business and the industrial steam turbine business (see Note 3).

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET

	AT 31 MARCH 2002	AT 31 MARCH 2003	ACQUISITIONS/ DEPRECIATION	DISPOSALS	CHANGES IN SCOPE OF CONSOLIDATIO (IN MILLION)
Land	390	286	28	(122)	(37)
Buildings	1,661	1,505	43	(209)	(251)
Machinery and Equipment	3,516	3,174	123	(296)	(759)
Tools, furniture, fixtures and others	1,009	947	76	(89)	(201)
<b>GROSS VALUE</b>	<b>6,576</b>	<b>5,912</b>	<b>270</b>	<b>(716)</b>	<b>(1,248)</b>
Land	(23)	(8)	(2)	1	1
Buildings	(667)	(638)	(77)	98	150
Machinery and Equipment	(2,541)	(2,415)	(199)	267	603
Tools, furniture, fixtures and others	(557)	(520)	(68)	62	143
<b>ACCUMULATED DEPRECIATION</b>	<b>(3,788)</b>	<b>(3,581)</b>	<b>(346)</b>	<b>428</b>	<b>897</b>
Land	367	278	26	(121)	(36)
Buildings	994	867	(34)	(111)	(101)
Machinery and Equipment	975	759	(76)	(29)	(156)
Tools, furniture, fixtures and others	452	427	8	(27)	(58)
<b>NET VALUE</b>	<b>2,788</b>	<b>2,331</b>	<b>(76)</b>	<b>(288)</b>	<b>(351)</b>

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			INT
	2002	2003	2004	
			(IN MILLION)	
Guangxi Laibin Electric Power Co Ltd "Figlec"	65	59	-	
Termoeléctrica del Golfo and Termoelectrica Peñoles	72	87	66	
ALSTOM S.A. de C.V., Mexico	10	8	8	
Others	15	8	10	
<b>TOTAL</b>	<b>162</b>	<b>162</b>	<b>84</b>	

During the year ended 31 March 2004, the Group sold to a third party its

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shareholding of 40 % of the registered capital of a Chinese entity "Figlec", a company which operates a thermal Power Plant at Laibin, China.

### (B) OTHER INVESTMENTS, NET

	AT 31 MARCH			
	2002	2003	GROSS	PR
	NET	NET	GROSS	PR
	(IN MILLION)			
Ballard	40	22	29	
A-Train AB & A-Train Invest AB (1)	11	5	-	
La Maquinista Vila Global	28	-	-	
Birecik Baraj ve Hidroelektrik Santrali Tesis ve Isletme AS	16	20	20	
Tramvia Metropolitana SA	7	8	8	
Tramvia Metropolitana del Besos	-	8	8	
Others (2)	37	20	39	
<b>TOTAL</b>	<b>139</b>	<b>83</b>	<b>104</b>	

(1) A-Train AB & A-Train Invest AB were sold in January 2004

(2) No other investments' net value exceeds 5 million

Information on the main other investments at 31 March 2004 is based on the most recent financial statements available and is the following:

	NET INCOME	SHARE IN NET EQUITY
	(IN MILLION)	
Birecik Baraj ve Hidroelektrik Santrali Tesis ve Isletme AS	119	43
Tramvia Metropolitana SA	0	8
Tramvia Metropolitana des Besos (Trambesos)	0	8

### NOTE 11 - OTHER FIXED ASSETS, NET

	AT 31 MARCH		
	2002	2003	2004
	(IN MILLION)		
Long term loans, deposits and retentions	778	814	798
Prepaid assets - pensions (see Note 21)	469	397	357
Others	79	83	62
<b>OTHER FIXED ASSETS, NET (1)</b>	<b>1,326</b>	<b>1,294</b>	<b>1,217</b>

(1) Include loans and cash deposits in respect of Marine vendor financing (See Note 27 (a) (2)) for total amounts of 561 million, 510 million and 329 million at 31 March 2002, 2003 and 2004, respectively. At 31 March 2004, it also includes 125 million held in escrow following the disposal of the small and medium gas turbine businesses and the industrial steam turbines

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business.

NOTE 12 - INVENTORIES AND CONTRACTS IN PROGRESS, NET

	AT 31 MARCH	
	2002	2001
	(IN	MILLION)
Raw materials and supplies	1,586	1,481
Work and contracts in progress	6,929	5,192
Finished products	361	271
INVENTORIES, AND CONTRACTS IN PROGRESS, GROSS	8,876	6,954
Less valuation allowance	(323)	(301)
INVENTORIES, AND CONTRACTS IN PROGRESS, NET OF VALUATION ALLOWANCES	8,553	6,653
Less related customers' deposits and advances	(2,960)	(2,051)
INVENTORIES, AND CONTRACTS IN PROGRESS, NET OF VALUATION ALLOWANCES AND RELATED CUSTOMERS' DEPOSITS AND ADVANCES	5,593	4,602

NOTE 13 - TRADE RECEIVABLES, NET

	AT 31 MARCH	
	2002	2001
	(IN	MILLION)
Trade receivables on contracts	10,376	10,911
Other trade receivables	1,469	1,111
TRADE RECEIVABLES, GROSS (1)	11,845	12,022
Less valuation allowance	(137)	(111)
TRADE RECEIVABLES, NET OF VALUATION ALLOWANCES	11,708	11,911
Less related customers' deposits and advances	(6,978)	(7,021)
TRADE RECEIVABLES, NET OF VALUATION ALLOWANCES AND RELATED CUSTOMERS' DEPOSITS AND ADVANCES	4,730	4,890

(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		
	2002	2003	2004
	(IN MILLION)		
Trade receivables sold	1,388	357	94
Retained interests( Note 15)	(352)	-	-
NET CASH PROCEEDS FROM SALE OF TRADE RECEIVABLES	1,036	357	94

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During the year ended 31 March 2002, the Group sold trade receivables which it irrevocably and without recourse transferred eligible receivables to third parties. Under the terms of certain of these agreements, certain receivables are pledged as credit enhancement. The retained interest in these pledged receivables remains on the consolidated balance sheet as other receivables. The Group generally continues to service, administer, and collect the receivables on behalf of the purchasers.

During the years ended 31 March 2003 and 2004, 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		
	2002	2003	2004
	(IN MILLION)		
Advances paid to suppliers	1,192	758	528
Amounts due on local part of contracts	241	248	111
Income tax and other government receivables	519	496	450
Prepaid expenses	446	262	200
Retained interests in receivables (Note 14)	352	-	-
Others (1)	554	501	733
OTHER ACCOUNTS RECEIVABLES, NET	3,304	2,265	2,022

(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.

NOTE 16 - CHANGES IN NET WORKING CAPITAL

	AT 31 MARCH 2003	CASH FLOW	TRANSLATION ADJUSTMENTS	CHANGES IN SCOPE AND OTHERS
	(IN MILLION)			
Inventories and contract in progress, net	4,608	(389)	(99)	(1,233)
Trade and other receivables, net (1)	7,477	(770)	(144)	(985)
Sale of trade receivables, net	(357)	267	-	(4)
Contract related provisions	(3,264)	295	103	163
Other provisions	(296)	(113)	-	8
Restructuring provisions	(138)	(271)	(1)	25
Customers' deposits and advances	(3,541)	1	84	742
Trade and other payables	(9,375)	985	174	1,188
NET WORKING CAPITAL	(4,886)	5	117	(96)

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

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### NOTE 17 - SHORT-TERM INVESTMENTS

	CARRYING VALUE	WITHIN 1 YEAR	1 TO 5 YEARS	OV
		(IN	MILLION)	
AT 31 MARCH 2002				
Equity securities	31	-	-	
Deposits	121	117	4	
Bonds and other debt securities	179	18	160	
	331	135	164	
AT 31 MARCH 2003				
Government debt securities	4	1	3	
Deposits	53	53	-	
Bonds and other debt securities	85	36	43	
	142	90	46	
AT 31 MARCH 2004				
Bonds and other debt securities	39	35	4	
	39	35	4	

The aggregate fair value is 333 million, 143 million and 39 million at 31 March 2002, 2003 and 2004, respectively.

### NOTE 18 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at banks and cash on hand of 1,413 million, 897 million and 735 million at 31 March 2002, 2003 and 2004 respectively, and highly liquid investments of 492 million, 731 million and 692 million at 31 March 2002, 2003 and 2004, respectively.

### NOTE 19 - MINORITY INTERESTS

	AT 31 MARCH		
	2002	2003	2004
		(IN	MILLION)
BALANCE BEGINNING OF YEAR	102	91	95
Share of net income	23	15	(2)
Translation adjustment	(1)	(15)	(4)
Dividend paid	(21)	(1)	(3)
Change in scope and other changes	(12)	5	(18)
	91	95	68

### NOTE 20 - PROVISIONS FOR RISKS AND CHARGES

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	AT 31 MARCH 2002	AT 31 MARCH 2003	ADDITIONS	RELEASES	APPLIED	TRANS ADJUS A OT CHA
	-----	-----	-----	-----	-----	-----
				(IN MILLION)		
Warranties	1,618	815	456	(138)	(225)	
Penalties and claims	774	1,766	175	(109)	(631)	
Contract loss accruals	490	412	251	(27)	(328)	
Other risks on contracts	333	271	384	(42)	(61)	
PROVISIONS ON CONTRACTS	3,215	3,264	1,266	(316)	(1,245)	
RESTRUCTURING	178	138	645	(17)	(357)	
OTHER PROVISIONS	456	296	203	(47)	(43)	
	-----	-----	-----	-----	-----	-----
TOTAL	3,849	3,698	2,114	(380)	(1,645)	
	=====	=====	=====	=====	=====	=====

\*Including (102) million of translation effects.

PROVISIONS ON CONTRACTS

GT24/GT26 HEAVY DUTY GAS TURBINES

In July 2000, the Group announced that it had experienced significant technical difficulties in the introduction of the new GT24/GT26 heavy-duty gas turbines which are at the top end of the extensive range of gas turbines. They are among the largest individual products the Group sells and are typically sold as part of a larger power project involving other Power products. The GT24/GT26 turbines are based upon technology developed by ABB which initiated the development and marketing of the GT24/GT26 turbines in 1995, and also entered into contracts for sales of these turbines. These turbines were based on an advanced and novel design concept. In connection with the start of commercial operation of these turbines in 1999 and 2000, a number of significant technical problems were identified affecting all the turbines.

In response, the Group set in motion high-priority initiatives to design and implement modifications across the fleet. The first step of these initiatives was to de-rate the units so that they could operate in commercial service with lower efficiency and output, while the Group developed the technical solutions to allow full rating operation. The Group also embarked on a comprehensive programme to discuss and resolve any contractual issues with customers. Commercial settlements with customers were negotiated to deal with the consequences of the de-rating. Typically, what was proposed was a Performance Recovery Period of around 2-3 years, prior to implementing the life-time and performance upgrades, that the Group calls a "recovery package". This deferred the timing of the date at which provisional acceptance was achieved and related contractual remedies, including liquidated damages, apply. During that period, varying solutions were applied depending on the situation, however in general the Group replaced short life components at its cost and agreed on contractual amendments, including revised financial conditions, with each customer.

By March 2003, the commercial situation with respect to the GT24/GT26 gas turbines became clearer. The Group reached commercial settlements on 61 of the 80 units and of these settlements 24 were unconditional that is to say the contracts were in the normal warranty period, and there was no obligation to upgrade or pay further penalties. Under the other settlements, the Group committed to make additional upgrade improvements, either in respect of performance or the life of key components and was required to pay liquidated damages if the modified gas turbines did not meet performance criteria or if the Group did not respect the agreed time delays for the implementation of the



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modifications. As concerns the remaining 19 units for which no settlements had been reached, 7 were subject to litigation, and negotiations were ongoing or not yet started for the remainder. The orders in hand included 558 million, at 31 March 2003, in respect of a GT26 suspended contract for four units on

which the customer had an option for termination. As this contract has now been terminated, the orders in hand were adjusted accordingly during the year ended 31 March 2004.

Notwithstanding the progress achieved since November 2002, the Group experienced unexpected set backs and delays in validating and testing several important components of the recovery package, notably the GT24 compressor upgrade and the 'full lifetime' blades. These delays resulted in being unable to respect the duration of the recovery periods agreed with some of its customers under applicable agreements, including under conditional settlement agreements, prior to the implementation of the recovery package with the expected improvements in performance, efficiency and life of key components. In the current state of the energy wholesale markets, customers do not have the incentive to accept these machines. These delays therefore mean significantly increased exposure as customers are less inclined to agree to further extensions of the recovery periods and are invoking penalties and liquidated damages. The Group also incurred additional costs because it has been forced to shut down the machines more frequently to replace short life components at its expense. The Group's previously expected targets were therefore not achievable.

As a consequence, the Group revised its analysis of the residual financial impact of the GT24/GT26 issue on a contract by contract basis, which it estimated at 1,655 million net at 31 March 2003.

As of 31 March 2004, the 73 machines in service had accumulated over 900,000 operating hours at high reliability levels.

The commercial situation with respect to the remaining 76 GT24/GT26 gas turbines initially sold continues to improve at 31 March 2004: 73 units are in commercial operation, 2 are in commissioning, 1 is in construction. Under agreements covering 22 of the units, the Group is committed to or otherwise has the opportunity to make upgrade improvements within agreed time periods. The other units which are in commercial operation, are either in normal warranty or have had those warranty periods expire. All of the cases of client litigation which affected 7 units as of March 2003 are now resolved via satisfactory commercial settlements. There are commercial disputes involving contractual arbitration with respect to two projects for which the customers have accepted the turbines, but allege that contractual penalties are due in amounts contested by the Group.

At 31 March 2002, 1,489 million of provisions and accrued contract costs were retained in respect of these turbines after having recorded 1,075 million during the year.

The Group recorded an additional 1,637 million of provisions and accrued contract costs related to these turbines in the year ended March 2003, 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 after taking into account mitigation plans of 454 million. This provision did not take into account interest to be paid to customers (cost of carry), the cost of which are recorded when it falls due.

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In the year ended 31 March 2004, provisions and accrued contract costs of 825 million were utilised and 738 million were retained at 31 March 2004 in Provisions for Risks and Charges, after taking into account remaining mitigation plans of 234 million and currency movements.

Actual costs incurred may exceed the amounts of provisions retained at 31 March 2004 because of a number of factors, including cost overruns or delays the Group may incur in the manufacture of modified components, the implementation of modifications or the delivery of modified turbines and the outcome of claims or arbitration made by or against the Group.

### UK TRAINS

At 31 March 2004, provisions of 41 million are retained in respect of UK train equipment supply contracts.

Actual costs incurred may exceed the amounts of provisions and accrued contract costs retained at 31 March 2004 as, among other items, the outcome of claims made by or against the Group are at such an early stage that no meaningful assessment of amounts which may become due to or by the Group is possible. On one of the UK contracts, the West Coast Main Line, any settlement will require the approval of the Strategic Rail Authority.

### ALSTOM TRANSPORTATION INC.

During the year ended 31 March 2004, the Group identified and recognised additional costs of 102 million of which 44 million in provisions for risks on contracts following the re-estimation of costs to complete on several contracts in Alstom Transportation Inc. The additional provisions mainly concern two North East Corridor (NEC) line contracts together with receivables write-down and accrued contract costs and other payables.

On these two NEC contracts, new build and maintenance, all parties agreed to enter a mediation phase starting June 2003. A resolution between the parties has been achieved in line with amounts previously provided.

### RESTRUCTURING EXPENDITURES AND PROVISIONS

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. At 31 March 2003, restructuring and redundancy provisions mainly relate to Power and Transmission & Distribution Sectors.

During the year ended 31 March 2002, restructuring expenditure amounted to 344 million, principally in the Power, Transmission & Distribution and Transport Sectors. New plans were adopted during the period in Transport for which provisions have been created during the year. At 31 March 2002, restructuring and redundancy provisions mainly relate to Power, Transmission and Distribution and Power Conversion Sectors.

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### OTHER PROVISIONS

Other provisions include 144 million at 31 March 2002 and 140 million at 31 March 2003 and 2004, respectively to cover Marine vendor financing exposure (Note 27 (a)).

### NOTE 21 - 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 the historical 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 BENEFIT			OTHER BENEFITS			
	AT 31 MARCH			AT 31 MARCH			
	2002	2003	2004	2002	2003	2004	2002
	(IN MILLION)						
ACCUMULATED BENEFIT OBLIGATION AT END OF YEAR	(3,168)	(3,137)	(3,335)	(242)	(204)	(144)	(3,410)
BENEFIT OBLIGATION AT BEGINNING OF YEAR	(3,865)	(3,527)	(3,339)	(206)	(242)	(204)	(4,071)
Service cost	(99)	(107)	(86)	(3)	(2)	(1)	(102)
Interest cost	(205)	(196)	(184)	(16)	(15)	(11)	(221)
Plan participants contributions	(19)	(20)	(26)	-	-	-	(19)
Amendments	(16)	1	(2)	-	-	15	(16)
Business Combinations / disposals (1)	359	(3)	129	-	-	-	359
Curtailment	9	12	6	-	-	-	9
Settlements	-	91	74	-	-	-	-
Actuarial (loss) gain	154	(97)	(234)	(31)	(12)	17	123
Benefits paid	178	149	206	17	17	18	195
Foreign currency translation	(23)	358	(32)	(3)	50	21	(26)
BENEFIT OBLIGATION AT END OF YEAR	(3,527)	(3,339)	(3,488)	(242)	(204)	(145)	(3,769)

(1) IN THE YEAR ENDED 31 MARCH 2002, THE BUSINESS COMBINATION RELATES MAINLY TO THE PURCHASE AND THE INTEGRATION OF RAILCARE LIMITED AND TO THE SALE OF GT

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RAILWAYS MAINTENANCE LIMITED AND CONTRACTING SECTOR.

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 BENEFIT			OTHER BENEFITS		
	AT 31 MARCH			AT 31 MARCH		
	2002	2003	2004	2002	2003	2004
	(IN MILLION)					
FAIR VALUE OF PLAN ASSETS AT						
BEGINNING OF YEAR	3,322	2,712	2,012	-	-	-
Actual return on plan assets	(165)	(282)	302	-	-	-
Company contributions	81	73	74	-	-	-
Plan participant contributions	19	23	26	-	-	-
Business Combinations/disposals (1)	(444)	(30)	12	-	-	-
Settlements	-	(75)	(33)	-	-	-
Benefits paid	(122)	(95)	(159)	-	-	-
Foreign currency translation	21	(314)	29	-	-	-
	-----	-----	-----	-----	-----	-----
FAIR VALUE OF PLAN ASSETS AT						
END OF YEAR	2,712	2,012	2,263	-	-	-
FUNDED STATUS OF THE PLAN	(815)	(1,327)	(1,225)	(242)	(204)	(145)
Unrecognised actuarial loss (gain)	506	933	904	34	34	14
Unrecognised prior service cost	18	11	8	-	(1)	(14)
Unrecognised transitional obligation	(26)	(24)	(29)	-	3	2
	-----	-----	-----	-----	-----	-----
(ACCRUED) PREPAID BENEFIT COST	(317)	(407)	(342)	(208)	(168)	(143)
	-----	-----	-----	-----	-----	-----
OF WHICH:						
ACCRUED PENSIONS AND RETIREMENT BENEFITS	(786)	(804)	(699)	(208)	(168)	(143)
PREPAID ASSETS (NOTE 11)	469	397	357	-	-	-

(1) IN THE YEAR ENDED 31 MARCH 2002, THE BUSINESS COMBINATION RELATES MAINLY TO THE PURCHASE AND THE INTEGRATION OF RAILCARE LIMITED AND TO THE SALE OF GT RAILWAYS MAINTENANCE LIMITED AND CONTRACTING SECTOR.

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

	2002		AT 31 MARCH			2004	
	(IN MILLION)		2003			(IN MILLION)	
		%	(IN	MILLION)	%	(IN	MILLION)
Equities	1,646	60.7	1,156	57.5	1,289		
Bonds	827	30.5	641	31.8	734		
Properties	142	5.2	129	6.4	137		
Others	97	3.6	86	4.3	103		

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TOTAL	2,712	100	2,012	100	2,263
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The actuarial assumptions used vary by business unit and country, based upon local considerations:

ASSUMPTIONS (WEIGHTED AVERAGE RATES)

	PENSION BENEFIT			OTHER BENEFIT	
	YEAR ENDED 31 MARCH			YEAR ENDED 31 MARCH	
	2002	2003	2004	2002	2003
Discount rate	6.14%	5.90%	5.66%	7.25 %	6.75
Rate of compensation increase	3.31%	3.28%	3.00%	N/A	N/A
Expected return on plan assets	7.79%	7.57%	8.00%	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 2002, 2003 and 2004.

	PENSION BENEFIT			OTHER BENEFIT
	YEAR ENDED 31 MARCH			YEAR ENDED 31 MARCH
	2002	2003	2004	2002
			(IN	MILLION)
Service cost	99	107	86	3
Interest cost	205	196	184	16
Expected return on plan assets	(208)	(193)	(147)	-
Amortisation of unrecognised prior service cost	(8)	2	1	-
Amortisation of actuarial net loss (gain)	11	16	61	-
Curtailments/Settlements	(32)	9	(143)	-
NET PERIODIC BENEFIT COST	67	137	42	19

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Curtailments/Settlements effects included in Net gain on disposal of investments (See Note 4) (1)	-	-	149	-
	-----	-----	-----	-----
NET PERIODIC BENEFIT COST CLASSIFIED IN PENSIONS (SEE NOTE 4)	67	137	191	19
	=====	=====	=====	=====

(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 2004 and 7.4% thereafter.

In addition to the net periodic benefit cost disclosed above, the Group charged in pensions costs contributions related to schemes mixing defined benefits and defined contributions for 32 million together with multi-employer contributions for 28 million.

The total of pension and other post retirement benefit costs for each of the three year ended 31 March 2004 are shown in Note 4 - Other income (expenses), net.

The total cash spend in the year ended 31 March 2004 was 199 million.

### NOTE 22 - FINANCIAL DEBT

#### (A) ANALYSIS BY NATURE

	AT 31 MARCH	
	2002	2003
	(IN MILLION)	
Redeemable preference shares (1)	-	205
Subordinated notes (2)	-	250
Bonds (3)	1,200	1,200
Syndicated loans (4)	1,550	2,627
Subordinated long term bond (TSDD) (5)	-	-
Subordinated bonds reimbursable with shares (TSDDRA) (6)	-	-
Bilateral loans	283	358
Bank overdraft and other facilities	779	266
Commercial paper (7)	455	83
Accrued interest	33	50
	-----	-----
TOTAL	4,300	5,039
	=====	=====
Future receivables securitised, net (8)	1,735	1,292
	-----	-----
FINANCIAL DEBT	6,035	6,331
	=====	=====
Long-term portion	3,644	3,647
Short-term portion	2,391	2,684

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- (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 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 at any time 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.
- (2) The Group issued, on September 2000, 250 million Auction Rate Coupon Undated Subordinated Notes. In March 2003, the terms of redemption were amended and the notes are redeemable in September 2006. They retain their subordinated nature and rank "pari passu" with holders of other subordinated indebtedness. Interest is payable quarterly, at variable rates based on EURIBOR.
- (3) On July 26, 1999, the Group issued bonds for a principal amount of 650 million with a 7 year maturity, listed on the Paris and Luxembourg Stock Exchanges, bearing a 5% coupon and to be redeemed at par on 26 July 2006. On February 6, 2001, the Group issued bonds for a principal amount of 550 million with a 3 year maturity, listed on the Luxembourg Stock Exchange, bearing a 5.625% coupon. These bonds have been redeemed at par on 6 February 2004.
- (4) Syndicated loans

Syndicated loans include:

- A 5-year subordinated debt facility signed on 30 September 2003 with a syndicate of banks and financial institutions for an amount up to 1,563 million, as part of the new financing package (the "Financing package) which was announced on 22 September 2003, following an agreement reached with all interested parties.

This subordinated debt facility is divided between the term loan "Part A" of 1,200 million and the revolving credit "Part B" of 363 million.

The "Part A" has been made available in two advances used to repay the outstanding balance of the 1,250 million 2004 Multicurrency Revolving Credit Agreement, commercial paper (BILLETS DE TRÉESORERIE) and the 550 million bonds in full. The "Part B" is available since 20 January 2004 and was not drawn at 31 March 2004.

- 722 MILLION AS PART OF A 2006 MULTICURRENCY REVOLVING CREDIT AGREEMENT.

The subordinated debt facility and the 2006 Multicurrency Revolving Credit Agreement are subject to new financial covenants amending the ones applicable at 31 March 2003.

Under this agreement, upon the occurrence and continuation of events that qualify as events of default (or early repayment events), the lenders may cancel all commitments and declare all outstanding amounts to be immediately due and payable.

On the basis of the Consolidated Financial Statements as of 31 March 2004, the

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Group would have failed to comply with the financial covenants "Consolidated net worth" and "EBITDA" described below. In late April 2004, the Group obtained an agreement from its lenders to suspend these covenants until 30 September 2004 and expects to negotiate new financial covenants before this date.

COVENANTS	MINIMUM INTEREST COVER	MINIMUM CONSOLIDATED NET WORTH (INCLUDING TSDDRA *)	MAXIMUM TOTAL DEBT (EXCLUDING TSDDRA *)	MAXIMUM NET DEBT LEVERAGE
	(a)	(b)	(c)	(d)
	-----	-----	-----	-----
		(IN MILLION)	(IN MILLION)	
March 2004		1,400	4,750	
June 2004			4,850	
September 2004		1,000	4,800	
December 2004			4,600	
March 2005	1.2	1,100	4,450	8.0
June 2005			4,650	
September 2005	1.6	850	4,650	7.5
December 2005			4,600	
March 2006	2.5	1,150	4,450	4.0
June 2006			4,400	
September 2006	2.5	1,150	4,400	3.6
December 2006			4,400	
March 2007	2.5	1,150	4,400	3.6
June 2007			4,400	
September 2007	2.5	1,150	4,400	3.6
December 2007			4,400	
March 2008	2.5	1,150	4,400	3.6
June 2008			4,400	

\* TSDDRA, or "titres subordonnés à durée déterminée remboursables en actions"

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

(b) Sum of shareholders' equity and minority interests (this covenant will not apply if and for as long as ALSTOM's long term unsecured, unsubordinated debt is assigned a credit rating of at least Baa3 by



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Moody's or BBB- by Standard & Poor's). For purposes of this financial covenant, consolidated net worth shall include the TSDDRA.

- (c) Sum of the financial debt and the net amount of sale of trade receivables (this covenant will not apply if and for as long as ALSTOM's long term unsecured, unsubordinated debt is assigned a credit rating of at least Baa3 by Moody's or BBB- by Standard & Poor's). For purposes of this financial covenant, total debt is to be calculated excluding the TSDDRA.
  - (d) Ratio of total net debt (total financial debt less short-term investments and cash and cash equivalents) to EBITDA (see (e) below). For purposes of this financial covenant, total financial debt is contractually to be calculated excluding the TSDDRA.
  - (e) Earnings 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.
- (5) As part of the financing package mentioned above, the Group issued 200 million of subordinated bonds with a 15-year maturity to the French State ("TSDD" or titres subordonnés à durée déterminée). These subordinated bonds are carrying an interest rate of EURIBOR plus 5%, of which 1.5% is capitalised annually and paid upon reimbursement
- (6) As part of the financing package mentioned above, the Group issued 300 million of subordinated bonds with a 20-year maturity to the French State, which will 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). These subordinated bonds are carrying an interest rate of 2% until a decision of the European Commission is obtained, at which point (if the decision is negative) the rate will be adjusted to EURIBOR plus 5%, of which 1.5% will be capitalised annually and paid upon reimbursement. The issue price for each bond will be 1.25, and each will be reimbursable with one share, subject to anti-dilution adjustments

- (7) The total authorised commercial paper program is 2,500 million, availability being subject to market conditions. As part of the financing package, the French State and a consortium of banks have committed to subscribe, if requested by the Group, an amount of commercial paper of 420 million until January 2005.
- (8) The Group sold, in several transactions, the right to receive payment from certain customers for future receivables for a net amount of 1,735 million, 1,292 million and 265 million at 31 March 2002, 2003 and 2004, respectively. The Total amount of 265 million at 31 March 2004 concerns Transport Sector.

Total available credit lines at Group level at 31 March 2004 of 783 million are constituted of 420 million of commercial paper and 363 million of the tranche B of the Subordinated loans not yet drawn.

### (B) ANALYSIS BY MATURITY AND INTEREST RATE

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(IN MILLION)	SHORT TERM					
	TOTAL	LESS THAN 1 YEAR	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5
Redeemable preference shares	205	-	205	-	-	-
Subordinated notes	250	-	-	250	-	-
Bonds	650	-	-	650	-	-
Syndicated loans	1,922	-	-	722	-	-
Subordinated long term bond (TSDD)	200	-	-	-	-	-
Subordinated bonds reimbursable with shares (TSDDRA)	300	-	-	-	-	-
Bilateral loans	260	-	27	33	200	-
Bank overdraft and other facilities	274	232	14	6	3	-
Commercial Paper	-	-	-	-	-	-
Accrued interests	46	46	-	-	-	-
<b>TOTAL</b>	<b>4,107</b>	<b>278</b>	<b>246</b>	<b>1,661</b>	<b>203</b>	
Future receivables securitised, net (2)	265	265	-	-	-	-
<b>FINANCIAL DEBT</b>	<b>4,372</b>	<b>543</b>	<b>246</b>	<b>1,661</b>	<b>203</b>	

- (1) including the effects of interest rate swaps associated with the underlying debt (see Note 29 (b)).
- (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	
	AMOUNT BEFORE HEDGING	AMOUNT AFTER HEDGING (1)
	(IN MILLION)	
Financial debt at fixed rate	1,055	735
Financial debt at floating rate(2)	3,317	3,637
<b>TOTAL</b>	<b>4,372</b>	<b>4,372</b>

- (1) after taking into account 320 million of interest swaps converting the financial debt at fixed rates into variable rates (see Note 29 (b))
- (2) floating interest rates are based on EURIBOR and LIBOR

(C) ANALYSIS BY CURRENCY

	AT 31 MARCH		
	2002	2003	2004
	(IN MILLION)		
Euro	5,676	6,205	4,214
US dollar	125	22	112
Swiss franc	-	-	8

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Mexican peso	59	-	-
British Pound	24	3	12
Other currencies	151	101	26
	-----	-----	-----
TOTAL	6,035	6,331	4,372
	=====	=====	=====

### NOTE 23 - ACCRUED CONTRACT COSTS AND OTHER PAYABLES

	AT 31 MARCH		
	2002	2003	2004
	-----	-----	-----
	(IN MILLION)		
Accrued contract cost (contract completion)	2,725	2,822	2,229
Staff and associated costs	910	888	694
Income taxes	158	192	195
Other taxes	239	254	291
Others	506	590	489
	-----	-----	-----
ACCRUED CONTRACT COSTS AND OTHER PAYABLES	4,538	4,746	3,898
	=====	=====	=====

### NOTE 24 - QUEEN MARY II FINANCING

In the year ended 31 March 2003 the Group's marine subsidiary entered into a construction finance contract in respect of one ship delivered in December 2003. Under the terms of this contract finance was made available against commitments to suppliers and to work in progress. The amounts financed were secured against the ship involved and the future receivable was collateralised by way of a guarantee of the prefinancement.

Cash received was firstly been applied against amounts included in trade receivables then against work in progress and where commitments made did not become work in progress cash was shown as part of customer deposits and advances.

At 31 March 2003 cash received on this pre-financing was 453 million, of which 434 million was applied and the remaining balance of 19 million included in customer deposits and advances.

At 31 March 2004, this financing is fully repaid.

### NOTE 25 - FINANCING ARRANGEMENTS

#### (A) SPECIAL PURPOSE LEASING ENTITIES

At 31 March 2004, the Group has interests in eight special purpose leasing entities relating to seven cruise-ships and sixty locomotives. Because the Group has no shares in these entities, they are not consolidated. Four special purpose entities are active at 31 March 2004, the four others being dormant.

During the year ended 31 March 2002 the leasing arrangements of four special purpose leasing entities owning four cruise-ships were re-organised following the bankruptcy of Renaissance Cruises which went into Chapter 11 bankruptcy proceedings in September 2001 and for which the Group had previously built and delivered eight cruise-ships.

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The four cruise-ships owned by four special purpose leasing entities which were afterwards put into liquidation were subsequently sold to separate subsidiaries of Cruiseinvest L.L.C, a subsidiary of Cruiseinvest (Jersey) Ltd, an entity in which the Group has no shares.

Consequently, at 31 March 2003 and 2004, the Group has four ongoing leasing arrangements, three relating to Marine Sector and one relating to Transport Sector.

The summarised balance sheets is as follows :

	AT 31 MARCH		
	2002	2003	2004
	-----	-----	-----
ASSETS	(IN MILLION)		
Fixed assets, net	88	85	118
Long-term receivables, net (*)	923	770	677
Advance payments	10	10	10
Other assets	43	41	29
	-----	-----	-----
TOTAL	1,064	906	834
	=====	=====	=====
LIABILITIES			
Bank borrowings (1)	634	510	602
Alstom borrowings (2)	270	266	115
Customers retentions	160	130	117
	-----	-----	-----
TOTAL	1,064	906	834
	=====	=====	=====

(\*) Long-term receivables, net are presented net of unearned income that amounts to 552 million, 457 million and 366 million at 31 March 2002, 2003 and 2004 respectively.

The decrease of total balance sheet in fiscal year 2003 and 2004 is mainly due to the appreciation of Euro against US dollar during the periods.

(1) Bank borrowings

Marine

Borrowing of one entity totalling 123 million, 111 million and 96 million at 31 March 2002, 2003 and 2004, respectively is guaranteed by the Group. In the event of the guarantee of repayment of borrowings being called, the Group's position is secured on the underlying assets of the entity. The Group's exposure is disclosed in Note 27 (a) (2) "vendor financing".

Borrowings of the two other entities of 224 million, 147 million and 263 million at 31 March 2002, 2003 and 2004, respectively are not guaranteed by the Group which consequently has no exposure in respect of these borrowings.

Transport

Borrowings of the entity involving sixty locomotives totalling 287 million, 252 million and 243 million at 31 March 2002, 2003 and 2004, respectively are guaranteed by a Western European state with no recourse to the members of the

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entity in case of default. The Group has no exposure in respect of these borrowings.

### (2) Alstom borrowings

#### Marine

Two leasing entities are also directly financed by the Group for an amount of 270 million, 223 million and 48 million at 31 March 2002, 2003 and 2004, respectively, that will increase to a maximum of approximately 49 million (USD 60 million) in 2005. The decrease is due to the appreciation of Euro against US dollars during the fiscal year 2003 and 2004 and the repayment of part of the financing granted for an amount of approximately 180 million in fiscal year 2004.

In addition, at 31 March 2004, a loan of 17 million has been granted to the other leasing entity. This financing is secured by ship mortgages. The Group's exposure is disclosed in Note 27 (a) (2) "vendor financing".

#### Transport

The entity involving sixty locomotives is also directly financed by the Group for an amount of 43 million and 50 million at 31 March 2003 and 2004, respectively, that will increase to a maximum of approximately 61 million in 2009. This financing is guaranteed by a Western European state. The Group has no exposure in respect of these borrowings.

As a consequence, at 31 March 2003 and 2004, the Group's vendor financing exposure in respect of these entities is 351 million and 162 million, respectively (see Note 27 (a) (2) "vendor financing").

The summarised income statement is as follows:

	YEAR ENDED 31 MARCH		
	2002	2003	2004
	-----	-----	-----
	(IN MILLION)		
Lease income	58	63	58
Financial expenses	(69)	(60)	(54)
Other income (expenses)	11	(3)	(4)
	-----	-----	-----
NET INCOME (LOSS)	-	-	-
	=====	=====	=====

Such arrangements are 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.

### (B) CRUISEINVEST

The ultimate owner of Cruiseinvest (Jersey) Ltd, a company, incorporated on November 12, 2001, is a Jersey charitable trust. The main assets of this structure through subsidiaries of Cruiseinvest LLC are six cruise-ships initially delivered to Renaissance, the ownership of which was reorganised following the bankruptcy of Renaissance Cruises, including the four cruise-ships referred to in Note 25(a), and acquired after a sealed bid auction process.

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The summarised condensed balance sheets is as follows:

	AT 31 MARCH	
	2002 (*)	2003 (**)
		(IN MILLIO
Cruise ships at cost, net	1,026	907
Other assets	26	6
<b>TOTAL ASSETS</b>	<b>1,052</b>	<b>913</b>
Retained earnings (including Cumulative Translation Adjustments)	-	7
Net income (loss)	-	(85)
<b>NET EQUITY</b>	<b>-</b>	<b>(78)</b>
Bank borrowings (1) & (***)	857	804
Alstom limited recourse notes (2) & (***)	195	169
Alstom credit lines (3) & (***)	-	15
Other payables	-	3
<b>TOTAL LIABILITIES</b>	<b>1,052</b>	<b>913</b>

(\*) Unaudited, based on data provided by Cruiseinvest at 31 December 2001.

(\*\*) Based on financial statement information provided by Cruiseinvest prepared in accordance with International Financial Reporting Standards. Cruiseinvest's independent auditors have indicated a likely impairment in the carrying value of the vessels which the Group has considered in determining its vendor financing provision (see Note 27 (a) (2) "Vendor Financing").

(\*\*\*) Including interests due and accrued.

(1) The Group guaranteed some of the financing arrangements up to US \$173 million at 31 March 2002 and 2003 and US \$156 million at 31 March 2004 ( 197 million at 31 March 2002 , 159 million at 31 March 2003 and 128 million at 31 March 2004) of which US \$84 million ( 96 million at 31 March 2002, 77 million at 31 March 2003 and 69 million at 31 March 2004) are supported by a cash deposit.

(2) The Group purchased US \$170 million ( 195 million at 31 March 2002 , 156 million at 31 March 2003 and 139 million at 31 March 2004) of subordinated limited recourse notes issued by Cruiseinvest (Jersey) Ltd. These subordinated limited recourse notes are composed of a series of five notes bearing interest at 6% per annum payable half yearly in arrears, and maturing in December 2011. The right of the Group as note-holder is limited to amounts that shall become payable up to the value of the notes. Related interest due and accrued amounted to 13 million at 31 March 2003 and 20 million at 31 March 2004.

(3) The Group provided Cruiseinvest LLC with a 40 million line of credit, of which 15 million and 16 million was drawn down at 31 March 2003 and 2004, respectively. Additional loans were granted by the Group at 31 March 2004 for an amounts of 16 million to Cruiseinvest Jersey Ltd subsidiaries. Related interest due and accrued amounted to 3 million at 31 March 2004.

The decrease of total balance sheet in fiscal years 2003 and 2004 is mainly due to the appreciation of Euro against US dollar during the period.

At 31 March 2003, the Group's vendor financing exposure in respect of

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Cruiseinvest was 368 million, corresponding to the limited recourse note including interest of 169 million, the total commitment concerning the line of credit of 40 million and 159 million of guarantees given on borrowings (see Note 27 (a) (2) "Vendor financing").

At 31 March 2004, the Group's vendor financing exposure in respect of Cruiseinvest is 323 million, corresponding to the limited recourse note of 139 million, excluding interest, the total commitment concerning the line of credit of 40 million, 128 million of guarantees given on borrowings and loans to Cruiseinvest subsidiaries of 16 million, excluding interest (see Note 27 (a) (2) "Vendor financing").

The summarised income statement of Cruiseinvest is as follows:

	YEAR ENDED 31 MARCH	
	2003	2004
	(IN MILLION)	
Lease income	5	28
Operating expenses	(19)	(31)
Depreciation expense	(35)	(28)
OPERATING LOSS	(49)	(31)
Financial expenses	(36)	(32)
NET INCOME (LOSS)	(85)	(63)

The Article 133 of the Loi de Sécurité Financière suppressed the obligation to hold shares for consolidation of controlled entities. As a consequence, remaining entities that the Group will control without owning share will be consolidated next fiscal year.

### 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 2003, the Group is organised in seven sectors:

The Former Power sector has been reorganised into three new sectors. Starting from 1st April 2003, the former Gas Turbine and Steam Power Plant segments have been merged into Power Turbo-systems, the Boiler & Environment and Hydro segment have been merged into Power Environment, the Customer Service segment has been renamed Power Service.

##### o POWER TURBO-SYSTEMS SECTOR

Power Turbo-Systems provides steam turbines, generators and power plant engineering and construction and mid-range gas turbines.

##### o POWER ENVIRONMENT SECTOR

Power Environment focuses on emissions control equipment in the power

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generation, petrochemical and industrial markets; demand for upgrades and modernisation of existing power plants; hydro power plant refurbishment; small-scale hydro plants; and large-scale irrigation projects.

### o POWER SERVICE SECTOR

Power Service promotes the service activities relating to the Power Turbo Systems Sector and the Power Environment Sector and services to customers in all geographic markets. The Segment supplies the following products and services:

- portfolio of services from spare parts and field services to full operation and maintenance packages;
- refurbishment and modernisation of existing plants;
- technical consultancy services;
- tailor-made services and "value packages" (integrated solutions designed to achieve improved plant availability and reliability; improved plant efficiency and capacity; lower production costs and enhanced environmental compatibility); and
- new service product development.

### o TRANSPORT SECTOR

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

### o MARINE SECTOR

Marine designs and manufactures cruise and other speciality ships.

### o TRANSMISSION & DISTRIBUTION SECTOR

The Transmission & Distribution Sector offers equipment and customer support for the transmission and distribution of electrical energy.

In early January 2004, the closing of the sale of the T&D Sector was announced. T&D Sector ceased to be consolidated with effect from 31 December 2003, excluding insignificant businesses that are still part of the Group's scope at 31 March 2004.

### o POWER CONVERSION

Power Conversion provides solutions for manufacturing processes and supplies high-performance products including motors, generators, propulsion systems for Marine 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 and Free Cash Flow.

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



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ORDERS RECEIVED	YEAR ENDED 31 MARCH		
	2002	2003	2004
		(IN MILLION)	
Power Environment	n/a	2,583	2,644
Power Turbo Systems	n/a	1,821	2,463
Power Service	n/a	2,934	3,023
Power Industrial Turbines (1)	n/a	1,265	320
		8,603	8,450
-----			
Total Power	11,033		
Transport	6,154	6,412	4,709
Marine	462	163	381
Transmission & Distribution (2)	3,210	3,198	2,231
Power Conversion	667	533	434
Contracting (3)	909	-	-
Corporate & others (4)	251	214	295
-----			
TOTAL	22,686	19,123	16,500
=====			

SALES	YEAR ENDED 31 MARCH		
	2002	2003	2004
		(IN MILLION)	
Power Environment	n/a	3,098	2,678
Power Turbo Systems	n/a	3,857	2,381
Power Service	n/a	2,678	2,747
Power Industrial Turbines (1)	n/a	1,268	210
-----			
Total Power	12,976	10,901	8,016
	4,413	5,072	4,862
Transport			
Marine	1,240	1,568	997
Transmission & Distribution (2)	3,164	3,082	2,073
Power Conversion	650	523	499
Contracting (3)	759	-	-
Corporate & others (4)	251	205	241
-----			
TOTAL	23,453	21,351	16,688
=====			

OPERATING INCOME	YEAR ENDED 31 MARCH		
	2002	2003	2004
		(IN MILLION)	
Power Environment	n/a	224	(7)
Power Turbo Systems	n/a	(1,399)	(246)
Power Service	n/a	403	417
Power Industrial Turbines (1)	n/a	82	14
-----			
Total Power	572	(690)	178
Transport	101	(24)	64
Marine	47	24	(19)
Transmission & Distribution (2)	203	212	121
Power Conversion	23	15	15
Contracting (3)	30	-	-

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Corporate & others (4)	(35)	(44)	(59)
TOTAL	941	(507)	300

EBIT	YEAR ENDED 31 MARCH		
	2002	2003	2004
		(IN MILLION)	
Power Environment	n/a	107	(180)
Power Turbo Systems	n/a	(1,527)	(461)
Power Service	n/a	304	227
Power Industrial Turbines (1)	n/a	53	7
Total Power	271	(1,063)	(407)
Transport	83	(113)	(189)
Marine	32	12	(40)
Transmission & Distribution (2)	140	103	36
Power Conversion	(18)	(22)	(19)
Contracting (3)	28	-	-
Corporate & others (4)	(49)	(46)	(252)
TOTAL	487	(1,129)	(871)

CAPITAL EMPLOYED (*)	YEAR ENDED 31 MARCH		
	2002	2003	2004
		(IN MILLION)	
Power Environment	n/a	n/a	733
Power Turbo Systems	n/a	n/a	(1,232)
Power Service	n/a	n/a	1,921
Power Industrial Turbines (1)	n/a	n/a	-
Total Power	3,012	2,383	1,422
Transport	1,041	738	360
Marine	100	(343)	(580)
Transmission & Distribution (2)	1,044	963	-
Power Conversion	-	-	25
Corporate & others (4)	1,491	1,208	1,333
TOTAL	6,688	4,949	2,560

(\*) 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) Disposed of in a two step process in April 2003 and August 2003.

(2) Disposed of in January 2004.

(3) Disposed of in July 2001.

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

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### B) GEOGRAPHIC DATA

SALES BY COUNTRY OF DESTINATION	YEAR ENDED 31 MARCH		
	2002	2003	2004
	(IN MILLION)		
Europe	9,313	9,219	8,002
North America	6,255	4,719	3,001
South & Central America	1,439	1,534	857
Asia / Pacific	4,521	3,727	3,401
Middle East / Africa	1,925	2,152	1,427
	-----	-----	-----
TOTAL	23,453	21,351	16,688

SALES BY COUNTRY OF ORIGIN	YEAR ENDED 31 MARCH		
	2002	2003	2004
	(IN MILLION)		
Europe	14,755	14,762	12,204
North America	5,623	3,935	2,519
South & Central America	683	601	415
Asia / Pacific (*)	2,050	1,833	1,416
Middle East / Africa (*)	342	220	134
	-----	-----	-----
TOTAL	23,453	21,351	16,688

(\*) India and Pakistan, included in Middle East at 31 March 2002, are included in Asia / Pacific since April 2002. The figures at 31 March 2002 have been restated accordingly.

Net sales of 3,258 million (13.9%), 3,300 million (15.5%) and 2,650 million (15.9%) in the years ended 31 March 2002, 2003 and 2004 respectively, are obtained from a group of state owned companies, independently managed, the largest of which represented 2.4%, 4.2% and 3.9% in the years ended 31 March 2002, 2003 and 2004 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		
	2002	2003	2004
	(IN MILLION)		
Guarantees related to contracts (1)	11,451	9,465	8,169
Guarantees related to Vendor financing (2)	932	749	640
Discounted notes receivable	18	11	6
Commitments to purchase fixed assets	8	7	-
Other guarantees	58	94	43
	-----	-----	-----
TOTAL	12,467	10,326	8,858

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### (1) GUARANTEES RELATED TO CONTRACTS

In accordance with industry practice guarantees of performance under contracts with customers and under offers on tenders are given.

Such guarantees can, in the normal course, extend from the tender period until the final acceptance by the customer, and the end of the warranty period and may include guarantees on project completion, of 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.

The Group provides a counter indemnity to the bank or surety company.

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

Guarantees given by parent or group companies relating to liabilities included in the consolidated accounts are not included.

In September 2003, the Group entered into a revised financing agreement with its banks and the French Republic. This agreement included a new bonding facility of 3,500 million, 65% of which was counter guaranteed by the French Republic. On the basis of current management estimates, this bonding facility is expected to be fully used during the summer 2004. The Group is currently negotiating with its main banks for an extension of this bonding facility in order to be able to provide contract related guarantees to its customers.

### (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 total "vendor financing" was 1,493 million, 1,259 million and 969 million at 31 March 2002, 2003 and 2004, respectively.

The table below sets forth the breakdown of the outstanding vendor financing by Sector at 31 March 2003 and 31 March 2004 :

	AT 31 MARCH 2003			AT 31 MARCH 2004		
	BALANCE SHEET (1)	OFF BALANCE SHEET (2)	TOTAL	BALANCE SHEET (1) & (3)	OFF BALANCE SHEET (2)	TOTAL
	(IN MILLION)					
MARINE	510	423	933	329	314	
CRUISEINVEST/ RENAISSANCE	261	107	368	240	83	
FESTIVAL	26	208	234	41	144	
OTHERS	223	108	331	48	87	
TRANSPORT	-	317	317	-	321	

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EUROPEAN METRO OPERATOR	-	257	257	-	266
OTHERS	-	60	60	-	55
OTHER SECTORS	-	9	9	-	5
		-----	-----	-----	-----
TOTAL		510	749	1,259	329
		=====	=====	=====	=====

- (1) Balance sheets items are included in « other fixed assets» (Note 11)
- (2) Off-balance sheet figures correspond to the total guarantees and commitments, net of related cash deposits, which are shown as balance-sheet items.
- (3) At 31 March 2004, outstanding vendor financing did not include interest due and accrued ( 23 million) which is not recorded until it is reasonably certain to be received.

### MARINE

#### Cruiseinvest / Renaissance

The "vendor financing" granted to Cruiseinvest relating to Renaissance Cruises amounted to 432 million, 368 million and 323 million at 31 March 2002, 2003 and 2004, respectively. The decrease is mainly due to the appreciation of Euro against US dollars during the fiscal years 2003 and 2004. See Note 25 (b).

#### Festival

The Group guarantees the financing of one special leasing entity relating to one cruise-ship for an amount of 123 million, 111 million and 96 million at 31 March 2002, 2003 and 2004 respectively, and finances the entity for an amount of 17 million at 31 March 2004. See Note 25 (a).

In addition, the Group has guaranteed the financing arrangements of two cruise ships delivered to Festival for an amount of 93 million, 97 million and 48 million at 31 March 2002, 2003 and 2004 respectively, of which 26 million and

24 million are supported by a cash deposit at 31 March 2003 and 2004. The decrease is due to the release by a French state owned company of the counter guarantee obtained from the Group on delivery of one cruise-ship.

#### Other

The Group finances two special leasing entities relating to two cruise-ships for an amount of 270 million, 223 million and 48 million at 31 March 2002, 2003 and 2004 respectively. The maximum amount is of 286 million, 240 million and 49 million at 31 March 2002, 2003 and 2004, respectively. See Note 25 (a).

The Group has guaranteed the financing arrangements of one cruise-ship and two high speed ferries delivered to three customers for an amount of 108 million, 91 million and 86 million at 31 March 2002, 2003 and 2004 respectively. The decrease is due to the appreciation of Euro against US dollars during the fiscal year 2003 and 2004

Based on current known facts and circumstances, cash flow forecasts based on the existing leasing arrangements 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 140 million at 31 March 2004 ( 140 million at 31 March 2003 and 144 million at 31 March 2002) remains

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adequate to cover the probable risk.

### TRANSPORT

Guarantees given as part of vendor financing arrangements in Transport Sector amount to 416 million, 317 million and 321 million at 31 March 2002, 2003 and 2004, respectively.

Included in this amount are guarantees given as part of a leasing scheme involving a major European metro operator as described in the section (b) (1) of this Note. 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 GBP 177 million (289 million, 257 million and 266 million at 31 March 2002, 2003 and 2004, respectively).

### OTHER SECTORS

Other guarantees totalling 33 million, 9 million and 5 million at 31 March 2002, 2003 and 2004 respectively have been given. There has been no default by any of the concerned entities under the underlying agreements.

### 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
	=====	=====	=====	=====

#### (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 long-term debt by 757 million, 667 million and 683 million at 31 March 2002, 2003 and 2004 respectively.

#### (2) Capital leases

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

	AT 31 MARCH 2002	AT 31 MARCH 2003	AT 31 2002
	-----	-----	-----
		(IN MILLION)	
Increase of long term assets (property plant and equipment)	112	212	
Increase of long term financial debt	119	216	
	-----	-----	-----
INCREASE (DECREASE) OF SHAREHOLDER'S EQUITY	(7)	(4)	-----
	=====	=====	=====

### (3) Operating leases

A number of these operating leases have renewal options. Rent expense was 87 million in the year ended 31 March 2004.

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 disputes that have arisen in the normal course of business. Contract 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 in one case up to approximately 500 million (USD 611 million), although the Group estimates its exposure in this case and a number of others to be negligible. 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 accrued contract costs. 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 245 million (USD 300 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, including in France, the US and the UK, regarding the control and removal of asbestos-containing material and identification of potential exposure of it's employees to asbestos. It has been

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the Group's policy for many years to abandon definitively the use of products containing asbestos by all of its operating units world-wide and to promote the application of this principle to all of the Group's 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 the Group's Marine Sector and to a lesser extent in the Group's other Sectors.

As of 30 April 2004, in France, the Group is aware of approximately 2,090 asbestos sickness related declarations accepted by the French Social Security authorities in France concerning the Group's employees, former employees or third parties, arising out of the Group's activities in France. All of such cases are treated under the French Social Security system which pays the medical and other costs of those who are sick and which pays a lump sum indemnity. Out of these 2,090 declarations, the Group is aware of approximately 207 asbestos-related cases in France from employees or former employees. They have instituted judicial proceedings against certain of the Group's subsidiaries 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. All decisions rendered as of today by the Social Security Affairs Courts in proceedings involving the Group's subsidiaries have found these subsidiaries liable on the grounds of inexcusable fault. Decisions of the Courts of Appeal have all confirmed these findings of inexcusable fault. In March 2004, the French Supreme Court (COUR DE CASSATION) rendered its first decisions on the appeals lodged by a subsidiary of the Group's Marine Sector. The French Supreme Court has confirmed the inexcusable fault, but has reversed the Court of Appeal's decisions which had ordered the Group's subsidiary to pay damages as the damages are to be directly compensated by the Social Security funds (CAISSE PRIMAIRE D'ASSURANCE MALADIE). In May 2004, the French Supreme Court has confirmed the finding of inexcusable fault in six decisions rendered in relation to cases in the Group's Marine Sector, while confirming that the damages were to be definitively borne by the Social Security funds. In the current cases within the Group's Marine Sector, the Social Security authorities have not in fact attempted to charge the Group subsidiary the financial consequences of occupational disease, including those arising out of the inexcusable fault pursuant to article 2 paragraph 2 of the decree of 16 October 1995. In the Group's other Sectors, the Group estimates that most of the Group's current cases will be governed by the same terms, pursuant to the above-mentioned decree.

The Group therefore believes that the above-mentioned lawsuits in France will not have material adverse consequences on the Group financial position. The compensation for most of the current 207 proceedings has been and is expected to continue to be borne by the general French Social Security (medical) funds. Based on applicable legislation and current case law, the Group also believes that the financial consequences of any subrogatory action of the publicly funded Indemnification Fund for Asbestos Victims (FIVA), created in 2001, in relation to proceedings referred to above, will be borne by the general French Social Security (medical) funds. The Group also believes that those cases where compensation may not be definitively borne by the general French Social Security (medical) funds or by the FIVA represent an immaterial exposure for which the Group has not made any provisions.

In addition to the foregoing, in the United States, as of 15 May 2004, the Group was subject to approximately 155 asbestos-related personal injury lawsuits which have their origin solely in the Company's purchase of some of ABB's power generation business, for which the Group is indemnified by ABB. The Group is also currently subject to two class action lawsuits in the United States



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asserting fraudulent conveyance claims against various ALSTOM and ABB entities in relation to Combustion Engineering, Inc. ("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 the Group from ABB. In January 2003, CE filed a "pre-packaged" plan of reorganisation in United States bankruptcy court. This plan was confirmed by the bankruptcy court and the United States federal district court. The plan has been appealed and has not yet become effective; consummation of the plan is subject to certain other conditions specified therein. In addition to its protection under the ABB indemnity, ALSTOM believes that under the terms of the plan it would be protected against pending and future personal injury asbestos claims, or fraudulent conveyance claims, arising out of the past operations of CE.

As of 15 May 2004, the Group was subject to approximately 32 other asbestos-related personal injury lawsuits in the United States involving approximately 507 claimants that, in whole or in part, assert claims against ALSTOM which are not related to ALSTOM's purchase of some of ABB's power generation business or as to which the complaint does not provide details sufficient to permit the Group 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 ALSTOM'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.

The Group has not in recent years suffered any adverse judgement, or made any settlement payment, in respect of any US personal injury asbestos claim. Between 31 October 2002 and 15 May 2004, a total of 171 cases involving approximately 17,724 claimants were voluntarily dismissed by plaintiffs, typically without prejudice (which is to say the plaintiffs may refile these cases in the future).

For purposes of the foregoing discussion of U.S. asbestos-related cases, the Group considers a claim to have been dismissed, and to no longer be pending against it, if the plaintiffs' attorneys have executed a notice or stipulation of dismissal or non-suit, or other similar document.

The Group is also subject to asbestos-related or other employee personal injury related claims in other countries, including in the UK. As of 31 March 2004, the Group is subject to approximately 150 asbestos related claims currently ongoing in the UK. The Group retains provisions of 3 million in relation to these claims.

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 its financial condition. The Group can give no assurances that asbestos-related cases against it will not grow in number or that those it has at present, or may face in the future, may not have a material adverse impact on its 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

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businesses are aware of product-related liabilities, which would 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. ("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. The Group believes the FBI inquiry is currently dormant.

### - AMF INVESTIGATION

Senior officials of the Group have been interviewed by inspectors of the French Autorite des Marches Financiers (the "AMF") in connection with the AMF's investigation regarding public disclosures by the Group and trading of the Group's shares since 31 December 2001. ALSTOM is cooperating fully with the AMF in these inquiries.

### - UNITED STATES PUTATIVE CLASS ACTION LAWSUITS

ALSTOM, certain of its subsidiary and certain of its current and former 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, specifically Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Section 11 of the Securities Act of 1933, as amended, 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 our 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

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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 generally foreseen in the sale agreements. The Group has received certain demands from the acquirer following the disposal of the T&D Sector. Areva informed the Group on 11 May 2004 of an investigation commenced by the European Commission with respect to alleged anti-competitive arrangements among suppliers of gas-insulated switch gears, including the T&D Sector sold to Areva. It is not possible to estimate the amount of any potential liability of the Group with respect to this investigation, which is at an early stage. The Group considers that there are no claims or demands outstanding and unprovided that are capable of estimation and likely to have a material adverse impact on the consolidated financial statements.

### NOTE 29 - MARKET RELATED EXPOSURES

#### (A) CURRENCY RISK

Due to the international nature of its activities, 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 only 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:

- o 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

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guarantees granted by these contract become firm if and when the underlying tender is accepted.

- o 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

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 2004	1 YEAR	1 - 5 YEARS
	(IN MILLION)		
Financial assets at floating rate	1,864	1,636	72
Financial assets at fixed rate	371	101	-
Financial assets not bearing interests	91	7	34
<b>FINANCIAL ASSETS</b>	<b>2,326</b>	<b>1,744</b>	<b>106</b>
Financial debt at floating rate	(3,316)	(511)	(2,605)
Financial debt at fixed rate	(1,056)	(32)	(708)
<b>FINANCIAL DEBT</b>	<b>(4,372)</b>	<b>(543)</b>	<b>(3,313)</b>
Net position at floating rate before hedging	(1,452)	1,125	(2,533)
Net position at fixed rate before hedging	(685)	69	(708)
<b>NET POSITION BEFORE HEDGING</b>	<b>(2,137)</b>	<b>1,194</b>	<b>(3,241)</b>
Swap fixed to variable	320	-	320
Net position at floating rate after hedging	(1,772)	1,125	(2,853)
Net position at fixed rate after hedging	(365)	69	(388)
<b>NET POSITION AFTER HEDGING</b>	<b>(2,137)</b>	<b>1,194</b>	<b>(3,241)</b>

The net short term loan position at floating rate after hedging amounts to 1,125 million. A 100 bps increase in the market rates would have decreased the net interest expense by 11 million, representing 4.1% of the net interest expense for the year ended 31 March 2004.

### (C) NOMINAL AND FAIR VALUE OF FINANCIAL INSTRUMENTS OUTSTANDING AT YEAR-END

#### NOMINAL VALUE OF FINANCIAL INSTRUMENTS

AT 31 MARCH 2004				
		REMAINING TERM		
TOTAL	1 YEAR	1-5 YEARS	5 YEARS	
(IN MILLION)				

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### INTEREST RATE INSTRUMENTS:

Interest rate swaps - receive fixed (1)	374	21	353	-
<b>FOREIGN EXCHANGE INSTRUMENTS:</b>				
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	-	-

(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
	-----	-----	-----	-----
	(IN MILLION)			
<b>INTEREST RATE INSTRUMENTS:</b>				
Interest rate swaps - receive fixed (1)	649	248	401	-
<b>FOREIGN EXCHANGE INSTRUMENTS:</b>				
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	-
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.

AT 31 MARCH 2002

REMAINING  
TERM

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	TOTAL	1 YEAR	1-5 YEARS	5 YEARS
			(IN MILLION)	
<b>INTEREST RATE INSTRUMENTS:</b>				
Interest rate swaps - receive fixed	546	30	449	67
Cap	2	-	-	2
<b>FOREIGN EXCHANGE INSTRUMENTS:</b>				
Currency swaps - currencies purchased	1,581	1,550	31	
Currency swaps - currencies sold	7,143	6,243	898	2
Forward contracts - currencies purchased	971	856	115	-
Forward contracts - currencies sold	5,172	3,443	1,521	208
Insurance contracts - currencies purchased	-	-	-	-
Insurance contracts - currencies sold	227	184	43	-
Currency options - purchased	854	854	-	-
Currency options - sold	547	547	-	-

(\*) FLOATING RATES ARE GENERALLY BASED ON EURIBOR/LIBOR.

### 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 and 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 2004 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, RETENTIONS, DEPOSITS AND OTHER FIXED ASSETS

The fair values of these financial instruments were determined by estimating future cash flows on an item-by-item basis and discounting these future cash flows using a risk free rate (Government bond yield).

### CASH AND CASH EQUIVALENTS , BANK OVERDRAFTS, SHORT-TERM BORROWINGS,

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

### LONG-TERM DEBT

The fair value of the long term debt was determined by estimating future cash flows on an item-by-item basis and discounting these future cash flows using the market price when it relates to publicly traded instruments.

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### INTEREST RATE SWAPS, CURRENCY SWAPS, OPTIONS, AND FORWARD EXCHANGE CONTRACTS

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 2002, 2003 and 2004.

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 2002		AT 31 MARCH 2003		CA
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE	V
			(IN MILLION)		
BALANCE SHEET					
ASSETS					
Long term loans, deposits and retentions	778	750	814	701	
Other fixed assets	79	79	83	83	
Short-term investments	331	333	142	143	
Cash & cash equivalents	1,905	1,905	1,628	1,628	
LIABILITIES					
Financial debt	6,035	5,948	6,331	5,909	
OFF BALANCE SHEET					
Interest rate instruments:					
Interest rate swaps - receive fixed	-	5	-	39	
Foreign exchange instruments					
Currency swaps - currencies purchased	-	16	-	(178)	
Currency swaps - currencies sold	-	(70)	-	257	
Forward contracts - currencies purchased	-	38	-	(30)	
Forward contracts - currencies sold	-	(197)	-	87	
Insurance contracts - currencies purchased	-	-	-	(6)	
Insurance contracts - currencies sold	-	2	-	-	
Currency option contracts - purchased	-	8	-	37	
Currency option contracts - sold	-	(13)	-	(7)	

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 ending 31 March 2003 and 2004 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 generally high credit rating of the counterparties.

#### (E) LIQUIDITY RISK

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The analysis by maturity and interest rate of the Group's debt is set out in Note 22 (b). Details of short-term liquidity are set out below.

After the implementation of the financing package renegotiated in September 2003, the Group's available liquidity for the coming year is as follows:

(IN MILLION )	AT 31 MARCH 2004
	-----
Available credit lines (see Note 22 (a)) (1)	783
Cash equivalents available at parent Company level (2)	532
Cash equivalents and Short Term investments at subsidiary level (2)	934
	-----
AVAILABLE LIQUIDITY	2,249
Financial debt to be reimbursed within one year (see Note 22) (3)	(278)
Available credit line to be reimbursed within one year	(420)
 AVAILABLE LIQUIDITY FOR THE COMING YEAR	 1,551
	=====

(1) including 420 million of commercial paper available until January 2005.

(2) See Notes 17 & 18

(3) The reimbursement of securitisation of future receivables is excluded as this occurs only when amounts are received from customers.

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 22.

In addition, most of the financing agreement and outstanding debt securities include cross-default and cross-acceleration provisions pursuant to which a payment default, an acceleration, or a failure to respect financial covenants or other undertakings, may result in the acceleration of all or a significant part of the Group's debt and may consequently prevent it from drawing upon its credit lines.

On the basis of the Consolidated Financial Statements as of 31 March 2004, the Group would have failed to comply with the financial covenants "Consolidated net worth" and "EBITDA" described in Note 22. In late April 2004, the Group obtained an agreement from its lenders to suspend these covenants until 30 September 2004 and expects to negotiate new financial covenants before this date.

The Group's ability to maintain financing depends on its ability to renegotiate covenants

### NOTE 30 - PAYROLL, STAFF, EMPLOYEE PROFIT SHARING AND STOCK OPTIONS

(IN MILLION EXCEPT NUMBER OF EMPLOYEES)	YEAR ENDED 31 MARCH		
	2002	2003	2004
	-----	-----	-----
Total wages and salaries	4,499	3,919	3,274
Of which executive officers (*)	5	5	5
Social security payments and other benefits	1,236	1,032	866
Employee profit sharing	5	18	16
Staff of consolidated companies at year-end			
Managers, Engineers and professionals	38,087	35,983	23,885
Other employee	80,908	73,688	52,926



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APPROXIMATE NUMBER OF EMPLOYEES	----- 118,995 =====	----- 109,671 =====	----- 76,811 =====
---------------------------------	---------------------------	---------------------------	--------------------------

(\*) executive officers at closing.

### STOCK OPTIONS

Main characteristics of Group's stock options plans are as follows :

	PLAN NO. 3 -----	PLAN NO. 5 -----	PL -----
DATE OF SHAREHOLDERS' MEETING	24 July 2001	24 July 2001	24 Ju
CREATION DATE	24 July 2001	8 January 2002	7 Jan
EXERCISE PRICE (1)	33.00	13.09	
ADJUSTED EXERCISE PRICE (2)	25.72	10.21	
BEGINNING OF EXERCISE PERIOD	24 July 2002	8 January 2003	7 J
EXPIRATION DATE	23 July 2009	7 January 2010	6 J
NUMBER OF BENEFICIARIES	1,703	1,653	
TOTAL NUMBER OF OPTIONS ORIGINALLY GRANTED	4,200,000	4,200,000	1
TOTAL NUMBER OF OPTIONS EXERCISED	0	0	
TOTAL NUMBER OF OPTIONS CANCELLED SINCE THE ORIGIN	731,800	653,600	
ADJUSTED NUMBER OF REMAINING OPTIONS AS OF 31 MARCH 2004 (2)	4,449,662	4,546,578	
ADJUSTED NUMBER OF SHARES THAT MAY BE SUBSCRIBED BY MEMBERS OF THE EXECUTIVE COMMITTEE (2)	83,399	121,800	1
TERMS AND CONDITIONS OF EXERCISE	<ul style="list-style-type: none"> <li>- 1/3 of options exercisable as from 24 July 2002</li> <li>- 2/3 of options exercisable as from 24 July 2003</li> <li>- all options exercisable as from 24 July 2004.</li> </ul>	<ul style="list-style-type: none"> <li>- 1/3 of options exercisable as from 8 January 2003</li> <li>- 2/3 of options exercisable as from 8 January 2004</li> <li>- all options exercisable as from 8 January 2005.</li> </ul>	<ul style="list-style-type: none"> <li>- 1/3 exercen 7 Ja</li> <li>- 2/3 exercen from 2005</li> <li>- all exerc from 2006.</li> </ul>

(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.

(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 and 2003.

Plans n(degree)1 previously granted became void in April 2004 as a result of the non fulfilment of its exercise condition. Therefore, no options have been

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exercised under this plan and 2,611,663 options have been cancelled (adjusted number).

The following is a summary of activity of the plans:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	-----	-----
OUTSTANDING AT 1 APRIL 2001	6,086,500	29.17
Granted	8,685,000	23.37
Exercised	-	-
Cancelled	(540,400)	19.36
	-----	-----
OUTSTANDING AT 31 MARCH 2002	14,231,100	25.67
	=====	=====
OUTSTANDING AT 1 APRIL 2002	14,231,100	25.67
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
	=====	=====
	11,113,263	21.09
OUTSTANDING AT 1 APRIL 2003		
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
	=====	=====

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

### NOTE 31 - POST BALANCE SHEET EVENTS

#### - SUSPENSION OF APPLICATION OF FINANCIAL COVENANTS

The financing package agreed in September 2003 between the Group, its banks and the French State required the Group to respect certain financial covenants set out in Note 22.

On the basis of the Consolidated Financial Statements as of 31 March 2004, the Group would have failed to comply with the financial covenants "Consolidated net worth" and "EBITDA". In late April 2004, the Group obtained an agreement from its lenders to suspend these covenants until 30 September 2004 and expects to negotiate new financial covenants before this date.

#### - DISPOSAL OF INDUSTRIAL TURBINES BUSINESSES

In April 2004, the disposal of the minor US businesses of Industrial Turbines was completed. The business will cease to be consolidated from 1 April 2004.

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### NOTE 32 - MAJOR COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The major companies are selected according to the following criteria:

- holding companies
- sales above 50 M

COMPANIES -----	COUNTRY -----	OWNERSHIP % -----	CONSOLIDATION METHOD -----
ALSTOM.....	France		Parent co
ALSTOM Holdings.....	France	100.0	Full cons
ALSTOM Gmbh (holding).....	Germany	100.0	Full cons
ALSTOM UK Ltd (holding).....	United Kingdom	100.0	Full cons
ALSTOM Inc (holding).....	United-States	100.0	Full cons
ALSTOM NV (holding).....	Netherlands	100.0	Full cons
ALSTOM Mexico SA de CV (holding).....	Mexico	100.0	Full cons
ALSTOM Espana IB (holding).....	Spain	100.0	Full cons
ALSTOM (Switzerland) Ltd.....	Switzerland	100.0	Full cons
ALSTOM Australia Ltd.....	Australia	100.0	Full cons
ALSTOM Belgium SA .....	Belgium	100.0	Full cons
ALSTOM Brasil Ltda.....	Brazil	100.0	Full cons
ALSTOM Canada Inc.....	Canada	100.0	Full cons
ALSTOM Controls Ltd.....	United Kingdom	100.0	Full cons
Alstom Export Sdn Bhd.....	Malaysia	100.0	Full cons
ALSTOM Ferroviaria Spa.....	Italy	100.0	Full cons
ALSTOM K.K.....	Japan	100.0	Full cons
ALSTOM LHB GmbH.....	Germany	100.0	Full cons
ALSTOM Ltd .....	United Kingdom	100.0	Full cons
ALSTOM Ltd .....	India	100.0	Full cons
ALSTOM New Zealand Holdings Ltd.....	New Zealand	100.0	Full cons
ALSTOM Power s.r.o.....	Czech Republic	100.0	Full cons
ALSTOM Power Asia Pacific Sdn Bhd.....	Malaysia	100.0	Full cons
ALSTOM Power Austria AG.....	Austria	100.0	Full cons
ALSTOM Power Boiler GmbH.....	Germany	100.0	Full cons
ALSTOM Power Centrales.....	France	100.0	Full cons
ALSTOM Power Conversion GmbH.....	Germany	100.0	Full cons
ALSTOM Power Conversion Inc.....	United-States	100.0	Full cons
ALSTOM Power Conversion SA France.....	France	100.0	Full cons
ALSTOM Power Energy Recovery GmbH.....	Germany	100.0	Full cons
ALSTOM Power Generation AG.....	Germany	100.0	Full cons
ALSTOM Power Hydraulique.....	France	100.0	Full cons
ALSTOM Power Hydro.....	France	100.0	Full cons
ALSTOM Power Inc.....	United States	100.0	Full cons
ALSTOM Power Italia Spa.....	Italy	100.0	Full cons
ALSTOM Power ltd.....	Australia	100.0	Full cons
ALSTOM Power Mexico S.A. de C.V.....	Mexico	100.0	Full cons
ALSTOM Power Norway AS.....	Norway	100.0	Full cons
ALSTOM Power O&M Ltd.....	Switzerland	100.0	Full cons
ALSTOM Power SA.....	Spain	100.0	Full cons
ALSTOM Power Service.....	France	100.0	Full cons
ALSTOM Power Service Ltd.....	United Arab Emirate	100.0	Full cons
ALSTOM Power Service GmbH.....	Germany	100.0	Full cons
ALSTOM Power Sp Zoo.....	Poland	100.0	Full cons
ALSTOM Power Sweden AB.....	Sweden	100.0	Full cons
ALSTOM Power Turbomachines .....	France	100.0	Full cons
ALSTOM Projects India Ltd.....	India	68.5	Full cons
ALSTOM Schienenfahrzeuge AG.....	Switzerland	100.0	Full cons
ALSTOM Signalling Inc.....	United States	100.0	Full cons
ALSTOM T&D Inc.....	United States	100.0	Full cons
ALSTOM Transport SA.....	France	100.0	Full cons
ALSTOM Transportation Inc.....	United States	100.0	Full cons

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ALSTOM Transporte SA de CV.....	Mexico	100.0	Full cons
ALSTOM Transport BV.....	Netherlands	100.0	Full cons
ALSTOM Transporte.....	Spain	100.0	Full cons
Chantiers de l'Atlantique.....	France	100.0	Full cons
EUKORAIL Ltd.....	South Korea	100.0	Full cons
West Coast Traincare.....	United Kingdom	76.0	Full cons

Companies included in the list of major companies at 31 March 2003 and sold during the year

ALSTOM Energietechnik GmbH.....	Germany
ALSTOM T&D SA.....	France
ALSTOM T&D SA de CV.....	Mexico

Companies included in the list of major companies at March 2003 for which sales are below 50 mil

ALSTOM DDF SA.....	France
ALSTOM Power UK Ltd.....	United Kingdom
ALSTOM Projects Taiwan Ltd.....	Taiwan
ALSTOM Rail Ltd.....	United Kingdom
Japan Gas Turbines K.K.....	Japan

Companies included in the list of major companies at March 2003 and which merged

ALSTOM Power Turbinen GmbH.....	merged into ALSTOM Power Conversion GmbH
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A list of all consolidated companies is available upon request at the head office of the Gr