REGISTRATION DOCUMENT
2010/11

we are shaping the future | ALSTOM

SUMMARY

ALSTOM

REGISTRATION DOCUMENT **2010/11**

ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document was filed with the *Autorité des marchés financiers* (AMF) on 26 May 2011 in accordance with Article 212-13 of its General Regulation.

It may be used in connection with an offering of securities if it is supplemented by a prospectus *("note d'opération")* for which the AMF has issued a visa.

This document has been prepared by the issuer under the responsability of its signatories.

This Registration Document includes all elements of the Annual Financial Report specified by Article L. 451-1-2 of the *Code monétaire et financier* and Article 222-3 of the AMF's General Regulation. A table of reconciliation is provided on page 267.

MESSAGE OF THE **CHAIRMAN**

PATRICK KRON - Alstom Chairman and CEO




HOW WOULD YOU SUM UP FINANCIAL YEAR 2010/11?

Firstly, we have done a very good job under tough conditions, with an operating performance at the higher end of our expectations, and I would like to thank all our employees for contributing to this result.

Secondly, the outlook has improved, with orders rebounding in the second half after three very weak half-years in a row. And the big contracts that disappeared in 2009/10 and the first part of 2010/11 are starting to come back.

IS IT FAIR TO SAY THAT THE CRISIS IS OVER FOR ALSTOM?

The economy is growing again, but the growth is very uneven: strong in China, India and Brazil, but much more modest in the US and Europe. We are in a two-tier world.

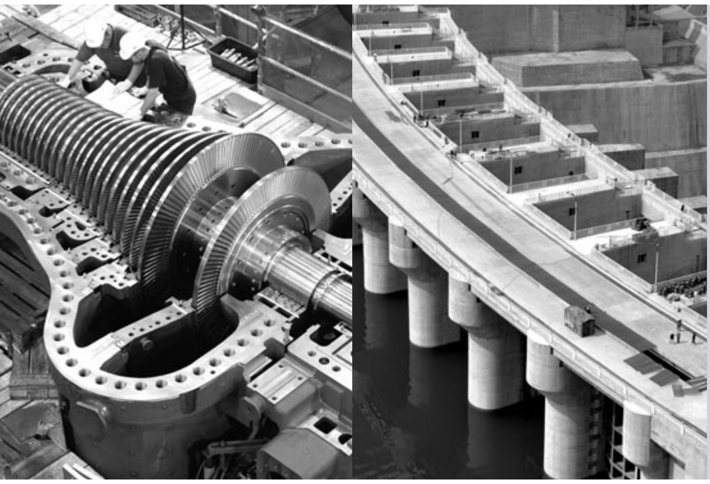
I hope that the turnaround in our orders points to the end of the crisis, but we are entering a new world. The geography of our markets is shifting, and demand for systems, equipment and services is changing with it. We have to adapt. We have begun to do that successfully, and we need to go on adapting with determination.

WHAT IS THIS NEW ENVIRONMENT LIKE, AND HOW EXACTLY IS ALSTOM ADAPTING TO IT?

Point one: demand has shifted massively from developed countries to emerging countries. In 2009/10 emerging markets accounted for 35% of our orders. In 2010/11 that figure was almost 60%.

That alone is a proof of our responsiveness and of our ability to get out and look for business wherever it presents itself. But we could not have made such a large-scale move in such a short time if we had not been prepared. We already had a solid foundation, built by a strategy that we implemented for many years and are still implementing: we have continued to create new manufacturing capacities in Russia, India and China, and we have forged new relationships with local partners in these countries. These partnerships are critical to our future growth in these markets which are considerable but are not easy to break into.

At the same time, we have had to adapt in areas where demand was sluggish – Power's thermal business line in Europe and the United States, for example, and some of Transport's European sites.



“ We are adapting rapidly to the post-crisis world ”

WHAT ABOUT THE PRODUCTS AND SERVICES ALSTOM OFFERS?

That is point two: our customers’ needs are changing. In power generation, carbon-free technologies are growing steadily, even though coal and gas are still dominant. In power transmission, the focus is on very high voltage, energy efficiency and smart grids. In transport, there are sizable needs for high-tech products – especially high-speed and signalling equipment – but in the emerging countries we are seeing demand for simpler, less expensive products tailored to local needs.

We are staying as close to these trends as possible by continuing to make major R&D investments. In 2010/11, we spent €700 million, primarily to develop off- and onshore wind power and solar thermal power, to continue updating our turbine range, to develop carbon capture, very high voltage power transmission technologies and smart grids, and to design rolling stock tailored to demand in emerging markets. We are also working to keep our range of services at the highest possible level, since that line of business is essential to the Group.

WHERE DOES THE COMPANY STAND AFTER TWO LEAN YEARS?

First, let’s remember that during those years, Alstom successfully completed a major acquisition: our new Grid Sector is an important asset for the Group. During the last financial year, Grid brought in €3-4 billion in orders and revenue. That is a considerable contribution.

Secondly, Alstom is on a sound financial footing: thanks to the turnaround in orders, our free cash flow was back in positive territory in the second half of the year. Net debt is reasonable. And our balance sheet is solid.

Finally, we have worked hard to control costs and become more competitive. We have also launched a major effort to become more flexible and responsive and to get even closer to our customers.

In short, Alstom is in a strong position to make the most of the market recovery. Our strategy is clear, and we have the tools to implement it: our solid financial position and ownership structure, our expertise and technology, our manufacturing base and our geographic presence.

YOU HAVE CONFIRMED THAT YOUR MARGIN TARGET FOR FINANCIAL YEAR 2011/12 IS 7-8%. WHAT ARE YOUR PRIORITIES TO REACH IT?

We will focus on maintaining the encouraging sales performance we saw in the last few months of financial year 2010/11, emphasising the quality of our products more than ever, ensuring that projects are well executed, and rigorously controlling costs.

PATRICK KRON
Alstom Chairman and CEO

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GROUP DESCRIPTION OF ACTIVITIES

The content of the Annual Financial Report is identified in the summary table with the help of a pictogram AFR

The section below presents the Group's activities and constitutes the Group's management Report for fiscal year 2010/11, together with the sections "Management Report" and "Risk factors".

POWER SECTOR

The Power Sector offers a comprehensive range of power generation solutions from integrated power plants for all types of fuels: water, wind, fossil, nuclear, geothermal, biomass, solar and all types of turbines, generators, boilers, emission control systems, to a full range of services, including plant modernisation, maintenance and operational support.

Offering

The Power Sector designs, manufactures, supplies and maintains a broad range of systems and products in the power generation industry for coal, gas, oil, biomass and solar thermal power plants. The Sector also supplies wind and hydro plants, conventional islands for nuclear power plants, as well as the full range of information systems and controls necessary to manage plants or a portfolio of plants.

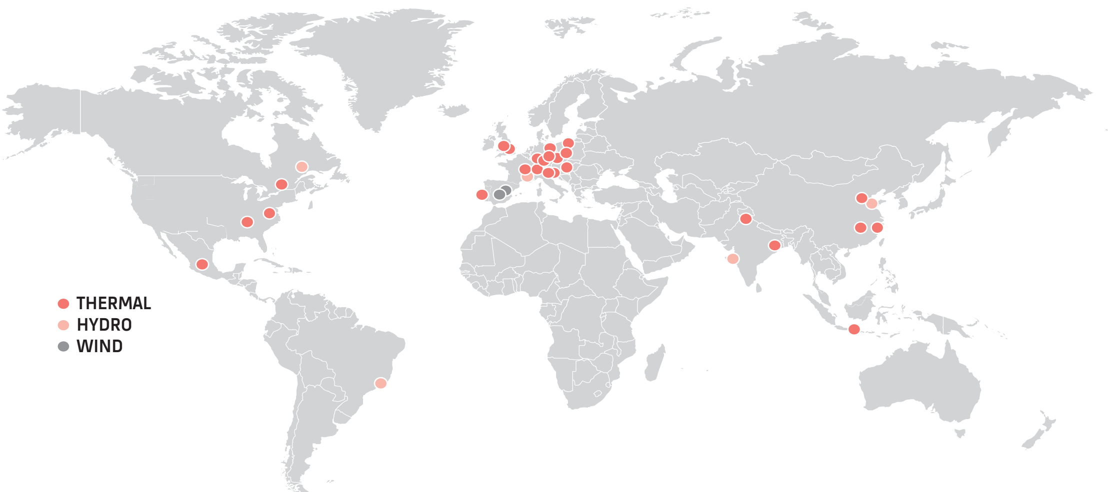
The Sector also provides a complete range of services and support to the power generation industry on a global scale, including:

- power plant management: tailored service packages including Operation and Maintenance (O&M) agreements for plants' full life cycles;
- consulting and support: technical services, training, monitoring and diagnostics, performance analysis;
- performance improvement: modernisation, retrofitting, upgrades and lifetime extension;
- field service: outage management, field repairs, erection, commissioning, construction and supervision; and
- new spare parts, improved and reconditioned components.

The Power Sector operates in all geographic markets with more than 200 units in 70 countries and has a worldwide manufacturing footprint:

Canada	Gatineau
	Tracy
USA	Chattanooga, Richmond
Mexico	Morelia
Brazil	Taubate, Porto Vehlo

India	Baroda
	Durgapur, Shahabad
China	Beijing, Sizhou, Wuhan
	Tianjin
Indonesia	Surabaya



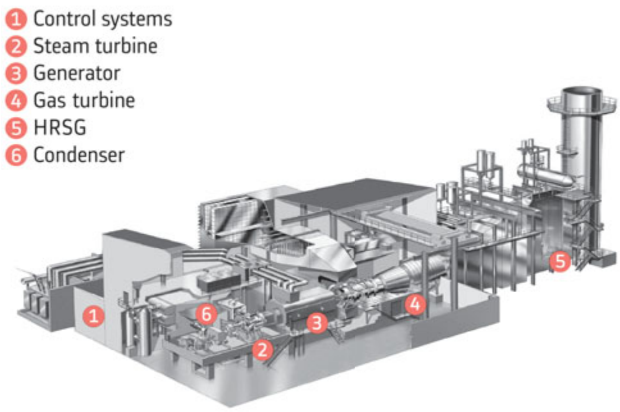
France	Belfort
	Grenoble
Germany	Berlin, Bexbach
	Mannheim, Neumark
Italy	Sesto
Spain	Bunel, Rio del Pozo/Somozas
Portugal	Setubal

Switzerland	Birr
UK	Rugby, Stafford
Croatia	Karlovac
Hungary	Budapest
Poland	Elblag, Wroclaw
Romania	Bucharest

The industrial footprint is being reinforced worldwide with the opening of two new units for the manufacturing of wind turbines, one in Brazil (State of Bahia) and one in the USA (Texas) which will be fully operational in 2011, and with the construction of a manufacturing site for steam turbines in India (State of Gujarat) in partnership with Bharat Forge.

GAS

COMBINED CYCLE POWER PLANT



Alstom has leading experience and knowledge in gas fired simple and combined cycle projects based on Alstom technology for gas turbines and all other key plant components. Alstom gas power plants are fully adapted in an environment requiring more and more flexibility as they are designed for both base and partial load operation. Whatever the operating configuration is, Alstom gas power plants are designed to minimise the environmental impact. Today, Alstom-built gas fired power plants produce over 150 GW of power for various applications including cogeneration, district heating and desalination, as well as for special industrial applications like aluminium and steel making industry.

With a comprehensive portfolio of reference plants, Alstom can rapidly assess the most appropriate configuration and propose proven solutions.

INTEGRATED SOLUTIONS

Today, simple cycle power plants are used whenever power generation capacity needs to be built rapidly for peaking operations. Alstom offers the simple cycle reference power plant with a high degree of customisation to meet wide-ranging customer requirements.

For customers who look for efficient, flexible and competitive power generating capacity, Alstom proposes combined cycle power plant designs with optimised installation times, high-performance, low emissions, high operational and fuel flexibility features. The Alstom-made reference power plants are adaptable to various site conditions.

Alstom combined cycle plants are also ideal solutions for energy intensive industries like aluminium and steel, etc.

Alstom's project capabilities and references also encompass "repowering" or transformation of simple cycle into combined cycle power plants, and the conversion of steam power plants into combined cycle power plants.

PRODUCTS

Gas turbines

Alstom's high performing, low emissions, operationally and fuel flexible gas turbines are successfully operating in simple and combined cycle power plants, in pure power generation and cogeneration applications.

Alstom's gas turbine products range from 113 to 296 MW:

- GT26™ (296 MW) for 50 Hz;
- GT24™ (193 MW) for 60 Hz;
- GT13™ E2 (184 MW) for 50 Hz;
- GT11™ N2 (113 MW) for 50 Hz and (115 MW) for 60 Hz (also available for low calorific fuels like blast furnace gas as GT11™ N2Lbtu).

In combined cycle power plants with advanced gas turbines, the thermal design of Alstom steam turbine achieves highly efficient heat recovery cycle and excellent operational flexibility:

- STF30c: 150-400 MW;
- STF15c: 100-250 MW.

Turbogenerators

As a leader in air-cooled technology, Alstom has set the trend with TOPAIR by designing a simple, robust and highly reliable air-cooled turbogenerator resulting in low life cycle costs for its customers. The largest air-cooled turbogenerator in operation is a TOPAIR at 340 MW.

The upper range of turbogenerators for combined cycle applications is covered by Alstom's hydrogen-cooled TOPGAS with outstanding reliability and efficiency.

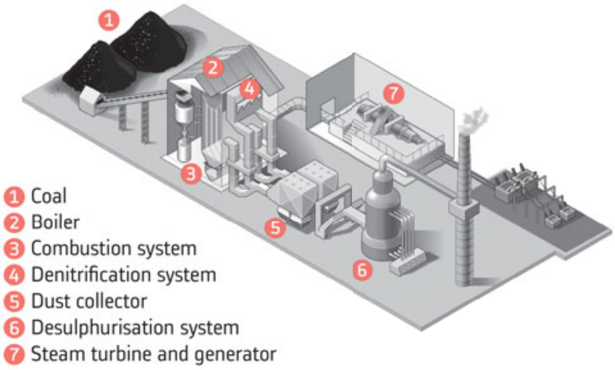
TOPAIR together with TOPGAS are the results of a continuous, evolutionary development that has pushed the limits of power output while maximising efficiency. At the same time, it is characterised by simplicity and ease of operation and maintenance.

HRSG (Heat Recovery Steam Generators)

Alstom offers a complete range of HRSG, optimised for cycling and constructability that provide high performance in all modes of operation. More than 600 HRSG behind gas turbines of 50 MW and above were supplied from Alstom's own manufacturing facilities, including drum-type and once-through HRSG, thus providing Alstom with unparalleled experience in this field.

STEAM

COAL POWER PLANT



With over a century's experience in building coal-fired power plants, Alstom has gained the expertise, technology and the product portfolio to meet its customers' specific requirements, combining fully integrated and optimised high performance solutions and reliability with total environmental compliance.

Alstom has the largest installed base, with approximately 30% of boilers installed worldwide using Alstom technology, totaling around 800 GW (Source: Alstom). Alstom's experience includes subcritical and supercritical steam pressures as well as a broad range of fuels including all types of coal, oil and biomass. Alstom has developed firing systems for both suspension firing and fluidised bed that have been proven to offer the lowest emission levels with high combustion efficiency. Alstom drives technology improvements to increase efficiency and reliability while reducing all emissions including NO_x, SO_2, particulates and greenhouse gases.

Alstom manufactures, delivers, installs and serves steam turbine generator sets from 15 to 1,200 MW. Today, Alstom's fleet represents more than 20% of the world's installed steam turbine capacity (Source: Alstom), with 100 turnkey steam power plants supplying more than 500 GW. Alstom steam turbines for power generation solutions are available as back-pressure or condensing turbines with and without controlled steam extractions for a wide range of applications, including steam turbine power plants, combined cycle power plants, cogeneration power plants as well as renewable applications.

INTEGRATED SOLUTIONS

Alstom's Plant Integrator™ approach calls on proven solutions tailored to meet each customer's specific needs. Alstom provides a comprehensive range of flexible integrated solutions for various outputs. The steam power plants can efficiently operate in a single or multi-unit arrangement using different types of boilers.

Due to the combination of different elements and technologies used in coal-fired power plants, these projects are inherently complex and require specialist expertise. Alstom manages large-scale and complex projects, providing the entire range of services from technical engineering and sub-contracting to construction and commissioning.

Alstom's technology provides optimum performance for all steam cycles from 100 MW. Its cutting-edge expertise with ultra-supercritical technologies ensures higher efficiency. Alstom's position as a leading supplier of environmental control systems significantly reduces the environmental impact of the power plants. Moreover, Alstom's new steam power plants are now designed to be CO_2 capture ready.

PRODUCTS

Large steam turbines

Alstom offers a comprehensive portfolio of highly reliable, efficient and operationally flexible steam turbines for all fossil-fired power plant applications, with outputs up to 1,200 MW.

In fossil-fired steam plants, Alstom steam turbines are compatible with the highest ultra-supercritical steam parameters:

- STF100: 700-1,200 MW;
- STF60: 500-900 MW;
- STF40: 250-500 MW;
- STF25: 100-350 MW.

In cogeneration power plants, Alstom steam turbines enable highly flexible operation between power and heat demand and efficiently accommodate wide variations in process steam flows:

- COMAX: 100-400 MW.

Small steam turbines

Alstom has delivered 1,000 small steam turbines of below 100 MW totaling 17 GW in installed capacity worldwide. Small steam turbines are designed to reduce plant capital costs through their modularity, exhaust configurations and compact packaging concept. With highly efficient components and cycles to maximise overall plant efficiency and flexibility in operation, Alstom small steam turbines are built to suit a wide variety of applications, including renewable applications as well as cogeneration for industrial applications:

- GRT: 15-65 MW;
- MT: 50-100 MW;
- TM2: 45-55 MW.

Turbogenerators

The Group provides a full range of turbogenerators based on leading technologies for coal-fired power plants:

- GIGATOP 2-pole covers a power output range from 400 MW to 1,400 MW at 50 Hz and from 340 MW to 1,100 MW at 60 Hz. Alstom's GIGATOP 2-pole is the world's most powerful turbogenerator and delivers the needed power at an optimum efficiency. It has demonstrated extremely high reliability in operation resulting in low life cycle costs for Alstom's customers.
- TOPGAS covers a power output range from 300 MW to 530 MW at 50 Hz and from 250 MW to 450 MW at 60 Hz;
- TOPAIR covers a power output range from 150 MW to 400 MW at 50 Hz and from 90 MW to 300 MW at 60 Hz;
- TOPACK covers a power output range from 40 MW to 150 MW at 50 Hz and from 40 MW to 90 MW at 60 Hz.

Boilers

Alstom offers a broad range of performance utility boilers and related equipment for an extensive range of fuels, providing highly efficient, reliable and operationally flexible operation with low emissions. This equipment range includes:

- suspension-fired boilers, up to 1,200 MW, using advanced pulverised coal firing technologies; with installed base of around 580 GW;
- circulating fluidised bed (CFB) boilers, up to 600 MW in supercritical steam cycles particularly efficient in burning a wide variety of low-grade fuels;
- oil and gas fired boilers, up to 600 MW;
- boiler auxiliary equipment including air preheaters, coal mills and ash handling systems.

ENVIRONMENTAL CONTROL SYSTEMS

Alstom's expertise in boiler technologies and in firing systems provides the perfect blend of knowledge to ensure that each fuel burns cleanly. Alstom has designed a family of low-NO_x tangential and wall-fired combustion systems to significantly abate emissions, such as nitrogen oxides.

Alstom is the world-leading supplier of air quality control systems to the power generation industry and for many other industrial applications (Source: Alstom). The wide range of post-combustion solutions addresses all customers' existing and future emission-compliance needs for all traditional pollutants:

- control of sulphur dioxide (SO_2): above 98% reduction;
- control of nitrogen oxide (NO_x): above 90%;
- control of particulates: Alstom is PM 2.5 compliant;
- control of mercury emissions: up to 90%.

The next challenge will be the capture of carbon dioxide (CO_2). Alstom is testing and demonstrating various oxy-combustion and post-combustion solutions. Alstom is now proceeding with the industrialisation of those technologies.

CO_2 CAPTURE AND STORAGE (CCS)

Alstom has several pilot projects currently running using several technologies of CO_2 capture solutions that give one of the best energy efficiency for an acceptable cost of installation and maintenance for the operator. The Sector focuses mainly on post-combustion and oxy-combustion technologies as these applications cover both new built power plants as well as existing fleet. The availability and efficiency performances for these technologies are promising. They should allow the capture of CO_2 emissions from commercial scale power plants from around 2015.

Post-combustion technology separates CO_2 from exhaust gases using a solvent. Alstom has prioritised two technologies: advanced amines and chilled ammonia. These technologies can be applied to both coal-fired power plants and to combined cycle gas-fired power plants. The various pilot projects and industrial demonstrations already under way will enable to scale up the technology, validate their energy use and should confirm their economic advantages.

The oxy-combustion method consists in burning a solid fuel in a mixture of oxygen and recycled CO_2, instead of air. This combustion produces a concentrated stream of CO_2 which can be easily stored. Conditions for retrofitting existing fleets with oxy-combustion technology are currently being studied. Important technological breakthroughs are being prepared, such as chemical looping, a new and promising form of oxy-combustion currently undergoing large bench.

Alstom has already signed several agreements with utilities and oil companies to develop CO_2 capture pilot plants using both oxy-combustion and post-combustion methods.

Main Partnerships & Projects Portfolio

Advanced Amines	Joint development programme West Virginia Pilot (USA) - Coal	1.8 ktCO_2/y	DOW CHEMICAL - ALSTOM
	Le Havre (France) - Coal	7.5 ktCO_2/y	EDF - DOW CHEMICAL - ALSTOM
	Belchatow (Poland) - Lignite	> 1,800 ktCO_2/y	PGE - DOW CHEMICAL - ALSTOM
Chilled Ammonia	Karlshamm (Sweden) - Oil/Gas	15 ktCO_2/y	E-ON - ALSTOM
	Mountaineer (US) - Coal	100 ktCO_2/y	AEP - ALSTOM
	Mongstad (Norway) - Gas	80 ktCO_2/y	CO_2 TECHNOLOGY CENTRE MONGSTAD ALSTOM
	Mountaineer II (US) - Coal	1,500 ktCO_2/y	AEP - ALSTOM
	TransAlta (Canada) - Coal	1,000 ktCO_2/y	TRANSALTA - ALSTOM
	Turceni (Romania) - Lignite Feasibility study	> 1,500 ktCO_2/y	ISPE - ROMGAZ TRANSGAZ - ALSTOM
Oxy-combustion	Schwarze Pumpe (Germany) - Lignite	70 ktCO_2/y	VATTENFALL - ALSTOM
	Lacq (France) - Gas	60 ktCO_2/y	TOTAL - ALSTOM
	Alstom Boiler Simulation Facility Alstom Windsor (US) - Coals	Equivalent to 25 - 40 ktCO_2/y	NETL - DOE - ALSTOM
	Jänschwalde (Germany) - Lignite Feasibility study	1,800 ktCO_2/y	VATTENFALL - ALSTOM
	Darmstad Chemical Looping Combustion Darmstad (Germany) - Coals	Equivalent to 2 ktCO_2/y	ECLAIR CLC - ALSTOM
	Phase IV DOE/Alstom CLC Programme Windsor (US) - Coal	Equivalent to 9 ktCO_2/y	NETL - DOE - ALSTOM

Pilots in commissioning/operation

In 2009, Alstom acquired the Wiesbaden engineering office of the former Lummus Global, a leading provider of technology for the hydrocarbon processing industry, in Germany. The unit, renamed Alstom Carbon Capture GmbH, is now integrated into Alstom's CO_2 Capture Systems activity. Alstom Carbon Capture GmbH has extensive experience in numerous fields of chemical processing applications, especially for the oil and gas, petrochemical and chemical processing industries. This acquisition greatly strengthens Alstom's capacity to execute large-scale carbon capture projects.

PARTNERSHIPS

Alstom and Schlumberger sealed a joint agreement to conduct carbon capture and storage (CCS) readiness studies for power plants. These innovative studies will include a technical analysis of a power plant to identify how it should be adapted to accommodate an Alstom CCS system. The studies will also include an evaluation of potential CO_2 storage sites for the power plant, as well as an evaluation of required investments for future CO_2 transport and storage. The offer is designed to facilitate the future conversion of power plants to CCS and the securing of environmental permits as well as optimising time-to-market periods and associated costs.

Other partnerships are also under discussion. Alstom thus intends to take a worldwide leadership position in CO_2 capture.

NUCLEAR

Alstom Power is the world's leading supplier of steam turbine generators to the nuclear power plant market: 40% of the world nuclear power stations operating today use Alstom-made equipment. Alstom's latest nuclear reference in operation is the Unit 3 of Ling Ao II power plant in China. This unit entered in commercial operation in September 2010 with a significant performance improvement compared to Ling Ao I, thanks to the use of ARABELLE™ half-speed technology. In addition, the recent performance test held on the Unit 3 demonstrated that its guaranteed output and efficiency are not only met but even better than planned.

NUCLEAR SOLUTIONS

Alstom offers integrated turbine islands as well as a wide range of nuclear specific products. Alstom is an experienced turbine manufacturer able to fully design, engineer and manufacture all the main conventional equipment of a turbine island for any type of nuclear reactor.

Alstom's core competencies cover all phases of implementation of the power conversion systems, starting from turbine island basic and detail design, including general layout, civil work interfaces studies, supply of mechanical and electrical equipment, as well as instrumentation and control systems, project documentation and training, erection up to commissioning and performance testing.

PRODUCTS

STEAM TURBINES

Widely acknowledged as the most advanced in the market, the "half-speed" ARABELLE™ turbine offers outstanding power output (900 to 1,800 MW) and uses exclusive welded-rotor. The ARABELLE™ technology ensures unparalleled efficiency, reliability and highest availability, resistance to stress corrosion cracking, longevity as well as optimal operation and maintenance regimes.

TURBOGENERATORS

With an output range from 900 MW to 1,800 MW, in both 50 and 60 Hz markets GIGATOP 4-pole, the turbogenerator behind Alstom's proprietary ARABELLE™ steam turbine, sets the benchmark for reliability and efficiency. Alstom's GIGATOP 4-pole is the world largest turbogenerator in operation today.

AUXILIARIES

Emergency Diesel Generators (EDG)

In the last ten years, Alstom has installed over 40% of the world's integrated EDG packages for nuclear reactors, covering the whole emergency power range required, from 3 to 10 MW.

Heat Exchangers

Alstom's heat exchanger equipment sizes for up to 1,800 MW units.

Pumps

Alstom is one of the world's leading specialists in custom-built large centrifugal pumps, with over 6,000 large pumps installed in more than 70 countries.

THERMAL SERVICES

SERVICING THROUGHOUT THE LIFE CYCLE OF THE ENTIRE PLANT

Having supplied equipment for approximately 25% of the worldwide installed base (gas turbines, steam turbines, generators, boilers and air quality control systems), Alstom has the experience to best enable power plants to remain competitive throughout their lifetime in a changing market environment.

Its service and retrofit solutions, adapted to all types of equipment and power plants, ensure the power plants efficiency, emission reduction and flexibility.

Alstom delivers effective solutions both for its own and other equipment manufacturers's fleets. This unique technological knowledge is further developed through significant R&D investment, with a particular focus on efficiency and environmental aspects in order to offer innovative solutions to customer's challenges.

LOCAL PRESENCE

With more than 15,000 employees present globally through a network of over 200 locations in 60 countries and 25 centres of technical expertise, Alstom has the largest field service organisation in the world. Alstom's footprint and broad industry expertise enable it to support customers through strong technology and engineering capabilities as well as quick access to experts.

INTEGRATED SOLUTIONS

Power plant performance depends on very complex interactions between all components and systems. In-depth plant knowledge and expertise in product and component integration enable Alstom to offer comprehensive plant optimisation solutions to increase the plant performance throughout its life cycle.

The Plant Integrator™ solution starts with a top-down assessment to focus on the areas that have the highest impact on the plant performance.

ALL FUELS, ALL EQUIPMENTS

With a complete portfolio covering the entire life cycle of the power plant, Thermal Services activity supports its customers maximising plant performance, availability and reliability, meeting their business goals in asset life cycle management, performance improvements, risk management, cost management and environmental compliance. Alstom offers services for all types of plants: gas, steam, nuclear and industrial.

- **Gas turbines:** benefiting from the experience of an installed fleet of more than 700 GW, Alstom engineers deliver cutting-edge solutions providing best-in-class technical assistance and support to any manufacturer's design. Mastering application of well-proven and new technologies, Alstom local expertise and facilities support customers optimise their asset with customised service contracts, integrated plant services, state-of-the-art reconditioning, field services and solution packages for parts or upgrades.

- **Boilers:** Alstom is the leading global supplier of performance optimisation solutions with more than 1,400 retrofits performed worldwide on boiler islands, of which more than 40% being third party equipment. Alstom has more than 35,000 MW of fuel switching experience (examples: high sulfur to low sulfur coal; coal firing to oil/gas firing; oil to coal/gas firing; brown coal to hard coal…).
- **Steam turbines:** Alstom has the capability to perform steam turbine retrofits with "impulse" (ITB) or "reaction" (RTB) turbine blading technology. Regardless of the original manufacturer and the existing turbine technology, it allows Alstom to customise the retrofit solution to match plant operating strategy independently of technology.
- **Generators:** through a series of acquisitions and mergers, Alstom has accumulated and developed the broadest technical product portfolio and expertise enabling customer to benefit from upgrades and rewind solutions either on Alstom fleet or third party fleet.
- **Air Quality Control Systems:** Alstom has the complete range of solutions from Electrostatic Precipitators (ESP), Fabric Filters (FF), Flue Gas Desulphurisation (wet FGD and dry FGD), Selective Catalytic Reduction (SCR) to most of the equipments associated to the flue gas line.

ADVICE AND OPERATIONAL SUPPORT

Alstom supports customers in choosing the right solution to maximise plant performance, availability and reliability through innovative services like performance and lifetime assessments, design studies, outage compression techniques, inspection technologies, emergency response.

THERMAL RENEWABLES

GEOTHERMAL

In 2009, Alstom successfully reentered the geothermal market, with the award of two 25 MW projects in Mexico.

Alstom geothermal business has a total installed capacity of 350 MW to date.

Alstom can provide tailored plant configurations for both 50 Hz and 60 Hz electricity markets, starting with its smallest plant layout of approximately 20 MW. In the medium size range of 25-35 MW, Alstom can provide a modular plant based around its well-proven single-flow turbine module. For larger steam fields with proven steam resources, Alstom offers plant sizes in the 35-60+ MW range based around a double-flow turbine configuration, which offers both excellence performance and economies of scale.

For turnkey power plants, Alstom offers every aspect of design, engineering, procurement and construction. This includes steam receiving system, power plant layout and design, civil works, piping, valves and balance of plant, gas ejection and cooling system, plant control and electrical system, high voltage switchyard, erection and commissioning, as well as construction, project management and execution.

Alstom offers steam turbines and generators, condensers, hotwell pumps, instrumentation and control systems. Its robust direct drive turbines with optimised blade forms are designed to cope with the demands of wet steam with dissolved impurities and even the most challenging steam compositions.

In addition, Alstom offers service contract to cover the day-to-day running and maintenance of the plant. As a leading global provider Alstom can tailor a package to exactly suit its customer's plant and business strategy.

SOLAR THERMAL

Solar Thermal (or Concentrated Solar Power – CSP) is becoming a key part of the renewable solutions for power generation in a world facing increasing concerns about reducing emissions and conserving resources.

Alstom first sold its steam turbines for solar Thermal power plants in the late eighties. Alstom's state of the art power blocks can be used for the three main technologies of Concentrated Solar Power: parabolic trough, linear fresnel and tower applications. Each concentration method, requiring direct radiation from the sun, is capable of producing high temperatures and correspondingly high thermodynamic efficiencies, but they vary in the way that they track the sun and focus light.

Alstom provides a comprehensive range of flexible integrated solutions based on its turbines and generators in house technology and its proven engineering, procurement and construction skills. In 2010, Alstom invested in BrightSource Energy, becoming one of its main shareholders. In addition, the two companies have signed partnership agreements which will allow them to provide an integrated solar tower power plant solution in the countries in which the solar conditions are the best.

BrightSource's technology employs thousands of mirrors to reflect sunlight onto a central receiver atop a tower to produce high temperature steam at the highest levels of solar efficiency. The steam is then piped to a steam turbine and generator which produce electricity. Alstom turnkey power plant solutions and steam turbine expertise, combined with BrightSource Energy's solar technology know-how complement each other perfectly, enabling to offer highly efficient solar thermal power plants.

HYDRO POWER

The Hydro Business is the worldwide market leader for hydropower solutions and services, with around 25% of the global hydropower installed capacity accounting for 450 GW of turbines and generators (Source: Alstom). Today, the Hydro Business employs more than 7,000 people.

HYDRO POWER SOLUTIONS

Hydropower is the most important source of renewable energy in the world, representing over 16% of the global electricity production, while using only a third of the potential economic global hydropower capacity. Alstom offers the most comprehensive range of power generation services and equipment that cover all hydropower schemes from small to large, from run-of-river to pumped storage power plants, from individual equipment to complete turnkey solutions.

Alstom offers a single point of contact to coordinate and interact with all related parties (consulting engineering, civil engineering, etc.) and can act as the consortium leader for major projects, taking full responsibility for the project and its optimisation.

Alstom hydropower plants combine reliability with very high efficiency, converting more than 90% of available energy into electricity.

For medium and small power ranges, Alstom has developed a range of turnkey solutions based on standardised electromechanical equipment for industrial and agricultural applications, to satisfy all requirements from 5 MW to 30 MW.

PRODUCTS

Alstom's comprehensive product range enables it to provide cost effective hydropower solutions for any application for both new and installed power plants.

TURBINES UP TO 900 MW

Alstom provides a full range of hydro turbines, with maximum power capacities of 900 MW. This range includes Francis, Kaplan, Pelton, bulb and pump turbines to meet all customers' needs and applications.

GENERATORS UP TO 1,000 MVA

Depending on the type of hydropower application, Alstom's generators can produce up to 1,000 MVA depending on the type of hydropower application. The range includes large, medium and small hydro generators, bulb generators, motor-generators, ring motors and excitation systems.

HYDRO-MECHANICAL EQUIPMENT

Alstom designs and manufactures hydro-mechanical equipment for hydro power plants as well as for waterways and irrigation systems.

BALANCE OF PLANT AND CONTROL SYSTEMS

Alstom's core competencies in control systems span over all types of hydro power plants to optimise power production. In this field of strategic products for power generation applications, Alstom has developed and qualified specific control system solutions as well as dedicated machine control equipment, in order to guarantee safe, optimised power plant operations.

WIND POWER

Alstom believes in wind as a viable source of clean power to help meet energy challenges and aims at becoming a major player in this field. The acquisition in 2007 of the Spanish wind turbine company Ecotècnia provided Alstom the perfect foothold to enter this activity.

Alstom Wind designs, assembles, installs and commissions a wide range of onshore wind turbines.

To date, Alstom has installed or is installing more than 2,700 MW of wind power in 120 wind farms (in Spain, UK, France, Portugal, Morocco, Italy, Brazil, USA, Turkey, Japan, and India).

WIND POWER SOLUTIONS

Alstom offers integrated wind farm solutions, covering site development activities, system or key component design and manufacturing, assembly, installation and O&M services.

PRODUCTS

The Alstom portfolio offers the appropriate choice of wind turbines to match different wind farm locations and wind speeds.

All Alstom's wind turbines feature the patented ALSTOM PURE TORQUE™ concept, a unique mechanical design concept in which the hub is supported directly by a cast frame on two bearings, whereas the drive train is fully separated from the supporting structure. As a consequence, the deflection loads are transmitted directly to the tower whereas only torque is transmitted through the shaft to the drive train. This configuration reduces drive train breakdowns, thus increasing reliability levels and reducing maintenance costs.

Onshore products, ranging from 1.67 MW to 3 MW turbines, are divided into the ECO 80 and the ECO 100 platforms:

- in the ECO 80 platform, Alstom offers a wide range of 1.67 MW to 2 MW wind turbines for wind speeds ranging from low to medium/high, with rotor diameters of 74 m (ECO 74) to 80 m (ECO 80) and 86 m (ECO 86);
- the ECO 100 platform is composed of the ECO 100 wind turbine, a 3 MW onshore wind turbine suitable for class II-A sites. It has already been installed in several wind farms since 2008;
- the first unit of ECO 110 (110 m diameter) for class III sites was installed in 2009.

With 30 year experience in wind turbine design, manufacturing and operation, Alstom is now well positioned to become a leader in offshore wind technology by producing a 6 MW offshore wind turbine with direct drive technology (see also Research & development section).

Through an exclusive agreement between Alstom and EDF Energies Nouvelles signed early 2011, the companies will jointly respond to call for tenders from the French government for the launch of offshore wind projects. The agreement covers the future construction of offshore wind farms developed by EDF Energies Nouvelles and its partners. Under the agreement, Alstom is the exclusive supplier of 6 MW offshore wind turbines. With Alstom Grid, Alstom also benefits from experience in electrical infrastructure for offshore wind.

In addition, Alstom has formed partnerships with Emerge, Iberdrola and Zefir for further joint developments in offshore wind.

POWER AUTOMATION AND CONTROL SOLUTIONS

The Power Automation and Controls business is dedicated to the delivery of solutions for the automation and control of a power plant, or a portfolio of power plants, using all generation fuels: steam, gas, nuclear and renewables. It is a major component of the Plant Integrator™ and Clean Power offering of Alstom.

These solutions aim at optimising the efficiency, quality, availability and security of power generation plants and fleet, thus providing the means to get the best output from power plants, the right amount of power at the right time and the desired voltage or frequency in a protected and secured environment.

Alstom Power control solutions are adapted to all power generation challenges:

- efficiency: solutions adapted to each plant that ensure a power generating unit is running at optimal performance at all times. These include distributed control systems (DCS), machine controlling solutions such as turbine governing and generator excitation, instrumentation and electrical balance of plant equipment. For availability and security, Alstom's automation and controls solutions embed proven security code and cyber-security technologies with a high-level of redundancy, guaranteeing a high level of availability. Alstom's site security solutions ensure secured access to the power plant and its equipments while monitoring and diagnostics solutions enable plant employees to work in a safe environment;
- optimisation: in order to achieve best performance of a plant, monitoring of key equipment is of the essence. Alstom provides plant life cycle and maintenance management solutions, as well as monitoring and diagnostic systems for rotating and non-rotating equipments of the plant. In addition, Alstom's portfolio includes a simulation tool to train plant operators as well as test production scenarios for plant production scheduling optimisation;

  When the performance of an entire fleet needs to be enhanced, Alstom provides advanced decision-making solutions for fleet performance management, fleet scheduling, fleet asset management and power generation risk and trading to help the customers find the best use of their power generation assets;
- flexibility: the electricity network needs to be served with right amount of energy at the right time and at the expected quality in order to guarantee its stability. This in turn has considerable consequences on the power generating equipment that needs to be able to constantly adapt to this tailored generation. Alstom's solutions allow to quickly adapt to lower or higher demand;
- services: Alstom offers a full range of products and services adapted to all needs for the installation and the maintenance of automation and controls solutions, starting from engineering, manufacturing, testing and system integration, through to training, lifetime extension or retrofit.

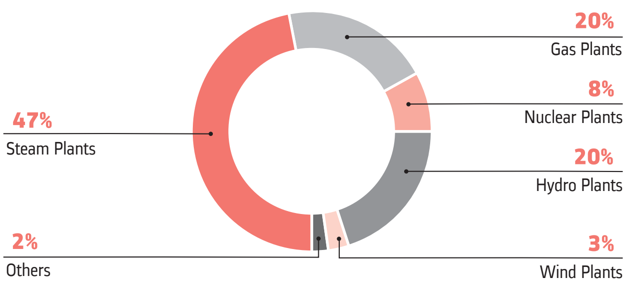
OFFERING

Today, the ALSPA® Series 6 products line includes control room with plant management operation and optimisation tools, plant and machine automation, asset management and remote diagnostic systems.

Industry characteristics

The world's installed power generation capacity as of 1 January 2010 was estimated at around 4,774 GW. The chart below sets out the breakdown of this installed base by technology.

INSTALLED BASE BY PLANT TYPE AS OF 1 JANUARY 2010



Source : Alstom, Utility Data Institute (UDI)

Investments needed in new power plants over the next decade are expected to be very high: according to International Energy Agency, (World Energy Outlook 2010), they should represent more than $365 billion per year.

MARKET EVOLUTION

In 2009, the financial and economic crisis significantly affected electricity consumption worldwide leading to a global reduction of demand for new power plants by almost half compared to the previous booming 2007 and 2008 years, while service market showed more resilience. Economies relying on strong industrial output were particularly affected, and the combination of lower power demand and pre-crisis ordered capacity coming online pushed reserve margins higher in several regions.

In 2010, the market conditions remained overall challenging with contrasted situations across geographies and technologies. In emerging countries, GDP growth was quick to rebound and electricity consumption started to recover, leading to increasing needs for new infrastructure. Strong demand for new power plants in emerging countries was especially driven by thermal in Asia (coal, gas and nuclear) and renewables (hydro, wind…). In the mature markets, demand remained weak for new thermal power equipment. Due to reserve margins in Europe and in North America, utilities continued to delay the decision to invest in new plants and some projects were kept on hold. In the United States of America, the uncertainty of the regulatory environment for fossil plants fostered a wait-and-see attitude.

Medium and long term drivers for power investments remain however strong: in most industrialised countries, the ageing fleet is pushing the need for retrofit and replacement and environmental concerns remain a key driver. In addition, many emerging economies still require further power capacity to match demand. Asia and emerging countries are likely to remain the biggest markets for new power plant over the years to come.

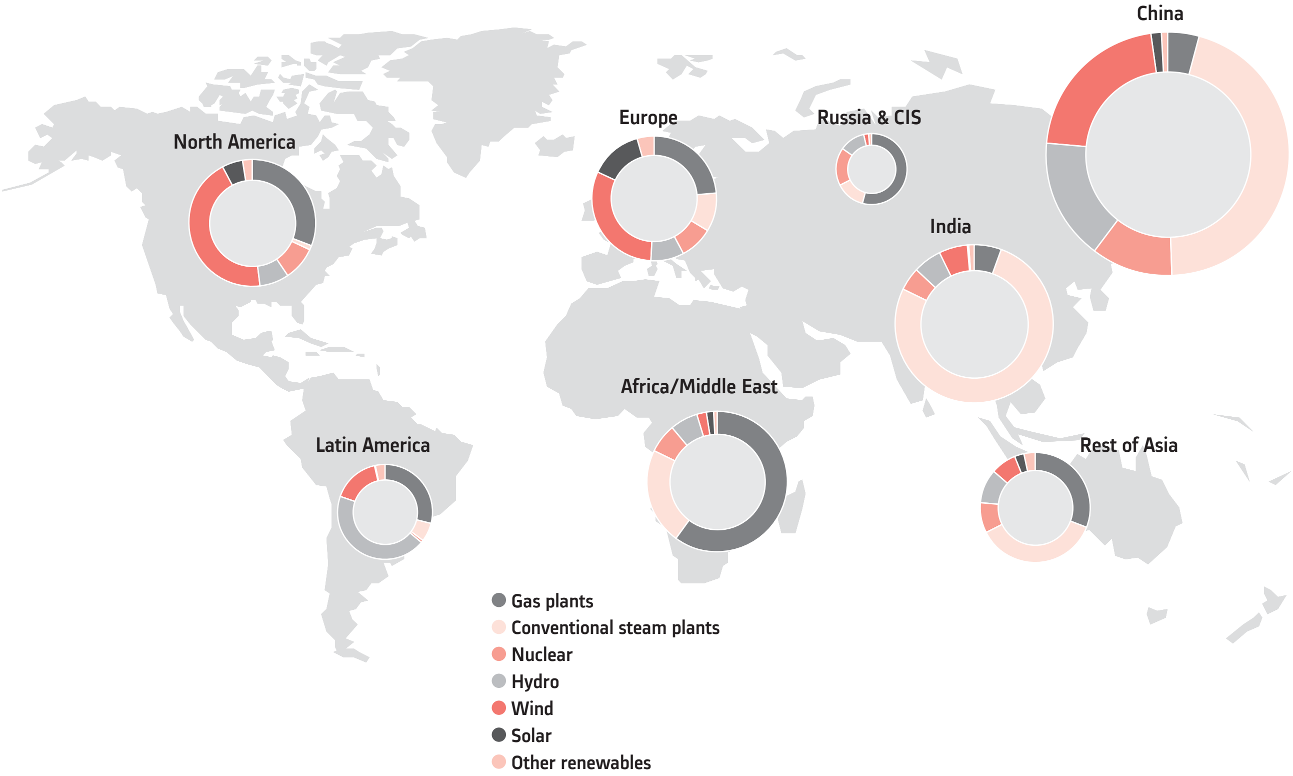
Regarding after-market business, the ageing fleet and environmental concerns have continued to push the need for retrofit and replacement, particularly in Europe and North America. Service and retrofit markets are expected to over pass the pre-crisis level in 2011.

In the medium term, the market is expected to be balanced in terms of mix. Regarding fossil fuels, coal should still represent the biggest volume in GW, a demand driven mainly by Asia, while gas should dominate the Middle East, Europe and North America markets. Driven by environmental concerns and implementation of regulations, the share of CO_2 free technologies in the mix is expected to grow in almost every region of the world.

The graph below shows the expected power generation market over the next five years.

POWER GENERATION MARKET IN THE NEXT FIVE YEARS

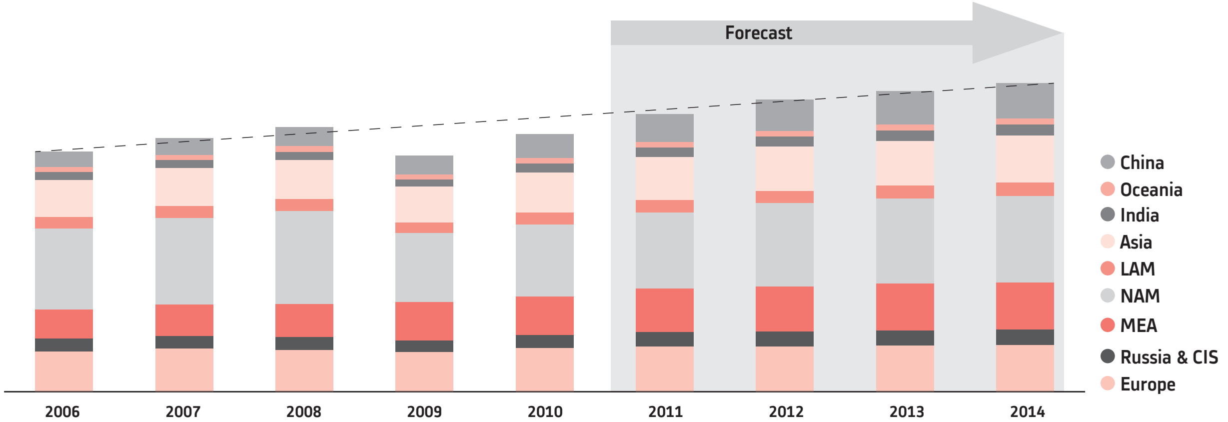
AVERAGE OF 230/260 GW P.A



Source: Alstom 2010

Environmental products and retrofit markets should offer growing opportunities in developed countries, mainly driven by more stringent regulations and ageing of the installed base.

SERVICE MARKET



Source: Alstom

The service market drivers remain strong, notably in Europe and North America, as an ageing installed base increases the requirement for regular equipment maintenance, lifetime extension and performance upgrade. In developing markets such as China, India or the Middle East, the growing number of new power plants will progressively boost service needs. Everywhere, environmental concerns highlight the need for lower emissions in existing power plants. Furthermore, fossil fuel prices, which are expected to remain structurally high in the coming decades, are also contributing to the demand for services in order to improve efficiency rates.

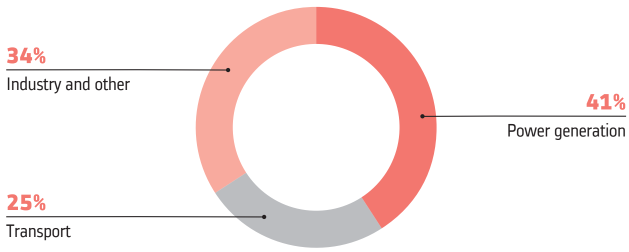
MARKET DRIVERS

Demand for power generation equipment tends to be driven by a variety of complex and inter-related factors, notably environmental concerns, economic growth and the ageing of the installed base. Other factors such as fuel price and availability as well as energy management are also key elements of the power market.

ENVIRONMENTAL CONCERNS

Environmental concerns have been the most widely debated topic over recent years with environment being a major driver for the new plants and installed base market in several regions of the world. A real change in behaviour is noticeable, with more stringent regulations being implemented all over the world. Climate change is a fact now accepted by the majority of scientists, politicians and the public opinion, with greenhouse gases such as CO_2 seen as the major root cause. The power sector being one of the biggest emitters of CO_2, it is looking at ways to considerably reduce its carbon footprint. Legislators are starting to put in place the policies that will be needed to drastically reduce CO_2 emissions in the medium- to long-term.

CO_2 EMISSIONS FROM FOSSIL FUEL COMBUSTION



Source : AIE – World Energy Outlook 2010

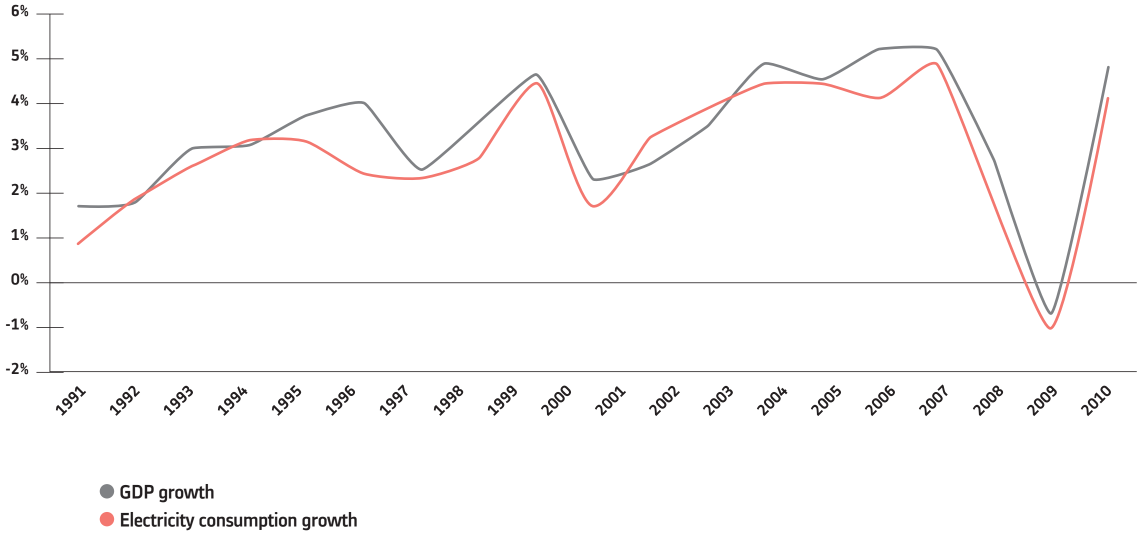
Discussions within the United Nations Framework Convention on Climate Change (UNFCCC) COP 15 in Copenhagen in 2009 and COP16 in Cancun in 2010 confirmed the growing consensus on the urgency of action towards climate change. These two events resulted in a series of decisions among all major emitting countries. Main guidelines included an agreement in principle to maintain the rise in global emissions within the 2 degrees Celsius limit. The agreements also include the creation of the "Copenhagen Green Climate Fund" and the "Technology Mechanism" to accelerate technology development and transfer of technology in developing countries, helping them to expand electricity access and deploy low carbon technologies. In addition, the COP 16 Convention decided the creation of a "Green Fund" under the UN Convention governed by developed and developing country representatives.

These decisions underline the growing global need for access to clean technologies in both developed and developing markets.

1

ECONOMIC GROWTH

Power consumption and Gross Domestic Product (GDP) are tightly linked. Economic development is driving consumption of electricity, particularly in countries with rapid industrialisation. In emerging countries, power consumption growth is often outpacing GDP growth, particularly when driven by strong production from industry and growing electrification in rural areas. In developed countries, the ratio of electricity consumption to GDP, known as electricity intensity, is progressively declining due to a shift of the economy to more services and increasing efforts in energy efficiency. By a combination of these factors, electricity consumption declined globally in 2009, in line with the economic recession. In 2010, electricity growth rebounded in most countries in the world, however this growth was quicker and stronger in emerging countries while advanced economies have experienced sluggish recovery with an electricity consumption still below pre-crisis level.



Source: Alstom

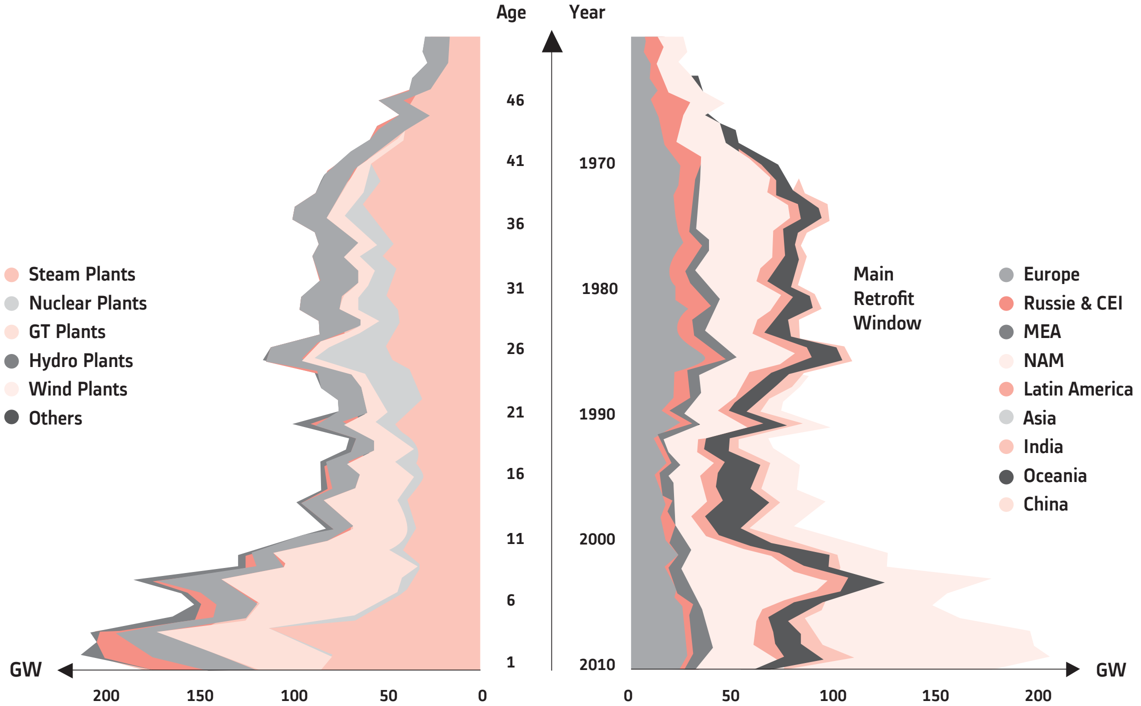
AGEING INSTALLED BASE OF POWER PLANTS

The ageing installed base along with stricter environmental regulations and increased fuel prices should lead to a higher demand for retrofit. In recent years, demand for maintenance and refurbishment has been strengthened by a general trend among power producers to seek increased performance, lower operating costs and extend the life cycles of their existing plants. This increase in demand to upgrade and retrofit facilities could benefit power plant manufacturers such as Alstom. The Group believes that its large worldwide installed base will be a significant source of future growth for its Power activities, especially in Europe and in the USA, but also increasingly in other regions such as Asia or the Middle East. The growing number of old plants reaching retirement age will continue to drive the market for servicing and retrofits as utilities strive to replace components to maintain current levels of installed capacity, or take the opportunity to increase the capacity of power plants to simultaneously address rising power demand.

By carrying out an integrated analysis of power plant equipment, operation and maintenance, individual plants can be improved to run more efficiently, thus cutting fuel costs, enhancing performance and allowing drastic reduction of CO_2 emissions.

AGE PYRAMID OF WORLD INSTALLED CAPACITY

WORLD INSTALLED BASE 4,774 GW IN 2010



Source: Alstom

Competitive position

The Power Sector holds leading positions in all of its Businesses worldwide.

In turnkey fossil plants, Alstom competes with Siemens, Mitsubishi Heavy Industrie, Ansaldo, Hyundai, Doosan, several Chinese EPCs as Sepco III and BHEL in India.

In gas turbines, Alstom is facing competition from three major global groups: General Electric, Siemens and Mitsubishi Heavy Industry.

In steam turbines, the Sector competes with General Electric, Siemens, Mitsubishi Heavy Industries, Doosan and Toshiba as well as with players from emerging countries, such as Shanghai Electric, Harbin and Dongfang from China and BHEL in India.

In the utility boilers segment, the main competitors are Mitsubishi Heavy Industries, Babcock & Wilcox, Babcock Hitachi, Foster Wheeler, Doosan and the above-mentioned suppliers from China and India.

In emissions control systems for electrical power producers, the main competitors are Babcock & Wilcox, Siemens-Wheelabrator, Babcock Hitachi, BPI, Doosan, BHEL in India, Chinese suppliers in China.

In hydroelectric power generation, the main competitors are Voith-Hydro, Andritz Hydro, as well as Harbin, Dongfang and BHEL.

Alstom Wind's main competitors are Vestas, General Electric, Gamesa, Suzlon/REpower, Enercon and Siemens.

In geothermal power generation, Alstom faces competition in turbine and component supply from Japanese suppliers such as Mitsubishi Heavy Industry, Toshiba and Fuji. Within plant integration, there are a diverse range of regional turnkey geothermal suppliers and integrators with Mitsubishi Heavy Industry and ORMAT being the leading competitors.

In solar thermal power, Alstom competes with Abengoa, Solar Millenium, Siemens and e.Solar.

In power plant control systems, the main competitors are ABB, Siemens, Emerson, Yokogawa and Invensys.

Besides Alstom, the following companies are present in the service for installed base market:

- the Original Equipment Manufacturers (OEMs) of power generation equipment, concentrating mainly on servicing their own machines;
- independent service providers offering varied service products to OEM customers, including some reverse-engineered replacement parts;
- many local field service companies with activities mostly limited to maintenance planning and execution.

The competitive strengths of the Alstom Power Sector include:

- its leadership positions in various areas (steam turbines and generators, conventional islands of nuclear power plants, retrofit solutions, hydro solutions and equipment) with a global presence and references;
- its unique capability to supply optimised turnkey plants by integrating all major components from in-house technology: turbine, generator, boiler, condenser, environmental systems, electrical and control systems;
- its extensive experience in all types of boiler technologies, including clean coal combustion;
- the largest installed base of OEM equipment in operation within power plants worldwide (Source: UDI-Alstom), as well as its extensive experience in heavy duty and mid-range gas turbines.

Research & development

The Power Sector has a long term research and development (R&D) programme for developing and/or acquiring the best available technologies that will provide optimum efficiency, environmental and commercial benefits to power plant operators worldwide, now and in the future.

Alstom's R&D efforts are essentially driven by current and future market needs in its product areas. The R&D organisation includes more than 2,300 people and is dedicated to 80 critical technologies. The "R&D execution" centres are located in 32 locations through Europe, Asia and North America. In addition to its internal resources, Alstom actively seeks links with leading academic institutions to access facilities, expertise and research talents. Across the world, the Group has established relations with some forty universities where active R&D collaboration is underway.

Over the past years, the Sector has extensively worked on the development of the GT24™, GT26™ and GT13™E2 gas turbines, including performance upgrade packages, combustion system improvements to reduce emissions and increase fuel flexibility, and features to allow further enhancement of the operational flexibility of these machines.

The Power Sector is involved in development projects, partly funded by the European Union and the US DoE, to develop materials for very high efficiency steam turbine power plants, which are intended to operate at live steam temperatures of 700°C and above. Alstom's projects focus on the manufacturing methods and testing of new materials for boilers and steam turbines, with a number of test rigs operating in existing power plants and at dedicated test facilities. A substantial portion of these development projects is now complete, enabling Alstom to offer products for 700°C+ applications in the near future.

In the field of nuclear, Alstom's offer goes from the turbogenerator set (ARABELLE™ technology) to the complete conventional island and covers all current generation III reactors. Power conversion systems for generation IV reactors are also part of Alstom's R&D programme.

Alstom has been carrying out an intensive R&D programme over the past years to meet the technological and economic challenges of capturing the CO_2 created by fossil fuel-based electricity production. In the medium term, the Company will be able to offer solutions for all fossil fuel-based power plants to capture CO_2 emissions.

The Hydro Business dedicated R&D organisation is continuously improving product development in order to better meet customer needs. Global technology centres create in-house Alstom Hydro product designs. They contribute to breakthroughs in the fields of oil-free turbine components, generator oblique elements, variable speed technologies and double-stage adjustable pump turbines. Three global technology centres are today in operations, two dedicated to turbine technologies in Baroda (India) and in Grenoble (France) and one in Birr (Switzerland) focusing on generators.

Always at the forefront of the technological innovation, Alstom entered in 2009 the tidal energy market by signing a licensing cooperation agreement with Clean Current Power Systems Incorporated, a private Canadian company specialised in the design and testing of tidal energy technology. Alstom plans to commercialise its first tidal stream products by 2012.

In the Wind activity, the Sector has developed a new 3 MW wind turbine called ECO 110, with the first prototype installed at the end of 2009. As part of its R&D plan, it has also initiated the development of wind offshore technology with the aim of entering notably the French and UK market, where the newly created offshore wind farms zone have been located. Alstom Wind focuses on developing a large offshore wind turbine specially designed to meet these countries' requirements. The prototypes are planned to be available mid-2012, for series production to start in 2014.

In the Power Automation and Control business, Alstom Power focuses on the rejuvenation of its automation offering and the launch of several new products in 2010, such as the extension of the ALSPA® Series 6, a new generation of Distributed Control Systems to cover very large plants control like the Medupi/Kusile plants in South Africa and a new line of Asset Monitoring and Diagnostic: the ALSPA® Care. Two new strategic partnerships were signed during the year: with Microsoft for the development of new Plant and Fleet Management Solution (OPTIPLANT) as well as with Tsinghua University for the WIND converters development in China.

In Thermal Service, R&D programmes focus on a wide range of upgrade designs for plant components (gas and steam turbines, generators, boilers, environmental systems); a unique set of inspection technologies, based on advanced in-house competencies in inspection robotics; the development of a comprehensive range of monitoring and diagnostics systems; methods and technologies to reduce outage duration and related cost for the benefits of its customers; specific technologies to increase plant efficiency and improve life cycle management.

Strategy

CLEAN POWER

Combating climate change is truly a global issue and one that all sectors of government, industry and the community at large must address. As 40% of CO_2 emissions emanates from the power generation sector and the global electricity demand is expected to massively increase by 2030, the power industry must take a leadership position and play a key role in significantly reducing its emissions.

Alstom is confident that its strategy of "Clean Power Today" will meet this challenge.

Alstom has committed to tackle the CO_2 challenge in adopting a 3-fold actions plan:

- develop a wide portfolio of CO_2 free power generation solutions to take into account the variety of available resources by regions;
- continue its efforts in improving the efficiency of products, plants and portfolio of plants;
- promote Carbon Capture and Storage (CCS) technology as way to serve both the installed base as well as the new fossil plants emission issue.

The first approach for the reduction in CO_2 emissions focuses on the technology mix. No single form of power generation will address the dual challenge of securing the supply of reliable and affordable power supply and affecting a rapid transformation to a low carbon system of energy supply. It will take all types of generation technologies including fossil fuels, nuclear and renewables. With the most comprehensive and balanced portfolio of generation equipment in the market including the removal of traditional pollutants, Alstom is well positioned to assist plant operators apply the most appropriate technology mix to meet their market conditions. As an example, Alstom Power has created a new business focused on "Thermal Renewables", which is now able to propose Geothermal and Concentrated Solar Power (CSP) plants. This is on top of the traditional renewables businesses, namely Hydro and Wind. Biomass is also addressed in the form of co-firing, *i.e.* a way to introduce 15 to 20% biomass in existing coal fired plants.

The second approach is that of production efficiency, reliability, water consumption reduction for both new and existing plants. With 60% of the total of CO_2 emissions in 2030 [(1)] coming from existing plants, solutions must continue to be developed and implemented to increase the efficiency of plants operating today. The more efficient a plant is, the less fuel it consumes to produce the same electrical output – an area of increasing priority in a time where security of fuel supply is a growing concern – and the less emissions it generates. Alstom's comprehensive range of integrated retrofit solutions offers its customers a varied and innovative range of products that can be applied to their existing asset base, increasing their efficiency, output and extending the plant life. Alstom is also continuously improving on existing technologies. With customer focus on plant economics and environmental impact, all new plants offered by Alstom today provide significant improvements on yesterday's technology. Alstom is working towards innovations that aim to achieve the goal of 50% plant efficiency for steam plants and 60% for combined cycle gas fired plants.

(1) Source IEA.

The third approach to address the climate change challenge is the application of CCS technologies. Alstom continues its significant R&D efforts in the field of CCS and is currently validating the technologies at a number of pilot and demonstration projects throughout the world, working closely with its partners toward full-scale commercialisation which should be available to market around 2015. In the meantime, to avoid the risk of stranded assets, Alstom offers its customers a "CO_2 capture ready" plant concept. This concept takes into account the needs of customers who purchase plants today that will ensure they are not financially penalised when the technology becomes available. Capture ready will limit the time for plant outages and unnecessary expenses and ease the integration at the time of installation of the CO_2 capture system.

LIFE CYCLE MANAGEMENT

Alstom's ambition is to be recognised as the global leader in plant maintenance and plant long-term service.

This objective is underpinned by a market-driven organisation centred on meeting customers' needs, by differentiation through technology and by the provision of innovative products and services delivering value to the customer.

The Sector aims at meeting customers' requirements at the individual components level but also for the entire power plant. Innovation focuses on solutions that extend plant components lifetime, improve power plants overall performance and reduce their environmental impact.

The installed base of power plants is facing a rapidly changing environment. Market deregulation, need for increased environmental performance, or impact of the growing production from renewable sources are making adaptations and upgrades necessary to keep existing plants competitive. To support its customers in this effort, Alstom is constantly investing to bring innovative technology solutions on the market for the installed base, at all stage of the plant life and for all type of components (Integrated Life cycle Management concept).

Beyond the maintenance and the modernisation of Alstom's own installed base, which is core to business, noble parts for other original equipment manufacturers will also contribute to generating long-term growth opportunities for Power.

The Power strategy in the service field for all fuels includes acquisition opportunities where these can generate synergies with existing businesses. Potential acquisitions will be considered in order to support specific initiatives, consolidate local footprints or execution capabilities, or add new products and technologies to the Sector's service portfolio.

PLANT INTEGRATOR™

The Plant Integrator™ concept is Alstom Power's unique way of creating more value for customers. As both an equipment designer and integrated solution provider, Alstom combines outstanding expertise at a component and plant level with excellent worldwide references.

Through close collaboration with customers, Alstom is able to deliver value propositions allowing customers to meet their business objectives.

There are four Plant Integrator™ factors to help increase the project net present value for customers:

- optimised investment;
- shorter lead times and secure project delivery schedule;
- higher plant efficiency, reliability and availability for increased energy output; and
- lower operating and maintenance costs.

The Plant Integrator™ approach is particularly efficient for the retrofit of the installed base. In depth plant knowledge and expertise in product and component integration enables Alstom Power to offer comprehensive integrated retrofit solutions to increase plant performance throughout its life cycle. Component improvements or upgrades and life extension packages ensure optimised plant output, operational flexibility, and compliance with the most stringent emission regulations.

TRANSPORT SECTOR

The Transport Sector serves the urban transit, regional/intercity passenger travel markets and freight markets all over the world with rail transport products, systems and services. Alstom designs, develops, manufactures, commissions and maintains trains, and develops and implements system solutions for rail control. It also designs and manages the creation of new railway lines, and offers maintenance and renovation programmes to keep customers' assets safe and productive. The Sector markets each of these as stand-alone offerings or combined within turnkey system solutions, according to each customer's requirements.

Offering

TRAINS (ROLLING STOCK)

Alstom addresses all segments of passenger rail transport worldwide from tramways to very high-speed trains with customised solutions configured from standard platforms. Alstom serves the freight-by-rail segment with locomotives, rail control systems and parts as well as maintenance support.

The rolling stock product line includes eleven manufacturing centres and five engineering centres as listed below:

- Very high-speed trains based in La Rochelle, France: design centre for trains that operate at speeds over 250 kph, including the TGV [(1)]. The two main platforms are the double-deck trains and the new AGV™ very high-speed train. The first AGV™ trains will come into service in Italy by the end of 2011;
- Intercity trains based in Savigliano, Italy: design centre for PENDOLINO™ tilting trains, CORADIA™ "Minuetto" [(2)] and X'TRAPOLIS™. These trains operate at speeds ranging from 140 kph to 250 kph;
- Regional trains based in Salzgitter, Germany: design centre for the CORADIA™ family of electrical and diesel multiple units as well as the double-deck trains. These operate at speeds ranging from 100 kph to 180 kph;
- Urban trains based in Valenciennes, France: design centre for the new generation of CITADIS™ tramways including the CITADIS™ Dualis™ Tram-Train as well as the METROPOLIS™ metros;
- Locomotives based in Belfort, France: design centre of all locomotives, including the new generation of PRIMA™.

Manufacturing centres of excellence are present across all continents.

RAILWAY INFRASTRUCTURE (TRACK & ELECTRIFICATION)

Alstom addresses both urban and main line rail transport infrastructure segments. This encompasses:

- the design and construction of new railway lines;
- the design and construction of extensions to existing lines;
- the modernisation of existing railway lines.

Alstom brings expertise and project management to these segments in:

- track work, with design and installation on concrete or ballast beds;
- line electrification and power supply, including sub-stations and specific power supply feeding system for tramways to suppress catenaries;
- station utilities including electrical and mechanical equipment;
- maintenance of all these items of railway infrastructure.

RAIL CONTROL SYSTEMS (RAILWAY SIGNALLING AND INFORMATION SOLUTIONS)

Alstom provides information solutions to rail transport operators and infrastructure managers, supplying on-board and way-side equipments that allow safe and efficient operation, as well as passenger information.

In the main line railway segment, the Group offers customers a complete range of products. It is organised around the following engineering centres:

- train control, monitoring systems and electronic modules in Villeurbanne (France);
- trackside products and interlocking systems in Bologna (Italy);
- integrated control, security centres and urban transit solutions in Saint-Ouen (France);
- railway main line solutions in Charleroi (Belgium);
- freight optimised solutions in São Paulo (Brazil).

(1) TGV is a trademark of SNCF.

(2) Minuetto is a trademark of the company Trenitalia SpA.

Alstom markets these products either as single products or as integrated system solutions that meet either European (with the ATLAS™ solution) or American standards.

In the urban segment, the offering ranges from basic operations control to driverless systems. These systems take advantage of telecommunication-centred architectures such as the mass transit train control systems (URBALIS™) implementing a CBTC (Communication Based Train Control) technology.

Signalling systems are complemented by other related information-based systems and services, such as:

- passenger information systems (AGATE™ Media), on board trains and on platforms;
- security systems (closed circuit TV, emergency telephony…);
- integrated control centres.

The offering also covers maintenance services ranging from simple spare parts supply and repairs to availability-based maintenance contracts.

LIFETIME SERVICE SUPPORT FOR TRAINS & RAIL INFRASTRUCTURE

For trains, railways and rail control systems, Alstom supports its customers with:

- advanced logistic services for the supply of the spare parts;
- comprehensive maintenance programmes;
- modernisation services;
- technical support and assistance with documentation management.

The trend of railway market liberalisation around the world, combined with the underlying dynamic of increased private financing in railway ventures, is triggering long term growth rates in rail transport markets. Alstom continues to lead the industry by supporting operators in boosting their performance through faster supply chains, modernised rolling stock and optimised fleet availability.

FULL-INTEGRATED SYSTEM SOLUTIONS

The Systems business offers complete turnkey solutions. Alstom addresses these DBOM (Design Build Operate Maintain) or PPP (Public Private Partnership) opportunities as either a consortium leader or as a consortium partner in turnkey project management. The Sector addresses urban transit (tramway or metro) as well as main line railways (including very high speed rail projects). The management of such projects includes design, building, commissioning, maintenance programmes and coordination of financial, administrative and technical project domains. The Group's core competency consists of the development and supply of an optimised and integrated rail transport system, comprising rolling stock, information solutions, infrastructure and lifetime maintenance.

Industry characteristics

MARKET EVOLUTION

Figures from the European Railway Industries Union (UNIFE) were updated in 2010. The accessible market shows a total of €107 billion p.a. on average in 2010-2011. This market is expected to grow at around 1.6% p.a. over the next 6 years, reaching an average of €116 billion p.a. in 2015-2016.

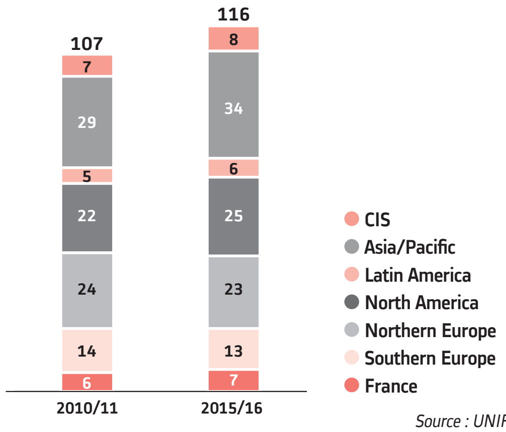
- Europe will continue to represent the bulk of the market with approximately half of the world market with an expected global stability over the next years.
- North America is expected to grow lightly.
- Asia (excluding China), Latin America and CIS are expected to register the highest growth rates over the period.
- China, the world's second largest rolling stock and services market by value, is expected to stay stable at around €13 billion p.a. on average, with a limited share assumed as accessible for international train manufacturers.

Overall, services segments (rolling stock services, signalling and infrastructure) will continue to experience higher growth rates than rolling stock, one exception being the progressive recovery in the freight locomotive segment, which had heavily suffered from the crisis in 2009.

Fundamentals for the rail market are intact, given economic growth, demographic change, the ever-increasing urbanisation and a rising concern for the environment. Moreover, existing transport infrastructures are increasingly saturated, causing modal shift from air and road to rail, as well as generating investment in additional rail infrastructure. The combination of all these factors is expected to drive market growth in the long run.

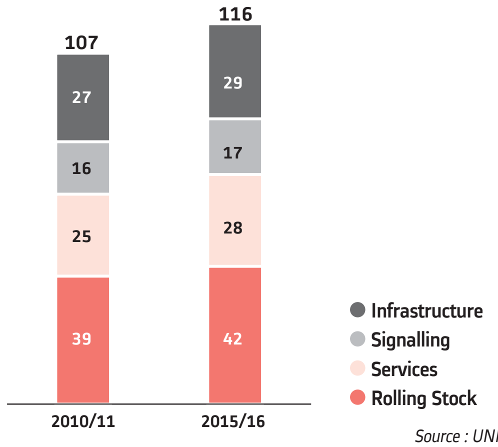
Meanwhile, Transport's markets are still feeling the effects of the economic crisis. While passenger traffic has held up well, even growing in certain sub-segments, rail freight has not yet fully recovered from the drop experienced in 2009. The impact of economic stimulus packages has yet to materialise.

RAIL TRANSPORT MARKET GROWTH BY REGION
(IN BILLION EUROS)



Source : UNIFE-Alstom

RAIL TRANSPORT MARKET GROWTH BY PRODUCT LINE
(IN BILLION EUROS)



Source : UNIFE-Alstom

MARKET DRIVERS

ENVIRONMENTAL CONCERNS AND ENERGY MANAGEMENT

Public opinion is becoming increasingly conscious of environmental risks and climate change. The growing need for global mobility is causing significant disturbances: congestion in cities, noise and greenhouse gas emissions. Rail transportation is a way to address these concerns.

The development of cleaner and more energy efficient trains is another response to these issues. The Sector is committed to contributing to the environmental performance of rail systems, focusing on lower energy consumption (motor efficiency, weight reduction, new materials or recovery of braking energy), reduced internal and external noise and limited global impact throughout its product life. For instance, the Sector already offers the option to send a significant amount of electricity back to the grid during the braking phase and has launched a trial of super-capacitors installed on a tramway in commercial service, in order to recover the braking energy and to run without catenaries between two stops.

URBAN INTEGRATION

Cars are becoming increasingly unwelcome in cities around the world, whereas the need for mobility is constantly growing. Consequently, alternative solutions must be offered to bring full satisfaction to city planners and inhabitants. Both expect minimum disturbance from the rail system, which should be the least intrusive possible. City planners also want to offer efficient interchange between transport modes.

A direct consequence of this evolution is the development by Alstom of innovative technologies. An example of such technology is a catenary-less tram solution, called APS. To this day, Alstom remains the only supplier to offer a service and safety-proven solution that allows catenary-less electrical power supply. The Sector also offers a battery-based solution, already in service in Nice, France.

Beyond this extensive tramway offering, the Sector also provides other solutions to address the needs of rail transport in urban areas through its metro and tram-train ranges. These various solutions can be developed into an integrated transport network including intermodal nodes. In addition, the Sector provides a unique way to customise the design of its product to best match the “spirit” of each city; through an integrated Design & Styling studio.

INFRASTRUCTURE SATURATION

Airport and road infrastructures are increasingly saturated in urbanised areas. Consequently, authorities are seeking to develop rail infrastructures, especially in emerging countries such as China or India, for both urban and intercity transportation, where the focus is placed upon expanding the network so that passengers and goods can travel more efficiently.

In developed economies, rail infrastructures are generally mature, with the exception of the very high-speed network which continues to expand in track kilometres. Alstom offers a complete portfolio of solutions that helps maximise throughput on both new and existing networks. This includes high-performance signalling systems, high capacity and very high-speed rolling stock, as well as track and electrification installation to provide efficient service and an effective supply chain for parts. This also encompasses:

- European standard ERTMS (mainline) or CBTC (urban) to allow for reduced headways and interoperability;
- increased speed (AGV™, freight locomotives) as well as double-decker rolling stock (very high speed, regional or suburban) in order to offer additional throughput; and
- Alstom’s unique TRAINTRACER™ maintenance system which maximises availability of rolling stock by minimising the turn-around time in case a repair is needed.

FREIGHT DEVELOPMENT

Although freight volume has dropped significantly as a result of the current economic slowdown, the trend for long-term growth remains positive, driven by economic activity and trade. In addition, infrastructure is improving, bottlenecks are being alleviated and international corridors are being established (e.g. EU's Trans-European-Network-Transport programme in Europe or Europe-to-Asia route). These evolutions favour a move from road to rail.

The Sector is addressing the specific needs of the growing population of private operators and leasers by reducing the time-to-market to meet their need to swiftly adjust their capacity in order to fulfill new transportation contracts. Alstom also offers locomotives which freight operators can use along the full length of international corridors in Europe, as they are equipped to run under various signalling systems: interoperability is the key word. Operators no longer have to change locomotives at borders.

GLOBAL COMFORT

Passenger operators and city governments seek to build their competitive advantage, either to position themselves *versus* existing competition or to capitalise upon the spirit of the community. In addition, the regionalisation of the investment decision process in Europe results in increasing attention being paid to customers' expectations, be it for more safety, more comfort or on-board connectivity for instance. Such services are also a means for operators to generate more revenues and profitability.

The Sector is developing a number of R&D programmes to deliver innovative solutions towards overall comfort. It offers comfortable interiors thanks to its unique in-house "Design & Styling" studio, Internet connectivity to remain in touch, on-board entertainment systems for leisure and passenger information systems in both trains and stations to allow operators to keep their passengers informed at all times.

Competitive position

In Transport, Alstom's main competitors remain Bombardier and Siemens. In 2010/11, Alstom kept its number 2 position on the market, benefiting from its global presence, its technology leadership on many products and its capability to offer industry's broadest portfolio of products and services, from individual spare parts to complete turnkey projects (Source: Alstom).

Over the last two years, the competitive environment has evolved with an increasing role of Asian and Russian players benefiting from their very large domestic market. While increasing their share in volume, the market share of the three main players has slightly decreased. The same amplified trend can be observed for tier two players.

With 15 alliances settled in Europe, Asia and now CIS, and covering a large scope of activities (Rolling Stock, Signalling, Service, Components, Engineering), Alstom Transport is recognised as the industry's leader in building alliances. These alliances, mainly JVs but also partnerships, allow to comply with customers' growing demand for localisation and to develop faster good-enough products.

Competitive advantage in products and services is demonstrated through products such as AGV™, PENDOLINO™ tilting trains, ERTMS signalling system, CBTC, URBALIS™, APS catenary-less tramway, and services such as TRAINTRACER™. This strength is also visible through the customer-centric, service-and-assistance-focused organisation supported by a strong global network of engineering, manufacturing and service locations.

As a result, customer benefits range from full life cycle cost competitiveness, overall system performance including product availability and reliability, to passenger comfort or product styling.

Research & development

In 2010/11, the Transport Sector continued to strengthen its product portfolio through the following R&D programmes:

- **PRIMA™ II:** the new generation of electric locomotives was presented during Innotrans exhibition in September 2010. It is now pursuing its homologation programme in France, Germany, Benelux, then in a second step in Poland, Italy and Eastern countries.
- **Harmonics & Energy Saving Optimiser: HESOP™** is an inverter substation able to re-inject the regenerated braking energy back to the power grid, with a low level of harmonics. Whilst a first application (750 V) is being tested on a tramway line, more advanced applications (1,500 V) are being developed for non-tramways applications (metro and suburban).
- **Shunting Locomotives:** a battery pack nickel cadmium (NiCd) for a diesel powered shunting locomotive allows the use of a smaller diesel engine, therefore reducing diesel fuel consumption by circa 40%. A contract for a first batch of 5 locomotives was recently signed.

- **AGV™:** the new generation for very high-speed trains. The first phase of the AGV™ certification process was completed on 12 December 2010 with the 330 kph run on the Milano Bologna very high speed line. It is expected to come into service in December 2011.
- **TRAINTRACER™:** the web-based technology solution improves train fleet availability and decreases maintenance costs. This innovative solution is already in service on several projects: West Coast Mainline (WCML) in the UK, Lyon CITADIS™ in France, PRIMA™ II locomotives in Morocco and the new generation of tram-train. In 2010/11, new functionalities were developed. In 2011/12 R&D will focus in particular on the development of new functions to reduce communication costs and on a feasibility study on trace remote configuration.
- **METROPOLIS™ Stainless Steel NG:** this development of a modular/generic product for on-going Brazilian and Indian metro applications allows the improvement and integration of the secondary structure (allowing an off-line preparation, weight saving) and an easier transferability. Key success factors among others are here the reduction of recurring and components costs versus METROPOLIS™ previous generation, whilst using standard METROPOLIS™ sub-systems catalogue.
- **ATLAS™ 100:** Alstom Transport is finalising the development of this signalling solution in which lineside signals are equipped with configurable encoders which provide signalling information to the train on-board equipment through "Eurobalises" located on the track. The Alstom encoder can be connected to every technology of signalling equipment existing on the rail network. This solution is currently being deployed for the equipment of the French sections of freight corridors C and D with its ERTMS Level 1 solution Atlas™ 100. The implementation of ERTMS (European Railway Traffic Management System), a European control, command and signalling system, will ensure the interoperability of rail traffic on these two major transnational freight routes linking Antwerp-Basel/Rotterdam-Lyon and Barcelona-Lyon-Milan respectively.

Strategy

Alstom's strategy is to be an undisputed multi-geographic and multi-specialist railway leader. To achieve this, four strategic priorities have been defined:

ACCELERATE MULTI-GEOGRAPHIC EXPANSION

Whilst consolidating its positions in its historic markets, Transport Sector ambitions to benefit from the strong market development outside Europe increasing its presence in fast growing areas such as Asia, Russia and Latin America. This strategic move materialised with the entry of Alstom into the Russian market through its partnership with Transmashholding. This multi-geographic expansion will be supported by R&D programmes, potentially some acquisitions, and further development of joint ventures and partnerships around the world, to cope with market requirements and localisation needs.

ACCELERATE GROWTH OF NON-ROLLING STOCK ACTIVITIES

The Transport Sector aims at progressively reinforcing its presence in service and signalling businesses, which are expected to grow faster than rolling stock. This strategic priority could be achieved through both internal growth and acquisitions.

PURSUE DEVELOPMENT OF "GOOD-ENOUGH" PRODUCTS

Transport is developing a good-enough products strategy to better address the needs of a wider spectrum of customers by adapting its offering. Adapting premium products to requirements of emerging markets, for metros in Brazil and India for instance, and strengthening partnerships through co-development which benefits from the expertise and technologies of both partners, are the main features of this strategy. It allows to accelerate development of products and improve market access. In order to support this strategy, the Sector is adjusting its sourcing and industrial footprint as well as developing new manufacturing platforms.

OPERATIONAL EXCELLENCE AND ORGANISATION EFFICIENCY

To further improve its operational excellence in project execution, the Transport Sector has launched several action plans focusing on quality, project management and engineering efficiency with higher standardisation of tools and processes. These plans also aim at reinforcing the sourcing organisation and improving cost structure in order to deliver more competitive offers.

GRID SECTOR

The Grid Sector has been supplying electrical equipment and solutions to its customers around the world for more than 130 years and has played a key role in the development of the electrical transmission and distribution grids. It designs and manufactures equipment and engineered turnkey solutions to manage power grids and transmit electricity from the power plant to the large end-user, be it a distribution utility or an industrial process or production facility. Based on its technical expertise and global experience, the Sector is continually innovating to deliver solutions that help its customers operate power grids more reliably, securely and in an environmentally friendly manner. These solutions help reducing greenhouse gas emissions while maximising energy efficiency.

Offering

The Sector designs and manufactures a comprehensive range of electrical equipment covering the whole high to ultra-high-voltage electricity transmission chain (from 52 kV to 800 kV in direct current and 1,200 kV in alternating current). It includes power transformers, gas-insulated switchgear (GIS) and air-insulated switchgear (AIS) – such as live tank and dead tank circuit breakers, disconnectors and instrument transformers. Several of the Sector's manufacturing sites include research and development competencies for new product development.

The Grid Sector is one of the three leading global providers of large engineered turnkey transmission and industrial power supply projects, such as electrical substations, specialised power electronics-based energy supply and grid interconnection solutions.

It's Automation solutions ensure that electricity grids are managed in real time, with activities that include the engineering of sophisticated, mission-critical information systems and automation equipment, with sales support and delivery units close to customers worldwide.

All of these are supported by a range of services through the full product life cycle.

THE ADAPTATION OF THE ALSTOM GRID ORGANISATION: ONEGRID

Following a strategic review, the decision was taken in 2010 to adapt the Sector organisation to serve three priorities:

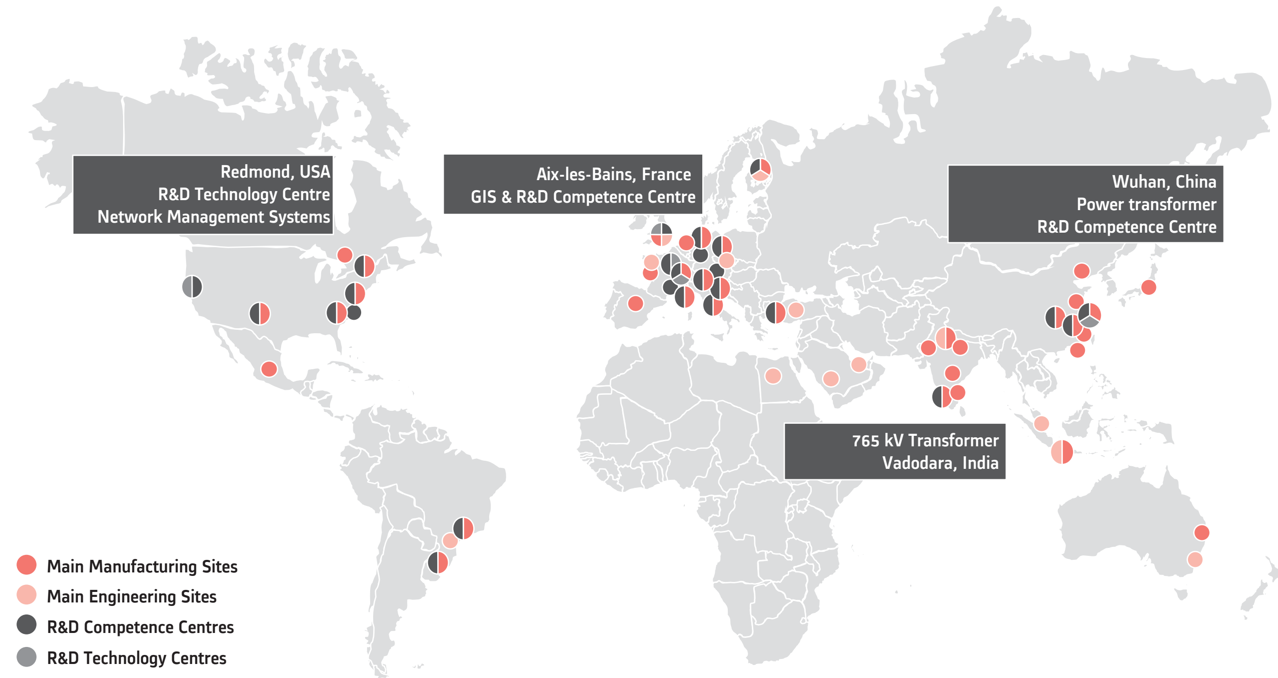
1. **Increased customer intimacy:** enhancing customer focus, bringing strong expertise close to the customer and nurturing client relationship.
2. **Improved competitiveness:** helping Product Lines focus on industrial and operational excellence and Project teams focus on project execution.
3. **Customer-valued innovation:** reinforcing Product Line leadership on product research & development (R&D).

The new organisation, launched in April 2011, is structured around three pillars:

- Nine **Regions:** Southern Europe/Central Asia, Western Europe/Africa, Central/Eastern Europe and Russia, North America, Latin America, Near/Middle East, China, India, Eastern Asia/Pacific.
- Ten **Product Lines:** Power Transformers, Disconnectors, Instrument Transformers, Circuit Breakers, Gas-insulated Substations, AC Substations, Power Electronics Activities, Network Management Solutions, Substation Automation Solutions and Service.
- **Functions** providing expertise, processes and tools.

Geographically, the Sector is active in all continents, with over 90 manufacturing or engineering sites worldwide. This international manufacturing base, located close to the customers, helps enable global competitiveness and solutions adapted to the customers' specific requirements.

OVER 90 MANUFACTURING AND ENGINEERING SITES WORLDWIDE



With 52 local service centres in 33 countries, the Service business continues to expand its activities and implementation in China, India, Indonesia, USA, Russia, Saudi Arabia, Morocco and Algeria. In 2010, the Sector opened two new dedicated transformer workshops in Gebze, (Turkey) and Stafford, (UK). Main workshops are now located in Villeurbanne (France), Stafford (UK), Gebze (Turkey) and La Prairie (Canada).

In March 2011, the Grid Sector also continued the localisation of its manufacturing footprint, as illustrated by the opening of a new plant for disconnect switches (or "disconnectors") in Charleroi, Pennsylvania, to provide products and support customised to the US standards.

POWER TRANSFORMERS

The Grid Sector has dedicated production facilities for power transformers in four continents, with a current production capacity of more than 130,000 MVA for medium and large power transformers. The Sector delivers yearly up to 1,000 new medium and large power transformers each year.

As a key player and pioneer in transformer technology, it designs and manufactures all types of power transformers and reactors for power generation, power transmission, electro-intensive industrial and rail applications.

In 2010, Alstom manufactured the world's largest special transformer (300 MVA) for industry, in Gebze, Turkey.

Another important milestone was the successful production of an 800 kV DC converter transformer in Wuhan, China.

DISCONNECTORS

The Grid Sector is the world's n°1 manufacturer of disconnectors, having delivered and installed over 140,000 units in more than 130 countries around the world (Source: Alstom).

Disconnectors are among the most customisable switchyard equipment, able to match a variety of substation footprints and space requirements. The Sector's highly experienced team of engineers and technicians can provide expert advice and support in defining the most appropriate solutions.

INSTRUMENT TRANSFORMERS

As an essential link for the safe and efficient operation of transmission networks, instrument transformers provide accurate and reliable current and voltage measurements for secondary equipment such as meters, protection relays, bay computers and other devices.

With more than 200,000 instrument transformers in service and over 100 years experience, Alstom Grid offers a comprehensive choice of advanced, but field-proven technologies. It has the most comprehensive range up to 1,200 kV: top of the range Current Transformers, Voltage Transformers, Non-conventional Instrument Transformers, Capacitor Voltage Transformers and Combined Metering Units.

In 2010, the Grid Sector launched its patented COSI range – "Compact Optical Sensor Intelligence" – of digital instrument transformers. This technology enables full IEC 61850 implementation for Alternating Current (AC) and Direct Current (DC) applications, including very high current DC applications, such as large scale aluminium electrolysis plants, and is central to the digital substation required by future 'smart grids'.

CIRCUIT BREAKERS

More than 80,000 Alstom Grid circuit breakers with thermal-assisted interrupters and spring operating mechanisms are in service worldwide and another 8,000 new solutions (36 kV to 800 kV) are being commissioned every year.

The Grid Sector is one of the top three circuit breaker suppliers with its Live Tank (GL range), Dead Tank (DT range) and compact modules, ranging form 36 kV to 1,200 kV. The Sector's complete product portfolio enables it to respond to any customer need, including power generation with its generator circuit breakers for installations up to 50 kV, 1,500 MW.

GAS-INSULATED SUBSTATIONS (GIS) AND GAS-INSULATED LINES (GIL)

With 15,000 bays of GIS in over 2,000 substations and over 150 km of single-phase gas-insulated lines up to 800 kV in service, the Grid Sector's track record is a guarantee of reliability.

During its four decades of operational experience with high voltage GIS, the Sector has maintained a prominent position in the market thanks to its continuous objectives of meeting the most demanding operational criteria through a sustainable process of improvement of its solutions.

The Grid Sector has also made a number of technical advances. For example, over the last 40 years, the size of GIS has decreased fivefold, dramatically reducing the volume of SF_6 gas used and consequently the products environmental footprint. This is particularly important as there is a growing need of GIS for space-constrained urban locations. Today, the compactness of its GIS is an important differentiator for Alstom Grid in the market.

HIGH AND ULTRA-HIGH VOLTAGE AC SUBSTATIONS (UP TO 1,200 KV)

The large substations, applying either air- or gas-insulated switchgear, are the important nodal points for large transmission networks. They are responsible for the movement of energy away from large power generation plants or serve as the interconnection points between regional or country networks.

ON AND OFFSHORE WIND FARM CONNECTIONS TO THE ELECTRICAL GRID

The growth of the wind farm industry in the past 10 years has created an important new market – collector and transmission substations for renewable energies. The Grid Sector is now the European leader in the offshore substation domain with a large installed base in the waters off of the UK and Germany coasts (Source: Alstom). The Sector has pioneered a 'floating, self-installing substation' that does not require expensive offshore cranes to be erected.

POWER ELECTRONICS ACTIVITIES

HIGH VOLTAGE DIRECT CURRENT (HVDC) SOLUTIONS UP TO 800 KV

Today, HVDC is the most efficient and secure way of transmitting large quantities of electricity over very long distances. It is also the only way to interconnect two or more asynchronous AC grids. Decades of experience and expertise in power electronics make Grid Sector one of the pioneers and world leaders in HVDC solutions (Source: Alstom).

During 2010, the Sector launched its latest HVDC technology, the Voltage Source Convertor (VSC). This technology is ideally suited for the connection of offshore wind farms to the grid and multi-terminal applications. Customers can now observe the VSC technology in operation via a 25 MW demonstrator located at Alstom Grid's global HVDC development centre in Stafford, UK.

FLEXIBLE ALTERNATING CURRENT TRANSMISSION SYSTEMS (FACTS)

FACTS are the power electronics-based solutions that support and improve long-distance AC transmission systems as well as certain AC industrial solutions. These technologies, in which the Grid Sector is one of the global specialists, dramatically improve transmission reliability and realise a very quick return-on-investment for the customer.

SPECIAL POWER SUPPLIES

Electro-intensive industries such as electrolysis plants (aluminium, zinc, copper, chlorine, etc.) rely on Alstom Grid's special power supplies and power quality support. Reliable DC current supplies to production facilities guarantee efficient manufacturing.

The Sector's rectifier-based power solutions for aluminium electrolysis processes place the Sector in the world leader position (Source: Alstom). Trusted by the world's largest metal producers, its solid experience in coordinating multi-national projects means that its high quality systems keep production facilities running.

NETWORK MANAGEMENT SOLUTIONS

The e-terra suite of network management software applications is globally renowned.

The Grid Sector is the worldwide leader in Energy Management Systems (EMS) (Source: Alstom). A large proportion of the world's electricity flows through Alstom's EMS systems, the «brain» behind a country's power control center. Alstom's EMS provides customers with best-in-class integrated solutions to address challenges in grid stability, energy efficiency and renewable energy integration. Also the global leader in Market Management Systems (MMS) (Source: Alstom), the Sector's range of integrated systems and solutions is used by Regional Transmission Organisations, Transmission System Operators or Independent System Operators in competitive electricity markets worldwide. It handles competitive bids with congestion management in a multi-commodity market and supports financial transmission rights, day-ahead, intra-day and real-time markets.

In Distributed Management Systems (DMS), the Sector enables dispatchers and network operators to make the most effective use of network capabilities like network analysis and optimisation applications, fault isolation and restoration, switching management, outage management, reliability indices, and Smart Meter interfaces.

A leader in utility telecom solutions, the Grid Sector integrates high bandwidth services into the telecom backbone offering a high level of performance and reliability in a competitively-priced package that ensures low cost of ownership.

SUBSTATION AUTOMATION SOLUTIONS

The Grid Sector is among the top suppliers of high-performance, mission-critical solutions that protect, control and manage electrical substations and grids for utilities and electro-intensive industries.

The Alstom MiCOM IED (Intelligent Electric Device) range of protection relays and measurement devices that monitor, control and protect motors, generators, feeders, transformers, bus systems and transmissions lines. Conventional and Digital Control Systems (PACiS) for substations help ensure the design flexibility, and aid operation and maintenance of electrical installations.

SERVICE

The Grid Sector offers sustainable and high quality services to optimise electrical infrastructure, heighten equipment's return-on-investment and prolong asset life cycles, with solutions for both Alstom and third-party electrical equipment.

Alstom Grid's 1,300 Service employees work on the field close to their customers and provide customised service solutions:

- from network design to asset maintenance and evolution;
- from punctual interventions to long-term partnerships;
- from emergency support to predictive maintenance.

As a product manufacturer, the Grid Sector is best placed to provide lifetime support on high voltage equipment or entire networks from annual inspections through to minor or major maintenance.

This also includes substation condition assessment and condition monitoring, with support in decision-making processes and solutions for renovation, modernisation or extension for the equipment requiring improved performance or to resolve obsolescence issues.

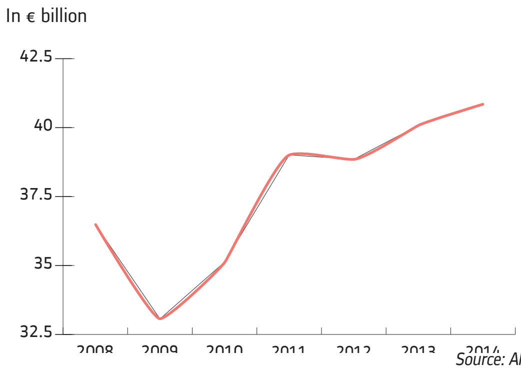
Alstom Grid's Technical Institute offers a comprehensive range of training courses in electrical grid safety, operations, maintenance, protection, control and management. This high value-added selection of training courses encompasses all aspects of electricity, with an offer ranging from fundamentals to competence management.

Industry characteristics

MARKET EVOLUTION AND GROWTH DRIVERS

The electrical industry is currently in a time of significant change. This change encompasses market growth and economic development, technological advances and behavioural changes at the level of the consumer, industry players and governments.

GLOBAL TRANSMISSION MARKET



Source: Alstom

The market is expected to grow in volume over medium term, due to four main drivers. The first two are driving general volume growth of the industry:

- economic growth, which brings with it the need for electrification in developing countries; and
- the need to renew and upgrade existing networks in mature countries.

The second two drivers are not only bringing growth, but also significant technology changes; namely:

- the integration of low carbon energies, which is driving the need for efficiency and stability and ultimately the Smart Grid; and
- globalisation and political stability, which is enabling the interconnection of grids.

Each of these factors will contribute to the medium and long-term growth of the transmission market.

GLOBAL ECONOMIC GROWTH AND ELECTRIFICATION IN DEVELOPING COUNTRIES

The link between electricity consumption per capita and GDP growth has been demonstrated numerous times and especially in countries such as China, India and Brazil. These are examples where there is massive investment in the extension of electrical grids to ever broader parts of the country, both to sustain industrial production and to improve access to electricity for the entire population. For example, in India, the second most populous country, there is a great challenge to bring electricity to the 40% of the population, which have no access today.

Increased production of electricity will have a direct impact on the transmission market growth. The need to transport growing quantities of electricity over longer distances will also drive the development of ultra-high voltage AC and DC grids (so far up to 1,200 kV AC and 800 kV DC).

INFRASTRUCTURE MODERNISATION/RENEWAL IN DEVELOPED COUNTRIES

In many developed countries, electrical grid equipment is nearing the end of its operational lifespan following the strong investment in the 1970s. It is time to progressively renew the installed base and modernise the grids. Additionally, new environmental constraints due to ageing equipment need to be anticipated as opportunities for equipment suppliers such as Alstom. There is a demand for even more efficient products, with less impact on the environment and for more digital equipment using open communication protocols.

A TECHNOLOGICAL EVOLUTION: THE SMART GRID

The Smart Grid is an evolution arising from the fundamental constraints of the existing electrical network converging with the emergence of new technologies.

The new technologies of the Smart Grid will allow more efficient ways of operating electricity flows.

INCREASE OF LOW CARBON ENERGIES IN THE GENERATION MIX

Since the beginning of the 1990s, environmental policies have evolved into an ambitious development plan for low carbon and renewable electricity sources. These sources are by nature not available everywhere and they are intermittent in nature. For example, wind does not always blow at the same intensity, and it is difficult to predict its behaviour.

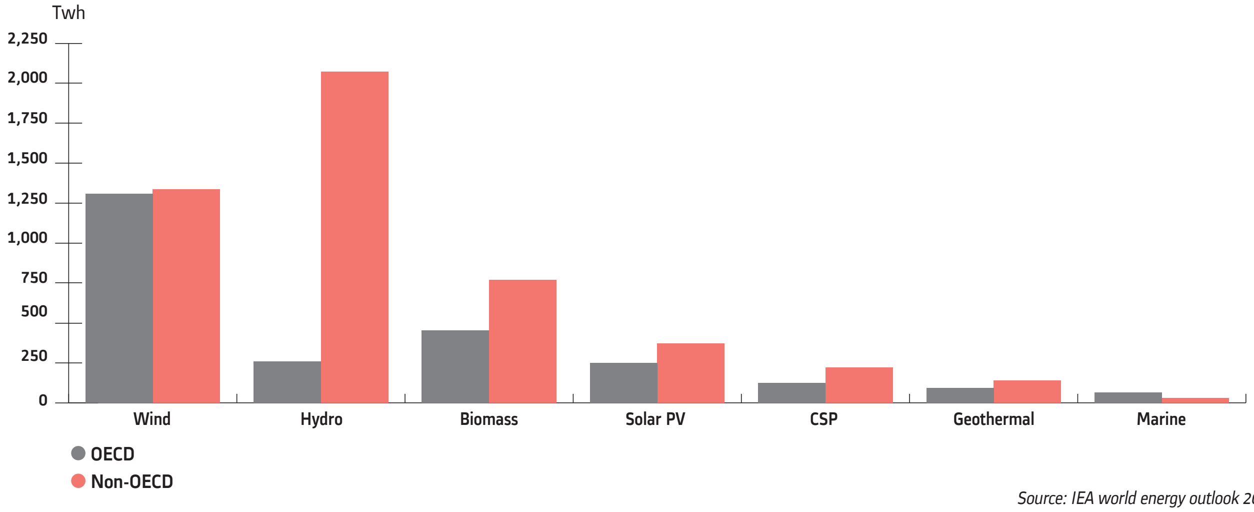
This is driving the need for technologies particularly suited to managing these renewable energies, while ensuring the stability of the electrical grid and also the need for storage of electricity. New markets are emerging for the connection of offshore wind generation to the grid.

NEW BEHAVIOURS OF ENERGY CONSUMERS

Consumption modes are changing today in line with the trend of global commerce, with end users more and more interested in choosing an adapted service to fit their need for energy and efficiency. In addition, as distributed energy deployment is gaining pace, there are moves towards energy autonomy by consumers, who are connecting solar panels and wind turbines to their buildings, thereby making energy positive buildings. Soon the rollout of electric cars will introduce onto the market entirely new ways to optimise and use electricity.

Today the fundamentals of the overall market are changing for operators, with a shift from a pure transmission and generation owner issue to a user community issue, forcing them to propose added value services to end users to bring them the best service transparently and to accommodate their desire for flexibility and choice.

INCREMENTAL RENEWABLES-BASED ELECTRICITY GENERATION BY REGION IN THE NEW POLICIES SCENARIO, 2008-2035



Source: IEA world energy outlook 2010

A NEW POLITICAL AMBITION: THE SUPER GRID

The depletion of primary resources such as oil and gas, and the difficulty of exploiting those resources in distant countries, makes energy autonomy a concern for all countries. Alongside this, the reliability and sustainability of a country's electric grid nowadays has a direct impact on economic growth and stability.

Together, these phenomena are leading to some ambitious collaboration projects at continental and multi-continental levels. For example, in Europe the Medgrid project, in which Alstom is an alliance member, is exploring ways to interconnect Europe and North Africa, where there is considerable potential solar energy. Apart from its potential direct economic impact, the project also sends a strong message of political cooperation between Europe and North Africa. In Europe, Alstom is involved in another project that is exploring the feasibility of the development of offshore electrical grids in the North Sea and other areas.

Other trends are also emerging at continental level. After the deployment of the electricity grid as it is today in Alternating Current (AC) and the introduction of consumer electronics devices incorporating energy control functionalities, large datacenters and electrical cars, operators now envisage the creation of a full Direct Current (DC) grid. Such a DC grid has the potential to save a lot of energy and cost by transmitting DC power to DC devices. In addition, the grid could span over a continent because of the characteristics of DC, namely to be the best way to transport electricity over long distances and to interconnect asynchronous networks. The Super Grid of the future would be more efficient, less expensive to maintain and allow more autonomy of energy for a continent by harvesting renewable energy sources, such as solar power or offshore wind.

NEW TECHNOLOGIES OFFERING ADDITIONAL OPPORTUNITIES

The HVDC (High Voltage Direct Current) market, which is expected to reach €4 billion next year (Source: Alstom), has created an acceleration of technical innovation driven by major infrastructure projects to connect renewable energies (in particular offshore wind) and to increase energy supply reliability. It also involves the connection of remote power generation (often Hydro) over long distances to the main points of consumption.

The increasing need for more flexibility in the electrical infrastructure, integrating new stakeholders (end-user generation, electric cars…), translates into an urgent need to modernise the transmission grid to support this challenge. Grids are becoming larger and more complex, and consequently need to become more intelligent.

MARKET BY GEOGRAPHY

In Europe, there are large prospects of growth due to the investment in renewable energy (more specifically offshore wind farms), the structuring of ambitions in Super Grid and implementation of the Smart Grid concept.

The European transmission infrastructure evolution is mostly being driven by the 20/20/20 commitment (-20% of greenhouse gas emissions, 20% of EU Energy to come from renewable generation and 20% efficiency in primary energy use by 2020). Major renewable generation projects have been launched creating the need for new transmission capabilities to be integrated into the existing grid and transmission equipment to be modernised to optimise greenhouse gas footprint.

In Central Europe and Russia, the region was adversely affected by the global economic crisis, postponing much of the transmission investment. Now the investment is coming back and projects which had been postponed are being reintroduced together with already planned projects. Most of these are built to optimise transmission corridors North-South as well as interconnection with the East.

In China, the transmission market is seen to be stable from 2009 onward, but with its proportional share of the global market to decrease.

In India, the transmission market is booming following the need for India to accelerate electrification of the country and sustain its industrial production and GDP growth.

In Eastern Asia and Pacific, the prospect of volume growth is importantly driven by modernisation in Australia and electrification projects in most of the Eastern Asian countries.

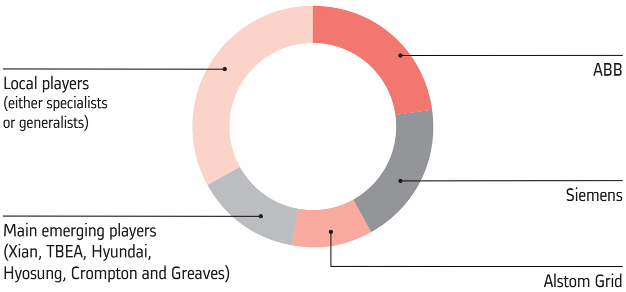
In North America, the traditional market is starting to show the impact of infrastructure renewal programmes which are taking off at a steady pace. On top of this many renewable generation programmes and connections to hydro capacity available in Canada are presenting some prospects for large HVDC projects.

In Latin America, the market is driven by very large infrastructure projects for hydropower, long distance HVDC interconnections to stabilise the continental network or long distance HVDC connections between large power sources and remote points of consumption.

1

Competitive position

The Grid Sector is one of the global leaders in the transmission market, with ABB and Siemens. The three main players share more than half of the transmission market, while emerging players from Korea, China and India are extending their offer coverage and geographical reach.



Source: Alstom

Based on its experience, the Sector has a number of fundamental advantages:

- high quality products;
- expertise in engineered solutions;
- an ambitious innovation policy;
- its international footprint and customer intimacy.

Research & development

Innovation plays a major role in Alstom's strategy. Investment in research and development is an essential way to keep its product portfolio competitive, differentiate from competitors, and to control its own technology.

The Grid Sector's five technology centres and their teams of technical experts are involved in long/medium term research and development programmes to prepare for the future needs of electrical networks. The technology centres are located in Stafford (UK), Redmond (USA), Villeurbanne and Massy (France) and Shanghai (China).

On 18 March 2010, the Sector inaugurated its new China Technology Center in Shanghai's Caoheijing Pujiang High-Tech Park. This centre will have particular focus on Ultra High Voltage (UHV) transmission, up to 1,200 kV AC and 1,100 kV DC, and Smart Grids.

Other R&D activities are realised in more than 35 specialised competence centres located worldwide. Collaborative relationships are maintained with approximately 40 leading universities and research laboratories in Europe, Asia and North America.

Some examples of research carried out by Alstom Grid's global R&D network are:

ENVIRONMENTALLY FRIENDLY OFFERS

Grid Sector's "green" solutions offer significant environmental benefits, including better product performance across up to seven 'green' criteria, and covering the three phases of the product life cycle:

- manufacturing: reduced consumption of natural resources;
- operation: lower CO_2 emissions, limitation of environmental risk, noise reduction, space savings and energy efficiency;
- end of life: recycling capabilities of products.

As an example, the Green Power Transformer (10 to 200 MVA and up to 245 kV) is a sustainable, eco-efficient product optimised for low-loss levels and filled with ester oil instead of mineral oil.

ULTRA HIGH VOLTAGE

As urban and industrial centres develop, the need to transmit large amounts of power over long distance is increasing. One solution is to increase the transmission voltage, in order to maximise the efficiency of the transmission, reducing losses. Transmission at ultra high voltages, up to 1,200 kV for both AC and DC systems, is a technological challenge. Until now, the world market for power transmission has been evolving from 500 kV to 800 kV.

Mid-2010, an Alstom Grid 800 kV HVDC converter transformer (including bushing) successfully completed all AC tests in accordance with IEC 61378-2 (International Electrotechnical Commission) standard.

One of the next UHV frontiers for electrical transmission will be a move towards developing solutions for 1,100 kV DC.

INTEGRATING RENEWABLE ENERGY SOURCES

In 2010, Alstom launched its Voltage Source Converter (VSC) HVDC technology to integrate offshore wind into electrical networks.

VSC converters can operate in very weak systems or even passive AC systems with no sources of generation. This makes them ideal for connecting island loads or 'black starting' systems.

The Sector has also launched the latest compatible release of its range of world leading Energy Management Systems, e-terra*platform* 2.6. It can now accommodate current and future needs such as integration of renewable and distributed energy resources into the grid.

Furthermore, Grid became an active player in the collaborative Twenties project funded by the European Union, with the objective of significantly advancing the development and implementation of new technologies, which allow the consolidation of wind power generation into the European electricity network.

SMART GRID

The Grid Sector is developing and proving the solutions of the future in its several Smart Grid demonstration projects worldwide. Market-driving innovation is behind Alstom's 14 Smart Grid demonstration projects underway in 2010/11, which are being delivered in partnership with governments, utilities or industries. Three such demonstration projects have been finalised:

- the FENIX project (UK): Including Alstom's eterra*trade* platform and Intra-Day Plant Optimiser (IPO), advanced systems and market interfaces aggregating distributed energy resources via a virtual power plant;
- the Pacific Northwest Smart Grid Demonstration Project (PNW-SGDP): Testing new combinations of Smart Grid solutions in homes and on the grid over five US States;
- the North Carolina Smart Grid Project (USA) led by the Department of Energy: involving Alstom Grid's Integrated Distribution Management System (IDMS) and new DER Management System (DERMS), capable of integrating and monitoring multiple types of distributed energy resources.

Strategy

To respond to very dynamic and evolving market conditions, the Sector has formulated its global strategy along three axes:

CUSTOMER INTIMACY

The Sector has long standing relationships with its customers, built over its more than 130 years at the heart of the grid development. With its understanding of customers' needs, technical expertise and portfolio of competitive solutions, the Sector is well positioned to help customers face their new challenges and capitalise on new opportunities in the market. By reinforcing its physical and cultural proximity with transmission utilities and industrial actors, Alstom Grid will continue to propose value-adding solutions and avoid commoditisation of its supply.

CUSTOMER-VALUED TECHNOLOGY AND INNOVATION

Once again the Grid Sector has set its priorities to take a leading role in HVDC with more flexible converter technology based on the latest power electronics components to connect offshore wind farms and build more flexible regional interconnectors. In Smart Grids, Alstom is securing government funding to co-develop innovative solutions.

COMPETITIVENESS

The third pillar of Alstom Grid's strategy is about maintaining the level of competitiveness of its industrial base. This critical move to review its product strategy in line with new market situation will be structured and coordinated by a strong Product Line organisation. Alstom has always been a reference for the quality of its product supply, and this will be reinforced through the general implementation of the "Quality Built In" program.

In addition to these core strategic principles, the Sector has set as a priority to reinforce its position in Smart Grid and Super Grid.

FURTHER STRENGTHEN POSITION ON SMART GRID

The Smart Grid market is considered by Alstom as a significant business evolution for the coming decades. Ideally placed with its presence across the energy value chain from generation to transmission and distribution, Alstom can offer an integrated approach, based on combinations of hardware and software solutions, to implement smart grids on energy transmission and distribution networks. Because of its 130 years of experience pioneering and developing the power infrastructure existing today, Alstom is already positioned at the heart of the development of the electrical grid, able to realise solutions with immediate benefits for energy producers, utilities, industries and end-users.

In order to broaden the scope and applications of the Smart Grid, Alstom is developing an eco-system of partners involving technology suppliers, universities, energy system experts, as well as strategic customers. These partners bring complementary expertise to the smart grid (smart buildings and eco-cities, electrical vehicles, IT integration, electricity storage…). Partners include utilities such as PJM Interconnection, Duke, Energinet.dk and Transpower New Zealand, IT integrators such as IBM, Middleware suppliers such as Microsoft, Distribution equipment suppliers such as Schneider Electric and Smart metering players such as Sagemcom and Itron.

Through investment in an ambitious innovation programme and with research and development partnerships, the Grid Sector is already exploring the future technological paths for Smart Grid development: Wide Area Protection Systems, demand response management, online asset management, and energy monitoring and balancing in future eco-cities.

In addition to its various strategic partnerships, Alstom also made strategic acquisitions that further strengthened its capabilities in Smart Grid related technologies. These included Psymetrix in February 2011 and Utility Integration Solutions, Inc. (UISOL) in March 2011 (see also section 2: Management report).

DEVELOP OFFERING IN THE SUPER GRID

The Super Grid is a major Grid evolution which aims at:

- harvesting renewable energy sources by connecting them to the grid;
- increasing the level of interconnection of large regional grids to increase their stability and optimise available resources;
- creating a strong and reliable grid structure to match the challenges of changing load and generation profiles;
- developing a more efficient transport medium for electric energy over long distances.

There are numerous initiatives already in development in which Alstom Grid is involved:

- the development of UHVDC and UHVAC programmes in China and India;
- the development of a meshed network in the Baltic/North Sea (Twenties project);
- the connection of Medium Power photovoltaic farms;
- the connection of very large hydro generation capability in Brazil;
- the development of a DC interconnection in North America.

The Sector is able to propose innovative value-adding solutions to its customers and is actively reinforcing its capabilities in the field.

The key technical focus in this field is the development of Direct Current high and medium power converters, high performance breaking chambers, high voltage insulation and specialised measurement equipment.

2 MANAGEMENT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEAR 2010/11

The content of the Annual Financial Report is identified in the summary table with the help of a pictogram AFR

MAIN EVENTS OF FISCAL YEAR 2010/11

ORDERS PICKING UP IN THE SECOND SEMESTER, OPERATING MARGIN IN LINE WITH GUIDANCE

After a trough in the first semester 2010/11, Alstom achieved a marked rebound of its commercial performance (+28% versus second half of last year excluding Grid) with several large projects booked in emerging countries. Consolidated order intake reached €19.1 billion (including €3.4 billion for Alstom Grid), increasing by 28% compared to last year on an actual basis and by 1% on an organic basis. The share of orders received in emerging countries amounted to 58% compared to 35% last year, highlighting the quick recovery of those regions.

Power's order intake increased by 5% compared to last fiscal year, driven by a substantial growth of Thermal Services and Renewables businesses and a gradual recovery of the thermal equipment activity over the second half. Several gas-fired combined cycle power plants were booked notably in Singapore and in India. In Brazil, Alstom was also awarded a contract for the supply of hydroelectric equipment for a very large 11GW hydropower plant. Despite difficult commercial conditions on its historical market base, the Transport Sector achieved a sound commercial performance with large rolling stock projects booked in Eastern Europe (Russia and Kazakhstan) and in Morocco. Grid Sector delivered a sustained order inflow, notably in Asia and in the Middle East.

Alstom's backlog reached €46.8 billion, including Grid's €5.1 billion contribution, corresponding to 26 months of sales.

With Grid for €3.7 billion over 10 months, the Group's consolidated sales reached €20.9 billion, up 6% on an actual basis. On an organic basis, sales declined by 15%, as a consequence of the lower level of orders received during two years (from second half of 2008/09 to first half of 2010/11). Power's sales dropped by 19% on an organic basis, impacted by the decrease in Thermal Systems & Products and the completion of several large tickets for power plants in Europe and in the Middle East. Transport sales totalled €5.6 billion, slightly down (3%) compared to last year.

After the record level achieved last year, Alstom operational performance was hit by the lower volumes traded by Power and Transport. Income from operations decreased from €1,779 million to €1,570 million, while the operating margin stood at 7.5%, fully in line with the guidance given. Streamlining of costs and attention paid to proper execution of the sound backlog allowed this resilient performance. During the year, Power and Transport Sectors have announced measures to adapt their industrial footprint to the evolution of their markets, both in terms of products and of geographies, and to strengthen their competitiveness. These measures should start delivering their effects as early as next fiscal year.

Net profit (Group share) reached €462 million in 2010/11 versus €1,217 million in 2009/10. It includes non recurring costs such as restructuring provisions for €520 million and purchase price allocation effects (amortisation of the margin in backlog) and acquisition costs of Grid for €203 million.

Free Cash Flow was negative over the year at €(516) million, despite a €447 million improvement on the second half of the year. The Group net cash position of €2,222 million at 31 March 2010 turned to a net debt of €(1,286) million due to the financing of the acquisition of Grid for approximately €2.4 billion and the dividend payment of €364 million.

PAVING THE WAY FOR THE FUTURE

STREAMLINING INDUSTRIAL FOOTPRINT

Faced with a fast modification of its markets, in terms of both products and geography, Alstom took structural measures to maintain its competitiveness and to benefit from the momentum of emerging countries.

In October 2010, the Power Sector announced the reduction of around 3,000 permanent positions in the European and North American activities dedicated to new equipment for thermal power generation (coal, gas), as well as in the central functions of the Sector. In March 2011, the Transport Sector announced an adaptation plan focused on some industrial sites in Germany, Italy and Spain to address lower demand in these countries and to increase the competitiveness of its industrial base. The plan represents a reduction of 1,380 permanent positions. The non-renewal of temporary contracts in the concerned sites would be added. These measures are expected to start delivering their effects as soon as next year.

EXPANDING IN GROWING MARKETS

The Group supported its expansion in fast growing markets (Asia, Brazil and Russia) through selective investments and the development of several partnerships. In 2010/11, capital expenditure (excluding capitalisation costs) reached €504 million, including €125 million for Grid. They included an increasing share in these fast growing markets.

The main investments in Power reflect the Group's strategy towards the BRICs countries:

- in November 2010, Alstom inaugurated its largest hydropower manufacturing facility in Tianjin (China), representing an investment in excess of €100 million;
- in Brazil, Power is pursuing the construction of a wind turbine assembly factory located in the State of Bahia. Along with the Taubate factory for hydropower equipments, it will allow Alstom to further penetrate the renewable market in Latin America;
- in India, the Group, together with its partner Bharat Forge Ltd, is currently building a plant in Mundra for manufacturing steam turbines and generators.

The capital expenditures in Transport were focused on the modernisation of key product lines, on quality and productivity improvement and on new strategic sites development. Major investment programmes included:

- Modernization of sites involved in new-generation trains production: Savigliano for AGV™ and PENDOLINO™ trains, Reichshoffen for CORADIA™ polyvalent;
- Investments to adapt to the growing demand on service markets: maintenance centre for PENDOLINO™ in Liverpool (United Kingdom), maintenance centre for tramways in Reims (France), site in Braunschweig (Germany) specialized in maintenance and modernization of electric rolling stock;
- Building of a new rolling stock plant in Chennai (India) to enter the promising Indian market with the execution of the Chennai metro contract booked in September 2010.

Grid focused its capital expenditure programme on the expansion of its industrial footprint, including Power Transformer factories in China, India and Turkey, as well as Gas Insulated Switchgear (GIS) facilities in China and India. The Sector also adapted its asset base in order to capture growth by leveraging new technologies. Grid accelerated the upgrade of its High Voltage Direct Current (HVDC) Power Transformer manufacturing facilities in Brazil and finalized the construction of its new technology centre in Shanghai dedicated to Ultra High Voltage (UHV) equipment.

Regarding alliances and partnerships, fiscal year 2010/11 proved particularly fruitful.

In Russia, Alstom signed several strategic agreements with major Russian power generation and transmission companies in December 2010. In Hydro, cooperation with RusHydro includes the reconstruction and modernisation of the hydro installed base as well as joint research and development activities. In Nuclear, new agreements with Rosatom and Inter RAO will support the nuclear development in the country. In Thermal, cooperation with Inter RAO, Mosenergo, a Gazprom subsidiary, and Rostechnology will allow Alstom to better access the gas and steam power plants market in Russia. Lastly, the agreement signed between Alstom Grid and FSK, the Russian Grid federal operator, will focus on the modernization of the Russian electrical grid through the local supply of equipments and the introduction of advanced "Smart Grid" technologies. In the field of transportation, the partnership with Transmashholding (TMH), the Russian leading rail manufacturer, has broadened in June 2010 with an agreement with Kazakh Railways for the creation of a joint company to manufacture electric locomotives in Kazakhstan. A new manufacturing site will be in operation in Astana (Kazakhstan) in 2012.

In China, Alstom signed a Memorandum of Understanding in September 2010 with two companies, China Northern Locomotive & Rolling Stock Industry Corporation (CNR) and Shanghai Electric Group Company Limited (SEC), to form a strategic partnership and jointly develop new markets for mass transit and intercity equipments. Under the terms of the agreement, Alstom, together with CNR and SEC, will expand the capabilities and competitiveness of their existing two joint ventures, Shanghai Alstom Transport Company Limited and Shanghai Alstom Transport Electrical Equipment Company Limited. The collaboration will allow the parties to accelerate the development of rolling stock solutions and railway traction systems by the two JVs.

On 20 April 2011, Alstom and Shanghai Electric Group announced the signing of a letter of intent for the creation of Alstom-Shanghai Electric Boilers Co, a 50/50 joint company combining both partners' activities in the boiler market for power plants. Benefiting from both Shanghai Electric's competitiveness and strong positioning in China and from Alstom's extensive and longstanding relationship with the utilities worldwide as well as its leadership in clean coal power plants and its technologies, the joint company would be world leader, with estimated combined sales of about €2.5 billion in 2010. Alstom and Shanghai Electric expect to set-up the joint company once their agreements will be finalised and after the completion of the social and regulatory processes.

Regarding acquisitions, Power strengthened its services portfolio with the purchase of Amstar, a coating services company in the United States of America. In renewables, Alstom made a two-step investment of $130 million in Brightsource Energy, which is specialised in the design and building of tower-based solar thermal power plants and signed a partnership agreement to provide fully integrated solar thermal power plants. Grid reinforced its electrical grid management and Smart Grid capabilities through the acquisition of the American company Utility Integration Solutions and of the British company Psymetrix.

SUSTAINING AND REINFORCING TECHNOLOGICAL LEADERSHIP

During fiscal year 2010/11, the Group further intensified its research and development effort, investing €824 million (excluding capitalisation costs and amortisation effects) to strengthen its technological leadership and to improve its product offering, compared to €614 million last year.

In the Power Sector, Alstom continued to develop its technologies in Carbon Capture and Storage (CCS). The Group has a total of eleven demonstration projects in operation or actively being developed, using various technologies of post combustion and oxy-firing. In December 2010, Alstom's Chilled Ammonia Process was selected by the Romanian authorities for their first CCS demo project at the Turceni power plant.

In parallel, Alstom worked on the development of its range of gas turbines, including performance upgrade packages, combustion system improvements to reduce emissions and increase fuel flexibility. The design of the complete combined cycle has been reviewed incorporating improved steam turbines and heat recovery steam generators to increase reliability, operation flexibility, performance and create specific versions to support the Group expansion in fast growing markets in Asia. The steam turbine, generator and boiler portfolio has been reviewed and adapted to create standardised modules and reference plants to support the Group's moves to China and India. Market specific versions match local requirements of customers and are adapted to the manufacturing in the factories of the Group and its Joint Ventures in these regions, while relying on the Sector's global technology expertise.

To further strengthen the offering and differentiation in the area of Services, significant investments have been made into new and upgraded products for all major equipments served in the installed base.

To develop its renewable energy portfolio, Power launched an ambitious programme to create a 6 MW offshore wind turbine, specifically designed for the North Sea markets. In February 2011, the Group signed an agreement with LM Wind Power to develop the longest wind turbine blade ever produced in the world. The wind turbine prototypes will be tested on the Belgian coasts in 2011 and 2012, and series production will start in 2014. In addition, in March 2011, the Group teamed up with Rotem Industries Ltd and Gefen Biomed Investments – two Israeli firms specialising in cutting-edge technologies – in creating a joint venture to finance and support the growth of innovative start-ups in the field of renewable and alternative energy and energy-saving technologies.

Transport research and development programmes have pushed forward advanced technologies across its product range:

- in September 2010, Transport presented its latest very high-speed offering at the InnoTrans rail exhibition: the new one-level platform, named Speedelia, will reach 360 km/h commercial speed and will be completely interoperable with rail networks of different voltages and signalling systems in Europe;
- on 15 September 2010, the first body shell of the Regiolis [(1)] for the SNCF was symbolically welded at the Reichshoffen site;
- the first phase of the AGV™ certification process was completed on 12 December 2010 with the 330 km/h run on the Milano/Bologna very high speed line;
- Alstom's "Allegro" high-speed trains successfully entered into commercial operation on the Saint Petersburg – Helsinki line in December 2010, positively positioning the Group on Russia's high-speed market. These trains have a commercial speed of 220 km/h and can resist to extreme winter conditions;
- on February 2011, Alstom delivered to the city of Lyon the first of the Citadis™ Dualis™ tram-trains, a train able to run from city centre to suburbs without requiring transfers;
- early April 2011, the Sector also announced the creation in partnership with RATP of Metrolab, a research laboratory dedicated to the automatic metro of the future.

Grid dedicated its research and development efforts to:

- develop new technologies, such as HVDC and UHV, which enable the efficient transmission of large amounts of power over long distances. Grid focused as well on its Smart Grids strategic priority, with programmes aiming at improving grid reliability, stability and efficiency while reducing CO_2 emissions;
- expand its current offering (*e.g.* increase voltage range on circuit breakers and gas insulated substations) and optimise its product portfolio.

(1) Regiolis is a trademark of SNCF.

GRID INTEGRATION

On 7 June 2010, Alstom and Schneider Electric successfully completed the acquisition of Areva's Transmission and Distribution businesses (Areva T&D). With the acquisition of the transmission activities of Areva T&D, completed at the price of €2.3 billion (enterprise value), Alstom created a third Sector, named Alstom Grid, including all technologies primarily focused on high voltage activities.

Alstom is working actively on the integration of Grid into the Group. The process aiming at separating Alstom Grid business from Schneider Electric Energy business has been carried out in a smooth and timely manner and is close to its end. As of 31 March 2011, carve out operations have been finalised in all countries but India, Turkey, China and Indonesia.

On 30 June 2010, Grid launched a performance plan with the objectives to boost its competitiveness and to reinforce its market positioning through innovation and differentiation. In December 2010, the Grid Sector redefined its organisation in order to put a stronger focus on customer intimacy, competitiveness and customer-valued innovation, its key strategic priorities. Effective 1 April 2011, the new organisation "OneGRID" is built around Regions, Product Lines and Functions.

CORPORATE RESPONSIBILITY

ENVIRONMENT, HEALTH AND SAFETY (EHS)

After having several EHS indicators audited in March 2010, Alstom now targets to have all its production sites of more than 200 people certified ISO 14001 by 2012.

Alstom also set several objectives to reduce its environmental impact across the globe. By 2015, the Group committed itself to reduce the intensity of water consumption by 20% in arid areas, to decrease by 10% the intensity of Volatile Organic Compounds (VOC) emissions and to have 80% of its wastes recycled. In the new Grid Sector, Alstom also targets to decrease its emission of SF_6 by 3% each year.

In the Health and Safety Area, Alstom continued to focus on its programme "Zero Severe Accident", launched in 2008, and greatly reduced the number of work related accidents reaching an injury frequency rate of 1.9 [(1)] after 2.3 in 2009/10 and 7.6 five years ago.

ETHICS & COMPLIANCE (E&C)

The development of the integrity culture is a key priority for the Group. New initiatives are continuously taken to diffuse ethics and compliance instructions within the whole organisation. The Code of Ethics, existing in 21 languages, is distributed to all employees. To ensure a clear understanding of ethical principles, E&C Instructions are issued on specific topics such as gifts and hospitality, political contributions, charitable contributions and sponsorship, consulting companies and conflicts of interest. This comes in addition to the robust instruction and procedure for dealing with sales and marketing consultants. To reinforce the resources of the E&C Department, a community of approximately 200 E&C Ambassadors was created in May 2010. Training is a constant effort and more than 32,000 employees completed the e-learning module, e-Ethics, that was launched in March 2010. An impacting communication campaign, including posters displayed on all sites, brought support to all E&C initiatives.

ETHICS, COMPLIANCE AND SUSTAINABILITY COMMITTEE

The Board of Directors decided to set up a new Board Committee: the Ethics, Compliance and Sustainability Committee.

Comprised of three independent Directors, this Committee has the mission to examine and monitor the Company's policies with regards to ethics and compliance matters as well as the systems and procedures in place to implement them. It examines and also assesses the strategy, policies and procedures of the Company on issues related to corporate responsibility and sustainable development and provides the Board of Directors with its opinion on all these subjects.

(1) Number of accidents with time lost to injury per million hours worked.

GENERAL COMMENTS ON ACTIVITY AND RESULTS

Consolidated key financial figures

The following table sets out the Group's key performance indicators for 2010/11.

(in € million)	Year ended 31 March 2011	Year ended 31 March 2010	% Variation March 2011/March 2010 Actual	Organic
Order Backlog	46,816	42,561	10%	(2%)
Orders Received	19,054	14,919	28%	1%
Sales	20,923	19,650	6%	(15%)
Income from operations	1,570	1,779	(12%)	(26%)
Operating Margin	*7.5%*	*9.1%*		
EBIT	764	1,629	(53%)	
Net Profit – Group share	462	1,217	(62%)	
Free Cash Flow	(516)	185		
Capital Employed	5,356	1,944		
Net Cash/(Debt)	(1,286)	2,222		
Headcount	93,443	76,620	22%	(3%)

Key geographical figures

Total Group Actual figures	Year ended 31 March 2011 Europe	North America	South and Central America	Asia/Pacific	Middle East/Africa	Total
Orders Received (in € million)	7,357	2,510	1,996	4,983	2,208	19,054
% of contrib.	*39%*	*13%*	*10%*	*26%*	*12%*	*100%*
Sales (in € million)	9,353	2,571	1,731	3,788	3,480	20,923
% of contrib.	*45%*	*12%*	*8%*	*18%*	*17%*	*100%*
Headcount	54,746	10,766	5,499	19,213	3,219	93,443
% of contrib.	*59%*	*11%*	*6%*	*21%*	*3%*	*100%*

Total Group Actual figures	Year ended 31 March 2010 Europe	North America	South and Central America	Asia/Pacific	Middle East/Africa	Total
Orders Received (in € million)	9,207	1,987	717	1,933	1,075	14,919
% of contrib.	*62%*	*13%*	*5%*	*13%*	*7%*	*100%*
Sales (in € million)	9,811	2,736	952	2,251	3,900	19,650
% of contrib.	*50%*	*14%*	*5%*	*11%*	*20%*	*100%*
Headcount	48,207	9,179	4,376	13,127	1,731	76,620
% of contrib.	*63%*	*12%*	*6%*	*17%*	*2%*	*100%*

OUTLOOK

While fully focused on extending the encouraging commercial performance of the recent months, Alstom continues to concentrate its operational priorities on excellence in product quality and project execution as well as on strict cost control.

Encouraged by the commercial recovery of the second half 2010/11, the Group confirms that the operating margin of fiscal year 2011/12 should stay within the 7 to 8% bracket.

The foregoing outlook are "forward-looking statements" and as a result they are subject to uncertainties. The success of the Group's strategy and action plan, its sales, operating margin and financial position could differ materially from the goals and targets expressed above if any of the risks described in the Risk section of the Annual Report/*Document de Référence* for fiscal year 2010/11 or other unknown risks, materialise.

SECTOR ANALYSIS

Power Sector

The following table presents the key performance indicators for Power:

Power Actual figures (in € million)	Year ended 31 March 2011	Year ended 31 March 2010	% Variation March 2011/March 2010	
			Actual	Organic
Order backlog	22,169	23,318	(5%)	(5%)
Orders received	9,911	9,435	5%	1%
Sales	11,666	13,901	(16%)	(19%)
Income from operations	1,052	1,468	(28%)	(30%)
Operating margin	9.0%	10.6%		
EBIT	690	1,377	(50%)	
Capital employed	3,118	2,204	41%	

ORDERS RECEIVED

In 2010/11, orders received by Power increased by 5% to reach €9,911 million compared to €9,435 million last year. After a low point in the first half of 2010/11, Power orders rebounded over the second half thanks to major successes in emerging countries where investments have resumed as electricity consumption is already well above pre-crisis levels. Services activities were very strong as customers chose to improve the performance of their existing plants or to expand their lifetime. CO_2 free technology also stepped up, supported by regulatory framework.

Orders received Actual figures (in € million)	Year ended 31 March 2011	Year ended 31 March 2010	% Variation March 2011/March 2010	
			Actual	Organic
Thermal Systems & Products	2,809	4,290	(35%)	(37%)
Thermal Services	5,192	4,018	29%	23%
Renewables	1,910	1,127	69%	65%
POWER	9,911	9,435	5%	1%

Thermal Systems & Products order intake picked up during the second half of 2010/11 after a very low level of orders in the first half. The total yearly order intake amounted to €2,809 million, down 35% compared to fiscal year 2009/10. The low demand for new fossil fuel equipment in mature markets was only partially compensated by the opportunities seized in Asia/Pacific. Alstom notably signed contracts to provide three gas-fired combined cycle power plants in Singapore and one in India, as well as two steam turbines for a nuclear power plant in India.

Thermal Services booked €5,192 million of orders, 29% above the already sound level of last year. Largest orders received were in Europe and in Asia with the maintenance and renovation of steam turbines and generators for EDF's nuclear fleet in France, the retrofit of six turbine and generator units of the largest fossil power plant in Europe located in Poland, the maintenance of four combined cycled power plants in Spain and in Taiwan.

Orders received by Renewables soared by 69% reaching €1,910 million compared to €1,127 million last year with significant orders for hydroelectric equipment booked in Latin America, Switzerland, China, Malaysia and Vietnam. The Group also received orders for wind turbines in Brazil and in the United Kingdom.

Power Actual figures (in € million)	Year ended 31 March 2011	% of contrib.	Year ended 31 March 2010	% of contrib.	% Variation March 2011/March 2010	
					Actual	Org.
Europe	3,106	31%	5,124	54%	(39%)	(40%)
North America	1,443	15%	1,703	18%	(15%)	(22%)
South and Central America	1,187	12%	209	2%	468%	483%
Asia/Pacific	3,150	32%	1,549	17%	103%	88%
Middle East/Africa	1,025	10%	850	9%	21%	14%
ORDERS BY DESTINATION	9,911	100%	9,435	100%	5%	1%

Europe accounted for 31% of the total orders received by Power at €3,106 million, down by 39% compared to last year. Services activity was particularly sustained with the booking of the retrofit of a coal fired power plant in Poland, the modernisation of the nuclear steam turbine fleet in France and operation and maintenance contracts in Spain. The Group also booked an order for a 300 MW hydro plant in Switzerland and the first orders of gas turbines GT13™E2 in Russia.

Orders received in North America reached €1,443 million, decreasing by 15% compared to last year. Thermal Services realised a steady commercial performance in the region including good level of orders for the service of gas turbine built by other equipment manufacturers. North America represented 15% of the orders received by Power during this fiscal year.

In South and Central America, total order intake amounted to €1,187 million, almost six times the level of 2009/10. Power enjoyed major commercial successes in Brazil with the award of contracts to supply hydroelectric equipment for an 11,230 MW and a 1,820 MW hydropower plant as well as an order for a 90 MW wind farm complex. The Group also booked orders to supply turbine and generator sets for a new 320 MW hydro power plant in Chile and for a 400 MW hydro power plant in Colombia. Services orders also grew sharply, fuelled by an overall strong increase of utilisation and an attractive offering for this market.

Orders received in Asia/Pacific doubled versus last year to reach €3,150 million. Accounting for 32% of total orders received, Asia/Pacific was in 2010/11 the largest region for Power in terms of order intake. In Singapore, three combined cycle gas power plants were booked with some associated service agreements. In India, the Group was awarded a contract for a combined cycle power plant and the corresponding long term maintenance one, as well as the design and supply of two 800 MW and one 700 MW supercritical boilers and two steam turbines for nuclear power plants. In China, orders received include two 300 MW subcritical and two 350 MW supercritical boilers, nuclear equipments and turbine generator units for hydro power plants. The Group also extended an operation and maintenance contract in Taiwan which was expiring.

The order intake in Middle East/Africa accounted for 10% of orders received by Power, at €1,025 million, including a contract in South Africa for air quality control system for a steam power plant, a contract in Kuwait for a steam add-on on a gas power plant and gas turbines order in Nigeria.

The Power Sector received the following major orders during 2010/11:

Country	Description
Brazil	Five 370 MW Francis turbines and generators for a hydroelectric power plant
Brazil	Fifty-seven wind turbines for a wind farm complex in Bahia
Brazil	Seven 611 MW Francis Turbine and generator sets for hydroelectric power plant
Chile	Turbine and generator sets for a new 320 MW hydro power plant
China	Five emergency diesel generators (EDGs), supply gas stripping and evaporation unit equipments
Colombia	Supply and assembly of electromechanical equipment for a 400 MW hydro power plant
France	Rehabilitation and maintenance of steam turbines and generators for the nuclear fleet of EDF
India	Design and supply of two 800 MW and one 700 MW supercritical boilers
India	The majority of two turbines for nuclear power stations
India	Turnkey combined cycle power plant including a GT26™ gas turbine and a long term operation
Kuwait	Two steam turbines and five HRSG behind existing five GT13™E2
Nigeria	2 GT13™E2 gas turbines and 1 steam turbine
Poland	Retrofit of six turbine and generator units of a coal fired power plant
Singapore	3 turnkey combined cycle power plants and 3 long term service agreements
South Africa	Air quality control systems for a 6 x 800 MW coal-fired power plant
Spain	Operation and Maintenance contracts for three combined cycled power plants
Switzerland	Supply and assembly of electromechanical equipment for a 300 MW hydro power plant
Taiwan	Operation and Maintenance contract
United Kingdom	75 wind turbines for the extension of the largest onshore wind farm in Europe

SALES

As a consequence of the low volume of order intake for thermal new equipment over the past two years, Power sales decreased by 16% compared to last year with a 30% drop in Thermal Systems & Products. On the other hand, sales in Thermal Services remained stable. Sales in the Renewables business increased by 4%.

Sales Actual figures (in € million)	Year ended 31 March 2011	Year ended 31 March 2010	% Variation March 2011/March 2010 Actual	Organic
Thermal Systems & Products	5,446	7,746	(30%)	(32%)
Thermal Services	4,345	4,353	(0%)	(5%)
Renewables	1,875	1,802	4%	(1%)
POWER	11,666	13,901	(16%)	(19%)

In 2010/11, sales in Europe decreased by 23% after the successful delivery of several turnkey power plants, notably in the United Kingdom, the Netherlands and Ireland. Europe accounted for 40% of total Power sales.

In North America, sales amounted to €1,866 million, 16% of total sales traded by Power. They were mostly generated by the execution of services contracts.

Power sales rose to €947 million in South and Central America, up by 41% compared to last year, as contracts for hydroelectric equipments and wind turbines in Brazil were executed.

Sales traded in Asia/Pacific reached €1,833 million, an increase of 6% compared to last year. Power delivered boilers in India, hydro equipments in Vietnam and China and steam turbines and generators for nuclear plants in China.

In Middle East/Africa, sales totalled €2,388 million, down 32% compared to the exceptional level recorded last year when several large turnkey power plant contracts in Tunisia, Algeria and the United Arab Emirates achieved major progress. In fiscal year 2010/11, large turnkey projects were executed in Saudi Arabia and South Africa.

Power Actual figures (in € million)	Year ended 31 March 2011	% of contrib.	Year ended 31 March 2010	% of contrib.	% Variation March 2011/March 2010 Actual	 Org.
Europe	4,632	40%	6,033	43%	(23%)	(24%)
North America	1,866	16%	1,943	14%	(4%)	(11%)
South and Central America	947	8%	670	5%	41%	31%
Asia/Pacific	1,833	16%	1,726	13%	6%	(2%)
Middle East/Africa	2,388	20%	3,529	25%	(32%)	(35%)
SALES BY DESTINATION	11,666	100%	13,901	100%	(16%)	(19%)

INCOME FROM OPERATIONS AND OPERATING MARGIN

Despite the positive mix effect of the high share of margin Services in the Sector's sales, the profitability was impacted by the drop of its volumes traded. Income from operations amounted to €1,052 million, down 28% compared to last year and operating margin stood at 9.0%, versus the record level of 10.6% reported last year.

Transport Sector

The following table presents key performance indicators for Transport.

Transport Actual figures (in € million)	Year ended 31 March 2011	Year ended 31 March 2010	% Variation March 2011/March 2010 Actual	 Organic
Order backlog	19,516	19,243	1%	1%
Orders received	5,709	5,484	4%	2%
Sales	5,604	5,749	(3%)	(5%)
Income from operations	398	414	(4%)	(6%)
Operating margin	7.1%	7.2%		
EBIT	225	368	(39%)	
Capital Employed	445	(78)		

ORDERS RECEIVED

Orders received by Transport during fiscal year 2010/11 reached €5,709 million, a 4% increase on actual basis compared to last year, due to large projects booked in emerging countries (locomotives in Russia and Kazakhstan, metros in India, signalling in China, turnkey projects in Latin America), the recovery of demand in North America and the progress of non rolling stock activities. While stimulus plans effects are fading in Western Europe, the Sector managed to seize opportunities out of its historical market base, thanks to its partnership strategy and the development of products adapted to these markets.

Transport Actual figures (in € million)	Year ended 31 March 2011	% of contrib.	Year ended 31 March 2010	% of contrib.	% Variation March 2011/March 2010 Actual	 Org.
Europe	3,234	57%	4,083	75%	(21%)	(21%)
North America	766	13%	284	5%	170%	145%
South and Central America	450	8%	508	9%	(11%)	(22%)
Asia/Pacific	773	14%	384	7%	101%	94%
Middle East/Africa	486	8%	225	4%	116%	115%
ORDERS BY DESTINATION	5,709	100%	5,484	100%	4%	2%

Despite a 21% decrease compared to last year, Europe remained the most important region for Transport with €3,234 million of orders intake, including two large contracts for passenger locomotives won in Kazakhstan and Russia in partnership with TMH. Alstom was also awarded the supply of 24 additional CORADIA™ Polyvalent trains to SNCF in France and of 12 CORADIA™ Nordic suburban trains for the Stockholm-Uppsala line in Sweden as well as the maintenance of 135 suburban trains in use in Stockholm. Confirming its competitiveness on tramways, Transport booked several contracts to deliver tramways for different French cities including Paris, Tours, Le Havre, Lyon and Nice. Europe represented 57% of Transport orders received over fiscal year 2010/11 versus 75% last year, which highlights the geographic diversification of the customer base.

Orders received in North America reached €766 million, an increase of 170% over last year driven by the economic recovery in the region. In Canada, Alstom was awarded contract to supply 468 metro cars in Montréal. In the United States of America, the Group won orders to modernise the entire metro fleet of 120 passenger cars operating between Philadelphia and Southern New Jersey and to provide high-tech rail control centre and signalling upgrades for the Metropolitan Atlanta Rapid Transit Authority.

In South and Central America, orders received were €450 million, 11% lower than last year. Transport won contracts to provide the first line of Panama metro and to supply 45 cars for Santo Domingo metro. In Brazil, Transport booked orders to supply 9 additional metros for the suburban network of São Paulo.

Orders received in Asia/Pacific increased by 101% to €773 million. Accounting for 14% of the orders received by Transport, Asia/Pacific is the second largest region in terms of orders. Main commercial successes in the region included the provision of 168 cars for the new metro of Chennai in India and of advanced traction, control and signalling system for Beijing metro in China.

In Middle East/Africa, €486 million of orders (8% of Transport's orders received) were booked during fiscal year 2010/11, an increase of 116% compared to last year. Alstom was awarded contracts to supply 14 double-deck very high-speed trainsets to Morocco national railway company. In Tunisia, Alstom received an order to provide 16 additional CITADIS™ tramways for Tunis and maintenance service for the entire fleet.

The Transport Sector received the following major orders during 2010/11:

Country	Description
Brazil	Supply of 9 metros for São Paulo's suburban network
Canada	Supply of 468 metro cars to Société de transport de Montréal
China	Supply of advanced traction, control and signalling systems for Beijing metro
France	24 single-deck regional CORADIA™ Polyvalent trains to SNCF
France	Supply of CITADIS™ tramways for Paris, Tours, Le Havre, Lyon, Nice
India	168 cars for the metro of Chennai
Kazakhstan	200 double freight and 95 passenger locomotives to Kazakh Railways
Morocco	14 double-deck (Duplex) very high-speed trainsets on the Tangiers-Casablanca route
Panama	Equip first line of Panama metro
Russia	200 EP20 passenger locomotives in partnership with TMH
Santo Domingo	45 cars for Santo Domingo metro
Spain	Contracts of maintenance for suburban trains and renovation of 350 trains to ease access to disabled passengers
Sweden	12 new CORADIA™ Nordic suburban trains; maintenance contract for suburban trains
Tunisia	16 additional CITADIS™ tramways for Tunis and maintenance service for the entire fleet
United States of America	Overhaul of 120 metro cars operated by the Port Authority Transit Corporation between Philadelphia and Southern New Jersey
United States of America	Delivery of high-tech rail safety upgrades, train's signalling and control system for Atlanta metropolitan

SALES

In 2010/11, Transport recorded sales of €5,604 million, 3% lower than last year on an actual basis.

Europe represented 67% of Transport sales, at €3,733 million, stable versus last year. Very high-speed trains contracts in France and in Italy achieved major progress during the year. Main contracts traded over the year also included regional trains delivered in France, Germany and Sweden, tramways and metros in France and in the Netherlands.

In North America, sales reached €352 million, 56% lower than last year, due to the end of metro cars contract for New York City.

Sales in South and Central America increased by 33% to €374 million, driven by the execution of contracts to supply urban rolling stocks mainly in Mexico and Brazil as well as signalling and control systems for the metro networks of São Paulo.

With 14% of the Sector's sales, Asia/Pacific amounted to €810 million, an increase of 54% over last year, as freight locomotives and regional trains components were delivered in China. In Australia, the supply of X'TRAPOLIS™ regional trains for the city of Melbourne achieved significant progress.

Finally, sales in Middle East/Africa reached €335 million, a 10% decrease compared to last year due to the completion of contracts to supply tramways in Algeria and locomotives in Morocco.

Transport Actual figures (in € million)	Year ended 31 March 2011	% of contrib.	Year ended 31 March 2010	% of contrib.	% Variation March 2011/March 2010 Actual	 Org.
Europe	3,733	67%	3,778	66%	(1%)	(2%)
North America	352	6%	793	14%	(56%)	(59%)
South and Central America	374	7%	282	5%	33%	19%
Asia/Pacific	810	14%	525	9%	54%	46%
Middle East/Africa	335	6%	371	6%	(10%)	(11%)
SALES BY DESTINATION	5,604	100%	5,749	100%	(3%)	(5%)

INCOME FROM OPERATIONS AND OPERATING MARGIN

Thanks to a continuous effort on cost control, the operating margin stood at 7.1%, close to last year record performance of 7.2%, despite the lower sales level. Income from operations amounted to €398 million.

Grid Sector

The following table presents the key performance indicators of Grid Sector, for its first ten months of activity within Alstom (from 7 June 2010 to 31 March 2011).

Grid Actual figures (in € million)	From 7 June 2010 to 31 March 2011
Order backlog	5,131
Orders received	3,434
Sales	3,653
Income from operations	218
Operating margin	6.0%
EBIT	35
Capital employed	2,057

ORDERS RECEIVED

During fiscal year 2010/11, the transmission equipment market started its recovery after the 2009 slowdown due to the worldwide economic crisis. The market growth in volume was however partially offset by price erosion, due to increased competition in all regions. By end of 31 March 2011, orders received reached €3,434 million.

Grid Actual figures (in € million)	From 7 June 2010 to 31 March 2011	% of contrib.
Europe	1,017	30%
North America	301	9%
South and Central America	359	10%
Asia/Pacific	1,060	31%
Middle East/Africa	697	20%
ORDERS BY DESTINATION	3,434	100%

In Europe, orders intake reached €1,017 million, representing 30% of Grid orders received. Key projects were booked in Germany (offshore substations for wind farms), United Kingdom (special transformers), Italy (turnkey HVAC GIS substation for Malta-Sicily electric interconnection), Russia (turnkey special power supply for the aluminium industry) and Tajikistan (GIS for a 220 kV substation).

North America accounted for €301 million of orders received. Important orders were booked in this region in the Network Management Systems activity.

Orders received in South and Central America represented €359 million, 10% of Grid's orders intake. Orders received in this region were mainly driven by Brazil with an order booked in cooperation with the Power Sector for GIS and power transformer for an hydroelectric equipment.

Asia/Pacific accounted for 31% of total orders received by Grid, at €1,060 million. India and China were the most active markets in the region.

In Middle East/Africa, Grid booked orders for €697 million, corresponding to 20% of the total order intake. The region benefited from the continuous need for infrastructure investments. Main commercial successes in this region included contracts for seven 220 kV power supply substations in Libya, an oil refinery power supply substation in the United Arab Emirates and a turnkey capacitors project in Saudi Arabia. Given recent political events in the region, special attention will be paid to the execution of these projects.

The Grid Sector received the following major orders during 2010/11:

Country	Description
Brazil	GIS and power transformer for hydroelectric equipment
Egypt	Energy management system for the national power grid
Germany	Turnkey high voltage substation for offshore wind farm
Kuwait	Energy management and distribution system for the national power grid
India	Turnkey 2 x 600 MW electric balance of plant
Indonesia	Supply and installation of 60 power transformers (up to 10 kV 60 MVA)
Italy	Turnkey HVAC GIS substation for Malta-Sicily interconnection
Libya	7 x 220 kV GIS and 5 x 11 kV AIS substations
Morocco	400/225 kV AIS substation and extension of 2 existing substations
Russia	Turnkey GIS for aluminium electrolysis
Saudi Arabia	Supply of capacitors for power factor correction
Sweden	Energy management system for the national power grid
Tajikistan	Replacement of an AIS 220 kV by a GIS for hydro power plant
United Arab Emirates	Turnkey GIS 132/220 kV for oil refinery
United Kingdom	3 x 400 kV 2,750 MVA quadrature boosters

SALES

From 7 June 2010 to 31 March 2011, Grid's sales amounted to €3,653 million, reflecting a sustained volume of activity across all businesses.

In Europe, sales were at €988 million, representing 27% of Grid's sales. Activity was high in the United Kingdom and Germany with the execution of large HVDC and wind-farm substations, as well as power transformers and GIS projects booked in the previous periods.

Sales in North America reached €353 million, including sales for equipments in the United States of America and the execution of a contract for a 500/230 kV AIS substation in Canada.

South and Central America recorded sales of €410 million. Major contracts traded included two HVDC substations and twenty-eight HVDC Power transformers in Brazil and an HVDC project in Uruguay.

Asia/Pacific accounted for 31% of Grid's sales, at €1,145 million. The activity was sustained especially in India, China, Australia and Indonesia. Grid executed large projects booked in 2009 such as a 132/33 kV turnkey substation, 33 kV switchgear and kiosk substations in Australia and 150 kV conventional substations in Indonesia.

Sales in Middle East/Africa amounted to €757 million. The activity was mainly generated by the execution of a robust backlog of turnkey contracts for the supply of substations in Saudi Arabia, and United Arab Emirates.

Grid Actual figures (in € million)	From 7 June 2010 to 31 March 2011	% of contrib.
Europe	988	27%
North America	353	10%
South and Central America	410	11%
Asia/Pacific	1,145	31%
Middle East/Africa	757	21%
SALES BY DESTINATION	3,653	100%

INCOME FROM OPERATIONS AND OPERATING MARGIN

Grid's income from operations reached €218 million, corresponding to an operating margin of 6%. The Sector focused on the good execution of its backlog and the control of its costs. Grid initiated a performance plan around two key objectives: boosting its competitiveness and reinforcing its market positioning through innovation and differentiation.

Corporate and Others

Corporate & Others comprise all units accounting for corporate costs, as well as the International Network.

The following table sets out some key financial data for Corporate & Others:

Corporate & Others (in € million)	Year ended 31 March 2011	Year ended 31 March 2010
Income from operations	(98)	(103)
EBIT	(186)	(116)
Capital Employed	(264)	(182)

Non-operating expenses are mostly related to Grid acquisition costs (for €(44) million) and Marine past litigations costs.

OPERATING AND FINANCIAL REVIEW

Income statement

Total Group (in € million)	Year ended 31 March 2011	Year ended 31 March 2010	% Variation March 2011/March 2010	
			Actual	Organic
Sales	20,923	19,650	6%	(15%)
Cost of sales	(16,938)	(15,982)	6%	(15%)
R&D expenditure	(703)	(558)	26%	(2%)
Selling expenses	(902)	(669)	35%	2%
Administrative expenses	(810)	(662)	22%	(11%)
INCOME FROM OPERATIONS	1,570	1,779	(12%)	(26%)
Operating margin	7.5%	9.1%		

SALES

In fiscal year 2010/11, consolidated sales reached €20.9 billion, a 6% increase compared to the previous year. Grid's contribution amounted to €3.7 billion for 10 months of activity. On an organic basis, sales were down by 15%, mostly driven by the decrease in Power (-19%).

RESEARCH AND DEVELOPMENT EXPENDITURES

Alstom raised its Research and Development expenditures to gross costs of €824 million in 2010/11 compared to €614 million last year. Including the impact of capitalisation and amortisation of development costs, R&D expenditures amounted to €703 million compared to €558 million last year. The amount of capitalisation of development costs increased from €209 million last year to €286 million this year, due to the greater maturity of the projects. Main R&D programmes included, for Power, the upgrade of steam and gas turbine technologies, further development of CCS technologies and the start of the development of offshore wind turbine. The programmes covered for Transport the improvement of technologies across its product lines with a focus upon very high-speed trains (AGV™) and for Grid, the development of HVDC and UHV technologies as well as smart Grid solutions.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative (S&A) expenses amounted to €1,712 million for fiscal year 2010/11, compared to €1,331 million the previous year. On an organic basic, administrative expenses decreased by 11% compared to last year thanks to the strict control of costs, while selling expenses increased by 2% due to active tendering activities.

INCOME FROM OPERATIONS

The Group income from operations decreased to €1,570 million for fiscal year 2010/11, 12% below the level of last year due to negative impact of lower sales volumes in Power and Transport. The operating margin decreased from 9.1% to 7.5%, in line with the guidance previously given.

Total Group (in € million)	Year ended 31 March 2011	Year ended 31 March 2010	% Variation March 2011/ March 2010
Income from operations	**1,570**	**1,779**	**(12%)**
Restructuring costs	(520)	(96)	442%
Other income (expense)	(286)	(54)	430%
EARNINGS BEFORE INTEREST AND TAXES	764	1,629	(53%)
Financial income (expense)	(136)	(42)	224%
Income tax charge	(141)	(385)	(63%)
Share in net income of equity investments	3	3	0%
Discontinued operations	-	-	N/A
Non-controlling interests	(28)	12	N/A
NET INCOME - GROUP SHARE	462	1,217	(62%)

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

EBIT reached €764 million for fiscal year 2010/11, compared to €1,629 millions on the previous year. Beside the decline of the operating income, the variation is due to several non recurring costs including €203 million of Grid purchase price allocation effects (amortization of the margin in backlog) and Grid acquisition costs and €520 million of restructuring expenses related to the adaptation of the Group's industrial base.

NET FINANCIAL INCOME

Net financial income was negative at €(136) million at the end of March 2011 compared to €(42) million at the end of March 2010. Interest expenses reached €(86) million during fiscal year 2010/11 compared to €(7) million last year as the Group turned from a net cash to a net debt position following the acquisition of Grid.

INCOME TAX CHARGE

Due to lower pre-tax income and a favourable geographical mix, the income tax charge decreased to €(141) million for fiscal year 2010/11 (vs. €(385) million last year). It included a €(248) million current income tax charge (vs. €(199) million last year) and a €107 million deferred income tax credit (vs. a €(186) million of deferred income tax charge in 2009/10).

The effective tax rate was at 22% for the year (compared to 24% last year).

NET INCOME - GROUP SHARE

Net income (Group share) was €462 million, a 62% decrease compared to last year, due to the lower operational profit and the impact of non recurring charges, such as restructuring provisions and purchase price allocation effects (amortisation of the margin in backlog) and acquisition costs of Grid.

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Balance sheet

Total Group Actual figures (in € million)	At 31 March 2011	At 31 March 2010	Variation March 2011/ March 2010
Goodwill	5,396	3,904	1,492
Intangible assets	1,934	1,453	481
Property, plant and equipment	2,651	1,958	693
Associates and available-for-sale financial assets	207	66	141
Other non-current assets	567	535	32
Deferred taxes	1,287	982	305
Non-current assets	**12,042**	**8,898**	**3,144**
Working capital assets	14,840	12,694	2,146
Marketable securities and other current financial assets	50	35	15
Cash and cash equivalents	2,701	4,351	(1,650)
Current assets	**17,591**	**17,080**	**511**
ASSETS	29,633	25,978	3,655

Total Group Actual figures (in € million)	At 31 March 2011	At 31 March 2010	Variation March 2011/ March 2010
Equity (Group share and minorities)	4,152	4,101	51
Provisions (non-current and current)	2,482	1,641	841
Accrued pension and other employee benefits	1,145	943	202
Financial debt (current and non-current)	4,466	2,614	1,852
Deferred taxes	88	113	(25)
Working capital liabilities (excl. provisions)	17,300	16,566	734
LIABILITIES	29,633	25,978	3,655

GOODWILL AND INTANGIBLE ASSETS

At the end of March 2011, goodwill amounted to €5,396 million due to €1,475 million of increase following the acquisition of Grid.

Intangible assets include acquired intangible assets and capitalised development costs. They increased to €1,934 million on 31 March 2011 (compared to €1,453 million on 31 March 2010). This movement is mainly due to the recognition of technology, order backlog margin and customer relationships as assets acquired in the Grid business combination for €512 million.

TANGIBLE ASSETS

Tangible assets increased to €2,651 million on 31 March 2011, compared to €1,958 million on 31 March 2010. Tangible assets from the acquisition of Grid amounted to €634 million.

Supporting the Group's strategy to increase its industrial presence in fast growing markets and to improve its production capacities, capital expenditures (excluding capitalised development expenses) reached €504 million. Power notably supported its expansion in the BRICs countries with the inauguration of hydropower manufacturing facility at Tianjin (China) and the construction of a new wind turbine assembly factory in the State of Bahia (Brazil). For Transport, capital expenditures were dedicated to the modernisation of its current manufacturing sites and the beginning of the construction of a rolling stock factory in India to serve the local market. For Grid, investments mainly aimed at expanding its industrial footprint in Asia.

Commitments to purchase fixed assets amount to €85 million at 31 March 2011. They notably arise from the construction of a facility in the United States of America for the manufacturing of steam turbines.

OTHER NON CURRENT ASSETS

Other non current assets amounted to €567 million at the end of March 2011, compared to €535 million at the end of March 2010. Financial non-current assets directly associated to a long-term lease of trains and associated equipment for a London Underground Operator in the United Kingdom slightly decreased from €450 million at the end of March 2010 to €429 million at the end of March 2011.

WORKING CAPITAL

Working capital (defined as current assets excluding cash and cash equivalents, as well as marketable securities, less current liabilities excluding current financial liabilities and including non current provisions) on 31 March 2011 was €(4,942) million compared to €(5,513) million on 31 March 2010. This degradation resulted notably from the low level of orders received over the first half of 2010/11 and the mix of the orders received over the year.

DEFERRED TAX

Net deferred tax assets increased to €1,199 million at the end of March 2011, from €869 million a year before, mainly due to the integration of Grid.

CURRENT AND NON-CURRENT PROVISIONS

The current and non-current provisions were €2,482 million on 31 March 2011, compared to €1,641 million on 31 March 2010, mainly due to the integration of Grid.

EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS

Equity on 31 March 2011 reached €4,152 million (including minority interests) compared to €4,101 million on 31 March 2010. It was mostly impacted by:

- net income from the fiscal year 2010/11 of €462 million (Group share);
- distribution of dividends of €364 million in 2010/11;
- pensions (net after tax actuarial loss of €(90) million).

FINANCIAL DEBT

The gross financial debt increased from €2,614 million at the end of March 2010 to €4,466 million at the end of March 2011. This movement resulted from the increase of €500 million of two existing bonds combined with the issue of two new bonds totalling €1,000 million.

See Note 24 to the consolidated financial statements for further details regarding the financial debt.

Liquidity and capital resources

The following table sets out selected figures concerning the consolidated statement of cash flows:

Total Group (in € million)	Year ended 31 March 2011	Year ended 31 March 2010
Net cash provided by operating activities - before changes in net working capital	974	1,766
Changes in net working capital resulting from operating activities	(743)	(960)
Net cash provided by/(used in) operating activities	**231**	**806**
Net cash used in investing activities	(3,081)	(636)
Net cash provided by/(used in) financing activities	1,180	1,114
Net increase/(decrease) in cash and cash equivalents	**(1,670)**	**1,284**
Cash and cash equivalents at the beginning of the period	4,351	2,943
Net effect of exchange rate variations	24	135
Other changes	(4)	(11)
Cash and cash equivalents at the end of the period	**2,701**	**4,351**

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities was €231 million for fiscal year 2010/11, compared to €806 million for the year before.

Net cash provided by operating activities before changes in net working capital was €974 million in 2010/11. It represents the cash generated by the Group's net income after elimination of non-cash items (given that provisions are included in the definition of the working capital, provisions are not part of the elimination of non-cash items) and before working capital movements.

The Group's net working capital change resulting from operating activities was negative at €(743) million.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities was €3,081 million for fiscal year 2010/11, versus €636 million for the previous year, mainly due to the acquisition of Grid Sector for approximately €2.4 billion, capital expenditures (excluding capitalised development expenses) of €504 million and capitalised research and development costs of €286 million.

NET CASH PROVIDED BY FINANCING ACTIVITIES

Net cash provided by financing activities was €1,180 million for fiscal year 2010/11, compared to €1,114 million the previous year, mainly due to the extension by €500 million of two existing bonds, the issue of two new bonds totalling €1,000 million and the payment of dividends for €364 million.

NET CASH POSITION

On 31 March 2011, the Group recorded a net debt level of €1,286 million, compared to the net cash position of €2,222 million at 31 March 2010.

Total Group (in € million)	Year ended 31 March 2011	Year ended 31 March 2010
Net cash at the beginning of the period	**2,222**	**2,051**
Change in cash and cash equivalents	(1,670)	1,284
Change in marketable securities and other current financial assets	(57)	14
Change in bonds and notes	(1,500)	(1,475)
Change in current and non current borrowings	(33)	12
Change in obligations under finance leases	41	33
Net debt of acquired entities at acquisition date	(264)	-
Net effect of exchange rate and other	(25)	303
Net cash at the end of the period	**(1,286)**	**2,222**

Notes 23, 24, 25, 28 and 29 to the consolidated financial statements provide further details, respectively on:

- the analysis of pensions and other employee benefits;
- the nature and the maturity of the financial debt;
- the Group's policy regarding financial risk management, including currency, interest, credit and liquidity risks;
- off-balance sheet commitments and lease obligations.

Use of non-GAAP financial Indicators

This section presents financial indicators used by the Group that are not defined by accounting standard setters.

ORDERS RECEIVED

A new order is recognised as order received only when the contract creates enforceable obligations between the Group and its customer.

When this condition is met, the order is recognised at the contract value.

If the contract is denominated in a currency other than the functional currency of the reporting unit, the Group requires to immediately eliminate the currency exposure through the use of forward currency sales. Orders are then measured using the spot rate at inception of hedging instruments.

ORDER BACKLOG

Order backlog represents sales not yet recognised on orders already received.

Order backlog at the end of a financial year is computed as follows:

- Order backlog at the beginning of the year;
- plus new orders received during the year;
- less cancellations of orders recorded in a previous year;
- less sales recognised during the year.

The order backlog is also subject to changes in the scope of consolidation and to foreign currency translation effects.

FREE CASH FLOW

Free cash flow is defined as net cash provided by operating activities less capital expenditures including capitalised development costs, net of proceeds from disposals of tangible and intangible assets. In particular, free cash flow does not include the proceeds from disposals of activity.

The most directly comparable financial measure to free cash flow calculated and presented in accordance with IFRS is net cash provided by operating activities, and a reconciliation of free cash flow and net cash provided by operating activities is presented below:

Total Group (in € million)	Year ended 31 March 2011	Year ended 31 March 2010
Net cash provided by/(used in) operating activities	**231**	**806**
Capital expenditure (including capitalized development costs)	(791)	(679)
Proceeds from disposals of tangible and intangible assets	44	58
Free Cash Flow	**(516)**	**185**

Alstom uses the free cash flow both for internal analysis purposes as well as for external communication as the Group believes it provides accurate insight regarding the actual amount of cash generated or used by operations.

CAPITAL EMPLOYED

Capital employed is defined as the closing position of goodwill, intangible assets, property, plant and equipment, other non-current assets (excluding prepaid pension benefits and financial non-current assets directly associated to financial debt) and current assets (excluding marketable securities and other current financial assets, and cash and cash equivalents) minus current and non-current provisions and current liabilities (excluding current provisions and current financial debt).

Capital employed by Sector and at Group level is presented in Note 4 to the condensed consolidated financial statements as of 31 March 2011.

Capital employed is used both for internal analysis purposes as well as for external communication, as it provides insight regarding the amount of financial resources employed by a Sector or the Group as a whole, and the profitability of a Sector or the Group as a whole in regard to resources employed.

End of March 2011, capital employed reached €5,356 million, compared to €1,944 million at the end of March 2010, mainly due to the acquisition of Grid, to change in working capital and to capital expenditures.

Total Group (in € million)	Year ended 31 March 2011	Year ended 31 March 2010
Non current assets	12,042	8,898
less deferred tax assets	(1,287)	(982)
less non-current assets directly associated to financial debt	(429)	(450)
less prepaid pension benefits	(28)	(9)
Capital employed - non current assets (A)	**10,298**	**7,457**
Current assets	17,591	17,080
less cash & cash equivalents	(2,701)	(4,351)
less marketable securities and other current financial assets	(50)	(35)
Capital employed - current assets (B)	**14,840**	**12,694**
Current liabilities	19,316	17,989
less current financial debt	(629)	(242)
plus non current provisions	1,095	460
Capital employed - liabilities (C)	**19,782**	**18,207**
CAPITAL EMPLOYED (A)+(B)-(C)	5,356	1,944

NET CASH

Net cash is defined as cash and cash equivalents, marketable securities and other current financial assets and financial non-current assets directly associated to financial debt, less current and non-current financial debt.

Total Group (in € million)	Year ended 31 March 2011	Year ended 31 March 2010
Cash and cash equivalents	2,701	4,351
Marketable securities and other current financial assets	50	35
Financial non-current assets directly associated to financial debt	429	450
less:		
Current financial debt	629	242
Non current financial debt	3,837	2,372
Net cash/(debt)	**(1,286)**	**2,222**

ORGANIC BASIS

Figures presented in this section include performance indicators presented on an actual basis and on an organic basis. Figures have been given on an organic basis in order to eliminate the impact of changes in business composition and of variation of exchange rates between the Euro and the foreign currencies. The Group uses figures prepared on an organic basis both for internal analysis and for external communication, as it believes they provide means by which to analyse and explain variations from one period to another. However these figures, provided on an organic basis, are not measurements of performance under IFRS.

To prepare figures on an organic basis, the figures presented on an actual basis are adjusted as follows:

- the actual figures for 2009/10 (order backlog, orders received, sales and income from operations) are restated taking into account the exchange rates used for 2010/11, as used for preparing the Consolidated Financial Statements;
- in order to reflect the same scope of activity, the same indicators are adjusted both for 2009/10 (restatement of disposals) and for 2010/11 (restatement of acquisitions).

Figures on an organic basis are presented in the table shown next page.

ALSTOM - ORGANIC FIGURES 2010/11

Year ended 31 March (in € million)	2010 Actual figures	2010 Exchange rate	2010 Scope impact	2010 Comparables Figures	2011 Actual figures	2011 Scope Impact	2011 Organic figures	% Var. Act. March 2011/ March 2010	% Var. Org. March 2011/ March 2010
Power	23,318	17	-	23,335	22,169	-	22,169	(5%)	(5%)
Transport	19,243	51	-	19,294	19,516	-	19,516	1%	1%
Grid	-	-	-	-	5,131	(5,131)	-		
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
ORDERS BACKLOG	42,561	68	-	42,629	46,816	(5,131)	41,685	10%	(2%)
Power	9,435	395	-	9,830	9,911	-	9,911	5%	1%
Transport	5,484	123	-	5,607	5,709	-	5,709	4%	2%
Grid	-	-	-	-	3,434	(3,434)	-		
Corporate & Others	-	-	-	-		-	-	N/A	N/A
ORDERS RECEIVED	14,919	518	-	15,437	19,054	(3,434)	15,620	28%	1%
Power	13,901	545	-	14,446	11,666	-	11,666	(16%)	(19%)
Transport	5,749	147	-	5,896	5,604	-	5,604	(3%)	(5%)
Grid	-	-	-	-	3,653	(3,653)	-		
Corporate & Others	-	-	-	-	-	-	-	N/A	N/A
SALES	19,650	692	-	20,342	20,923	(3,653)	17,270	6%	(15%)
Power	1,468	35	-	1,503	1,052	-	1,052	(28%)	(30%)
Transport	414	9	-	423	398	-	398	(4%)	(6%)
Grid	-	-	-	-	218	(218)	-		
Corporate & Others	(103)	(2)	-	(105)	(98)	-	(98)	N/A	N/A
INCOME FROM OPERATIONS	1,779	42	-	1,821	1,570	(218)	1,352	(12%)	(26%)
Power	10.6%			10.4%	9.0%		9.0%		
Transport	7.2%			7.2%	7.1%		7.1%		
Grid	N/A			N/A	6.0%		N/A		
Corporate & Others	N/A			N/A	N/A		N/A		
OPERATING MARGIN	9.1%			9.0%	7.5%		7.8%		
Sales	19,650	692	-	20,342	20,923	(3,653)	17,270	6%	(15%)
Cost of sales	(15,982)	(598)	-	(16,580)	(16,938)	2,889	(14,049)	6%	(15%)
R&D expenses	(558)	(8)	-	(566)	(703)	148	(555)	26%	(2%)
Selling expenses	(669)	(21)	-	(690)	(902)	200	(702)	35%	2%
Administrative expenses	(662)	(23)	-	(685)	(810)	198	(612)	22%	(11%)
INCOME FROM OPERATIONS	1,779	42	-	1,821	1,570	(218)	1,352	(12%)	(26%)

Statutory Auditors' report on profit forecasts

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Chairman of the Board of Directors,

In our capacity as Statutory Auditors of Alstom ("the Company") and in accordance with EU Regulation No. 809/2004, we hereby report to you on the Company's profit forecasts as at 31 March 2011, which are included in Chapter 1 of its Registration Document dated 26 May 2011.

In accordance with the requirements of EU Regulation No. 809/2004 and relevant CESR guidance, management is responsible for the preparation of these forecasts, as well as the material assumptions on which they are based.

It is our responsibility to express an opinion, on the basis of our work, in accordance with Appendix 1, paragraph 13.2 of EU Regulation No. 809/2004, stating that these forecasts have been properly compiled.

We performed the procedures we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in assessing the procedures implemented by management for the preparation of the profit forecasts and ensuring that the basis of accounting is consistent with the accounting policies used for the preparation of the Company's consolidated financial statements for the year ended 31 March 2011. Our work also consisted in collecting information and making the necessary enquiries in order to obtain reasonable assurance that the profit forecasts have been properly compiled on the basis stated.

It should be noted that actual profits are likely to differ from profit forecasts since anticipated events do not always occur as expected, sometimes leading to material variations. Consequently, we do not express an opinion on the possibility that such events will occur.

In our opinion:

- the profit forecasts have been properly compiled on the basis stated;
- the basis of accounting used for these profit forecasts is consistent with the accounting policies used by the Company for the preparation of the consolidated financial statements for the year ended 31 March 2011.

This report is intended for the sole purpose of filing the 2011 Registration Document with the French Stock Market Regulator (*Autorité des marchés financiers* AMF) and, where applicable, for public offerings in France and in other countries of the European Union for which a prospectus, including this Registration Document, approved by AMF, is required.

Neuilly-sur-Seine and Courbevoie, on 26 May 2011

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT	MAZARS
Olivier Lotz	Thierry Colin

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FINANCIAL STATEMENTS

The content of the Annual Financial Report is identified in the summary table with the help of a pictogram AFR

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2011

CONSOLIDATED INCOME STATEMENTS

(in € million)	Note	Year ended 31 March 2011	31 March 2010	31 March 2009
Sales	**(4)**	**20,923**	**19,650**	**18,739**
Cost of sales		(16,938)	(15,982)	(15,225)
Research and development expenses	(5)	(703)	(558)	(586)
Selling expenses		(902)	(669)	(666)
Administrative expenses		(810)	(662)	(726)
Income from operations	**(4)**	**1,570**	**1,779**	**1,536**
Other income	(6)	46	8	44
Other expense	(6)	(852)	(158)	(137)
Earnings before interest and taxes	**(4)**	**764**	**1,629**	**1,443**
Financial income	(7)	57	59	122
Financial expense	(7)	(193)	(101)	(101)
Pre-tax income		**628**	**1,587**	**1,464**
Income tax charge	(8)	(141)	(385)	(373)
Share in net income of equity investments		3	3	27
NET PROFIT		490	1,205	1,118
Attributable to:				
• Equity holders of the parent		462	1,217	1,109
• Non-controlling interests		28	(12)	9
Earnings per share (in €)	**(9)**			
• Basic earnings per share		1.57	4.21	3.87
• Diluted earnings per share		1.56	4.18	3.81

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Net profit recognised in income statements	**490**	**1,205**	**1,118**
Net gains (losses) on cash flow hedges	(9)	(21)	25
Net gains (losses) on available-for-sale financial assets	12	-	-
Currency translation adjustments	(55)	94	(14)
Net actuarial gains (losses)	(183)	7	(319)
Taxes	93	55	12
Other comprehensive income	**(142)**	**135**	**(296)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	348	1,340	822
Attributable to:			
• Equity holders of the parent	330	1,354	811
• Non-controlling interests	18	(14)	11

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS

(in € million)	Note	At 31 March 2011	At 31 March 2010	At 31 March 2009
Goodwill	(10)	5,396	3,904	3,886
Intangible assets	(10)	1,934	1,453	1,397
Property, plant and equipment	(11)	2,651	1,958	1,735
Associates and other investments	(12)	207	66	66
Other non-current assets	(13)	567	535	529
Deferred taxes	(8)	1,287	982	1,012
Total non-current assets		**12,042**	**8,898**	**8,625**
Inventories	(14)	3,363	3,033	2,876
Construction contracts in progress, assets	(15)	2,479	3,637	3,139
Trade receivables	(16)	6,053	3,446	3,873
Other current operating assets	(17)	2,945	2,578	2,773
Marketable securities and other current financial assets	(18)	50	35	15
Cash and cash equivalents	(25)	2,701	4,351	2,943
Total current assets		**17,591**	**17,080**	**15,619**
TOTAL ASSETS		**29,633**	**25,978**	**24,244**

EQUITY AND LIABILITIES

(in € million)	Note	At 31 March 2011	At 31 March 2010	At 31 March 2009
Equity attributable to the equity holders of the parent	(20)	4,060	4,091	2,852
Non-controlling interests		92	10	32
Total equity		**4,152**	**4,101**	**2,884**
Non-current provisions	(22)	1,095	460	444
Accrued pension and other employee benefits	(23)	1,145	943	970
Non-current borrowings	(24)	3,346	1,845	65
Non-current obligations under finance leases	(24)	491	527	543
Deferred taxes	(8)	88	113	70
Total non-current liabilities		**6,165**	**3,888**	**2,092**
Current provisions	(22)	1,387	1,181	1,226
Current borrowings	(24)	578	196	706
Current obligations under finance leases	(24)	51	46	42
Construction contracts in progress, liabilities	(15)	9,166	10,169	10,581
Trade payables		4,071	3,613	3,866
Other current operating liabilities	(26)	4,063	2,784	2,847
Total current liabilities		**19,316**	**17,989**	**19,268**
TOTAL EQUITY AND LIABILITIES		**29,633**	**25,978**	**24,244**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended		
(in € million)	Note	31 March 2011	31 March 2010	31 March 2009
Net profit		**490**	**1,205**	**1,118**
Depreciation, amortisation and expense arising from share-based payments		671	419	439
Post-employment and other long-term defined employee benefits		(150)	(41)	(156)
Net (gains)/losses on disposals of assets		70	(6)	4
Share in net income of associates (net of dividends received)		-	3	(24)
Deferred taxes charged to income statement		(107)	186	200
Net cash provided by operating activities – before changes in working capital		**974**	**1,766**	**1,581**
Changes in working capital resulting from operating activities	**(19)**	**(743)**	**(960)**	**555**
Net cash provided by/(used in) by operating activities		**231**	**806**	**2,136**
Proceeds from disposals of tangible and intangible assets		44	58	14
Capital expenditure (including capitalised R&D costs)	(5)	(791)	(679)	(671)
Decrease in other non-current assets		(1)	22	4
Acquisition of Grid (€-2,351 million) net of cash acquired (€328 million)	(3)	(2,023)	-	-
Acquisitions of businesses, net of cash acquired		(242)	(12)	(40)
Disposals of businesses, net of net cash sold		(68)	(25)	36
Net cash used in investing activities		**(3,081)**	**(636)**	**(657)**
Capital increase		9	65	29
Treasury shares		-	(34)	-
Dividends paid including payments to non-controlling interests		(378)	(333)	(233)
Issuance of bonds & notes	(24)	1,500	1,750	-
Repayment of bonds & notes issued	(24)	-	(275)	(559)
Changes in current and non-current borrowings		33	(12)	11
Changes in obligations under finance leases		(41)	(33)	(27)
Changes in marketable securities and other current financial assets and liabilities		57	(14)	162
Net cash provided by (used in) financing activities		**1,180**	**1,114**	**(617)**
Net increase/(decrease) in cash and cash equivalents		**(1,670)**	**1,284**	**862**
Cash and cash equivalents at the beginning of the period		4,351	2,943	2,115
Net effect of exchange rate variations		24	135	(27)
Other changes		(4)	(11)	(7)
Cash and cash equivalents at the end of the period		**2,701**	**4,351**	**2,943**
Income tax paid		*(248)*	*(191)*	*(192)*
Net of interest received and interest paid		*(107)*	*(29)*	*22*

The accompanying notes are an integral part of these consolidated financial statements.

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Net cash/(debt) variation analysis *			
Changes in cash and cash equivalents	(1,670)	1,284	862
Changes in marketable securities and other current financial assets & liabilities	(57)	14	(162)
Changes in bonds and notes	(1,500)	(1,475)	559
Changes in current and non-current borrowings	(33)	12	(11)
Changes in obligations under finance leases	41	33	27
Net debt of acquired entities at acquisition date	(264)	-	(12)
Exercise of put option by Bouygues	-	175	-
Net effect of exchange rate variations and other	(25)	128	(116)
Decrease/ (increase) in net debt	*(3,508)*	-	-
Increase/ (decrease) in net cash	-	*171*	*1,147*
Net cash/(debt) at the beginning of the period	**2,222**	**2,051**	**904**
Net cash/(debt) at the end of the period	**(1,286)**	**2,222**	**2,051**

(*) The net cash/(debt) is defined as cash and cash equivalents, marketable securities and other current financial assets and non-current financial assets directly associated to liabilities included in financial debt (see Note 13), less financial debt (see Note 24).

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in € million, except for number of shares)	Number of outstanding shares	Capital	Additional paid-in capital	Retained earnings	Other comprehensive income	Equity attributable to the equity holders of the parent	Non-controlling interests	Total equity
At 31 March 2008	141,602,127	1,982	427	841	(1,040)	2,210	35	2,245
Movements in other comprehensive income	-	-	-	-	(298)	(298)	2	(296)
Net income for the period	-	-	-	1,109	-	1,109	9	1,118
Total comprehensive income	**-**	**-**	**-**	**1,109**	**(298)**	**811**	**11**	**822**
Conversion of ORA	2,191,845	15	(13)	(2)	-	-	-	-
Change in scope and other	-	-	-	(3)	-	(3)	(7)	(10)
Dividends paid	-	-	-	(226)	-	(226)	(7)	(233)
Split of shares by two	142,163,766	-	-	-	-	-	-	-
Issue of ordinary shares under stock option plans	1,233,173	10	11	-	-	21	-	21
Recognition of equity settled share-based payments	462,792	6	-	33	-	39	-	39
At 31 March 2009	287,653,703	2,013	425	1,752	(1,338)	2,852	32	2,884
Movements in other comprehensive income	-	-	-	-	137	137	(2)	135
Net income for the period	-	-	-	1,217	-	1,217	(12)	1,205
Total comprehensive income	**-**	**-**	**-**	**1,217**	**137**	**1,354**	**(14)**	**1,340**
Conversion of ORA	1,211	-	-	-	-	-	-	-
Change in scope and other		-	-	(10)	-	(10)	1	(9)
Dividends paid	-	-	-	(323)	-	(323)	(9)	(332)
Capital reduction following acquisition of own shares	(700,000)	(5)	(29)	-	-	(34)	-	(34)
Issue of ordinary shares following the exercise of a put option by Bouygues	4,400,000	31	189	(45)	-	175	-	175
Issue of ordinary shares under stock option plans	1,394,775	10	19	-	-	29	-	29
Recognition of equity settled share-based payments	1,092,307	8	26	14	-	48	-	48
At 31 March 2010	293,841,996	2,057	630	2,605	(1,201)	4,091	10	4,101
Movements in other comprehensive income	-	-	-	-	(132)	(132)	(10)	(142)
Net income for the period	-	-	-	462	-	462	28	490
Total comprehensive income	**-**	**-**	**-**	**462**	**(132)**	**330**	**18**	**348**
Conversion of ORA	275	-	-	-	-	-	-	-
Change in scope and other		-	-	(24)	9	(15)	76	61
Dividends paid		-	-	(364)	-	(364)	(12)	(376)
Issue of ordinary shares under stock option plans	466,379	3	4	-	-	7	-	7
Recognition of equity settled share-based payments	110,654	1	(1)	11	-	11	-	11
AT 31 MARCH 2011	294,419,304	2,061	633	2,690	(1,324)	4,060	92	4,152

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DETAILED SUMMARY

Note 1

Presentation of the Group

Alstom ("the Group") serves the power generation market through its Power Sector, and the rail transport market through its Transport Sector. The Group designs, supplies, and services a complete range of technologically-advanced products and systems for its customers, and possesses a unique expertise in systems integration and through-life maintenance and services.

By its acquisition on 7 June 2010 of Areva T&D's transmission business, Alstom has completed a decisive stage in its development by forming a new sector, named Alstom Grid, to supplement the existing two sectors.

POWER

Power provides steam turbines, gas turbines, wind turbines, generators and power plant engineering, as well as hydro equipments and systems. It also focuses on boilers, emissions control equipment in the power generation, as well as petrochemical and industrial markets, and serves demand for upgrades and modernisation of existing power plants. Finally, it provides service activities in all geographical markets.

TRANSPORT

Transport provides equipment, systems, and customer support for rail transportation activities, including passenger trains, locomotives, signalling equipment, rail components and services.

GRID

Grid provides equipment to transport electricity over long distances and manage the electrical networks. Its offering encompasses advanced technologies and expertise in key domains such as power electronics, ultra high voltage, direct current interconnections, integration of renewables into the grid and network management solutions.

The consolidated financial statements are presented in euro and have been authorised for issue by the Board of Directors held on 3 May 2011. In accordance with French legislation, they will be final once approved by the shareholders of Alstom at the Annual General Meeting convened for 28 June 2011.

Note 2

Accounting policies

2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Alstom consolidated financial statements for the year ended 31 March 2011 have been prepared:

- in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the European Union and whose application was mandatory as of 1 April 2010;
- using the same accounting policies and measurement methods as at 31 March 2010, with the exceptions of changes required by the enforcement of new standards and interpretations as described below.

The full set of standards endorsed by the European Union can be consulted on the website of the European Commission at:

http://ec.europa.eu/internal_market/accounting/ias/index-fr.htm

2.1.1 Changes in accounting policies due to new, revised or amended standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2010

REVISED IFRS 3 – BUSINESS COMBINATIONS

Revised IFRS 3 is applicable prospectively to business combinations carried out on or after 1 April 2010.

The acquisition method (also known as purchase accounting method) is confirmed, but the following main changes have been introduced:

- acquisition-related costs are recorded as an expense in the period in which they are incurred;
- earn-outs are initially recorded at fair value and adjustments made beyond the 12-month measurement period following the acquisition are systematically recognised through profit or loss;
- for each business combination, any non controlling interest in the acquiree may be measured either at the acquisition-date fair value, leading to the recognition of the non controlling interest's share of goodwill (full goodwill method) or at the non controlling interest's proportionate share of the acquiree's identifiable net assets,

resulting in recognition of only the share of goodwill attributable to equity holders of the parent (partial goodwill method);

- in case of a step-acquisition that leads to the Group acquiring control of the acquiree, the equity interest previously held by the Group is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

REVISED IAS 27 – CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Under revised IAS 27, the consolidated financial statements of a group are presented as those of a single economic entity with two categories of owners: the owners of the parent and those of the owners of non-controlling interests in the subsidiaries of the Group.

As a result of this new approach:

- changes in ownership interest that do not result in the acquisition or loss of control of an entity do not affect profit or loss, but lead to a new allocation of equity between equity holders of the parent and non controlling interests;
- in absence of explicit agreements to the contrary, subsidiaries' losses are systematically allocated between equity holders of the parent and non controlling interests based on their respective ownership interests even if this results in the non controlling interests having a deficit balance.

OTHER NEW, REVISED OR AMENDED STANDARDS AND INTERPRETATIONS

The Group's consolidated financial statements are not affected by the enforcement of the other new, revised, or amended standards and interpretations becoming effective in the European Union starting from 1 April 2010.

2.1.2 New standards and interpretations not yet mandatorily applicable

The Group has not opted for an early application in the consolidated financial statements at 31 March 2011 of the already released chapters of IFRS 9 – Financial instruments, whose effective date is 1 April 2013, subject to endorsement by the European Union.

The Group's consolidated financial statements are not affected by other new, revised or amended standards or interpretations issued, but not yet mandatorily applicable.

At this stage, the Group considers that the impact of the implementation of these requirements cannot be determined with sufficient accuracy.

2.1.3 Reminder of IFRS 1 transition options

When preparing the opening balance sheet at transition date (1 April 2004), the Group has applied the following exemptions as authorised by IFRS 1:

- business combinations: the Group elected not to apply retrospectively IFRS 3 to business combinations undertaken prior to 1 April 2004;
- translation differences: all cumulative translation differences at 1 April 2004 have been transferred to the retained earnings.

2.2 USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make various estimates and to use assumptions regarded as realistic and reasonable. These estimates or assumptions could affect the value of the Group's assets, liabilities, equity, net income and contingent assets and liabilities at the closing date. Management reviews estimates on an ongoing basis using information currently available. Actual results may differ from those estimates due to changes in facts and circumstances.

The accounting policies most affected by the use of estimates are the following:

Revenue and margin recognition on construction and long-term service contracts and related provisions

The Group recognises revenue and gross margin on construction and long-term service contracts using the percentage of completion method based on milestones; when a project review indicates a negative gross margin, the loss related to work not yet performed is immediately recognised.

Recognised revenue and margin are based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cost on a contract reflect management's current best estimate of the probable future benefits and obligations associated with the contract. Assumptions to calculate present and future 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 applicable to suppliers of equipment only.

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications, suppliers or subcontractors' failure to perform or delays caused by unexpected conditions or events. Warranty obligations are affected by product failure rates, material usage and service delivery costs incurred in correcting failures.

Although the Group makes individual assessments on contracts, there is a risk that actual costs related to those obligations may exceed initial estimates. Estimates of contract costs and revenues at completion in case of contracts in progress and estimates of provisions in case of completed contracts may then have to be re-assessed.

Estimate of provisions relating to litigations

The Group identifies and analyses on a regular basis current litigations and measures, when necessary, provisions on the basis of its best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates take into account information available and different possible outcomes.

Valuation of deferred tax assets

Management judgment is required to determine the extent to which deferred tax assets can be recognised. Future sources of taxable income and the effects of the Group global income tax strategies are taken into account in making this determination. This assessment is conducted through a detailed review of deferred tax assets by jurisdiction and takes into account past, current and future performance deriving from existing contracts in the order book, the budget and the three-year plan, and the length of carry back, carry forwards and expiry periods of net operating losses.

Measurement of post-employment and other long-term defined employee benefits

The measurement of obligations and assets related to defined benefit plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the expected return on plan assets, the rate of future compensation increases as well as withdrawal and mortality rates. If actuarial assumptions materially differ from actual results, it could result in a significant change in employee benefit expense recognised in the income statement, actuarial gains and losses recognised in equity and prepaid and accrued benefits.

Valuation of assets

The discounted cash flow model used to determine the recoverable value of the groups of cash generating units to which goodwill is allocated includes a number of inputs including estimates of future cash flows, discount rates and other variables, and then requires significant judgment.

Impairment tests performed on intangible and tangible assets are also based on assumptions. Future adverse changes in market conditions or poor operating results from underlying assets could result in an inability to recover their current carrying value.

Inventories

Inventories, including work in progress, are measured at the lower of cost or net realisable value. Write-down of inventories are calculated based on an analysis of foreseeable changes in demand, technology or market conditions in order to determine obsolete or excess inventories. If actual market conditions are less favourable than those projected, additional inventory write-downs may be required.

2.3 SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Consolidation methods

SUBSIDIARIES

Entities over which the Group exercises exclusive control are fully consolidated. Exclusive control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities, whether it holds shares or not.

Inter company balances and transactions are eliminated.

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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the equity holders of the parent. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. In absence of explicit agreements to the contrary, subsidiaries' losses are allocated between equity holders of the parent and minority interests based on their respective ownership interests even if this results in the minority interests having a deficit balance.

INTERESTS IN JOINT VENTURES

Entities over which the Group exercises joint control are consolidated according to the proportionate method whereby the Group's share of the joint ventures' results, assets and liabilities is recorded in the consolidated financial statements.

INVESTMENTS IN ASSOCIATES

Entities in which the Group exercises significant influence but not control, are accounted for under the equity method.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost. The Group's share of its associates' profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised, except if the Group has a legal or implicit obligation.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

2.3.2 Sales and costs generated by operating activities

MEASUREMENT OF SALES AND COSTS

The amount of revenue arising from a transaction is usually determined by the contractual agreement with the customer. In the case of construction contracts, claims are considered in the determination of contract revenue only when it is highly probable that the claim will result in additional revenue and the amount can be reliably estimated.

Penalties are taken into account in reduction of contract revenue as soon as they are probable.

Production costs include direct costs (such as material, labour and warranty costs) and indirect costs. On the basis of the funding required for the execution of contracts, borrowing costs may be attributed to construction contracts whose execution period exceeds one year. Warranty costs are estimated on the basis of contractual agreement, available statistical data and weighting of all possible outcomes against their associated probabilities. Warranty periods may extend up to five years. Selling and administrative expenses are excluded from production costs.

RECOGNITION OF SALES AND COSTS

Revenue on sale of manufactured products is recognised when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery. Revenue on short-term service contracts is recognised on performance of the related service. All production costs incurred or to be incurred in respect of the sale are charged to cost of sales at the date of recognition of sales.

Revenue on construction contracts and long-term service agreements is recognised based on the percentage of completion method: the stage of completion is assessed by milestones which ascertain the completion of a physical proportion of the contract work or the performance of services provided for in the agreement. The revenue for the period is the excess of revenue measured according to the percentage of completion over the revenue recognised in prior periods.

Cost of sales on construction contracts and long-term service agreements is computed on the same basis. The cost of sales for the period is the excess of cost measured according to the percentage of completion over the cost of sales recognised in prior periods. As a consequence, adjustments to contract estimates resulting from work conditions and performance are recognised in cost of sales as soon as they occur, prorated to the stage of completion.

When the outcome of a contract cannot be estimated reliably but the contract overall is expected to be profitable, revenue is still recognised based on milestones, but margin at completion is adjusted to nil.

When it is probable that contract costs at completion will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Bid costs are directly recorded as expenses when a contract is not secured.

With respect to construction contracts and long-term service agreements, the aggregate amount of costs incurred to date plus recognised margin less progress billings is determined on a contract-by-contract basis. If the amount is positive, it is included as an asset designated as “Construction contracts in progress, assets”. If the amount is negative, it is included as a liability designated as “Construction contracts in progress, liabilities”.

The caption “Construction contracts in progress, liabilities” also includes down payments received from customers.

RECOGNITION OF OVERHEAD EXPENSES

Research expenditure is expensed as incurred. Development costs are expensed as incurred unless the project they relate to meets the criteria for capitalisation (see Note 2.3.9).

Selling and administrative expenses are expensed as incurred.

2.3.3 Income from operations

Income from operations is the indicator used by the Group to present the level of operational performance that can be used as part of an approach to forecast recurring performance. This complies with the recommendation 2009-R03 of the CNC, the French standard setter, on the format of financial statements of entities applying IFRS.

Income from operations includes gross margin, research and development expenditure, selling and administrative expenses. It includes in particular the service cost of employee defined benefits, the cost of share-based payments and employee profit sharing, foreign exchange gains or losses associated with operating transactions and capital gains or losses on disposal of intangible and tangible assets arising from ordinary activities.

2.3.4 Other income and other expenses

Other income and expense are representative of items which are inherently difficult to predict due to their unusual, irregular or non-recurring nature.

Other income include capital gains on disposal of investments or activities and capital gains on disposal of tangible and intangible assets arising from activities disposed of or facing restructuring plans as well as any income associated to past disposals.

Other expenses include capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets arising from activities disposed of or facing restructuring plans as well as any costs associated to past disposals, restructuring costs, costs incurred to become business combinations effective and amortisation expense of assets exclusively acquired in the context of business combinations (margin in backlog, customer relationships, margin in inventory), significant impairment losses on assets, and a portion of post-employment and other long term defined benefit expense (amortisation of unrecognised prior service cost, impacts of curtailments and settlements and amortisation of actuarial gains and losses referring to long-term benefits other than post-employment benefits).

2.3.5 Financial income and expense

Financial income and expense include:

- interest income representing the remuneration of the cash position;
- interest expense related to the financial debt (financial debt consists of bonds, the debt component of compound instruments, other borrowings and lease-financing liabilities);
- other expenses paid to financial institutions for financing operations;
- the financial component of the cost of employee defined benefits (interest cost and expected return on assets);
- dividends received from non consolidated investments;
- foreign exchange gains and losses associated with financing transactions;
- other income or expense from cash and cash equivalents and marketable securities.

2.3.6 Translation of financial statements denominated in currencies other than euro

The Group's consolidated financial statements are presented in euros.

Functional currency is the currency of the primary economic environment in which a reporting entity operates, which in most cases, corresponds to the local currency. However, some reporting entities may have a functional currency different from local currency when that other currency is used for the entity's main transactions and faithfully reflects its economic environment.

Assets and liabilities of entities whose functional currency is other than the euro are translated into euro at closing exchange rate at the end of each reporting period while their income and cash flow statements are translated at the average exchange rate for the period. The currency translation adjustments resulting from the use of different currency rates for opening balance sheet positions, transactions of the period and closing balance sheet positions are recorded in other comprehensive income. Translation adjustments are transferred to the consolidated income statement at the time of the disposal of the related entity.

Goodwill and fair value adjustments arising from the acquisition of entities whose functional currency is not euro are designated as assets and liabilities of those entities and therefore denominated in their functional currencies and translated at the closing rate at the end of each reporting period.

2.3.7 Foreign currency transactions

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency of the reporting unit and the foreign currency at the date of the transaction. Currency units held, assets to be received and liabilities to be paid resulting from those transactions are re-measured at closing exchange rates at the end of each reporting period. Realised exchange gains or losses at date of payment as well as unrealised gains or losses deriving from re-measurement are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

Since the Group is exposed to foreign currency volatility, the Group puts in place a significant volume of hedges to cover this exposure. These derivatives are recognised on the balance sheet at their fair value at the closing date. Providing that the relationships between the foreign currency exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. A relationship qualifies for hedge accounting if, at the inception of the hedge, it is formally designated and documented and if it proves to be highly effective throughout the financial reporting periods for which the hedge was designated.

Hedging relationships may be of two types:

- cash flow hedge in case of hedge of the exposure to variability of cash flows attributable to highly probable forecast transactions;
- fair value hedge in case of hedge of the exposure attributable to recognised assets, liabilities or firm commitments.

CASH FLOW HEDGE

When cash flow hedge accounting applies, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the forecast transaction results in the recognition of a financial asset or liability, the amounts previously recognised directly in other comprehensive income are recycled into the income statement. When the forecast transaction results in the recognition of a non-financial asset or liability (for instance, inventories or construction contracts in progress), the gain or loss that was directly recognised in equity is included in the carrying amount of the asset or liability.

FAIR VALUE HEDGE

When fair value hedge accounting applies, changes in the fair value of derivatives and changes in the fair value of hedged items are both recognised in the income statement and offset each other up to the gain or loss on the effective portion on the hedging instrument.

Whatever the type of hedge, the ineffective portion on the hedging instrument is recognised in the income statement. Realised and unrealised exchange gains and losses on hedged items and hedging instruments are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

As the effective portion on the hedging instrument offsets the difference between the spot rate at inception of the hedge and the effective spot rate at the outcome of the hedge, sales and costs resulting from commercial contracts are recognised at the spot rate at inception of the hedge throughout the life of the related commercial contracts, provided that the corresponding hedging relationships keep on qualifying for hedge accounting.

The Group also uses export insurance policies to hedge its currency exposure on certain contracts during the open bid period as well as after the award of the contracts. During the bid period, the fair values of these insurance instruments cannot be reliably determined due to the uncertainty on the award of commercial contracts. As a consequence, at this stage, the instruments are not recognised on the balance sheet. When commercial contracts are awarded, insurance instruments are recognised and remeasured in the same way as foreign currency exchange forward contracts.

2.3.8 Goodwill

Goodwill arising from a business combination is measured as the difference between:

- the fair value of the consideration transferred for an acquiree plus the amount of any non-controlling interests of the acquiree; and
- the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

Initial estimates of consideration transferred and fair values of assets acquired and liabilities assumed are finalised within twelve months after the date of acquisition and any adjustments are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the income statement.

Goodwill is not amortised but tested for impairment at least annually at closing date.

2.3.9 Intangible assets

ACQUIRED INTANGIBLE ASSETS

Acquired intangible assets are initially measured at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives can extend up to twenty years due to the long-term nature of the underlying contracts and activities. The amortisation expense of assets acquired through ordinary transactions is recorded in cost of sales, research and development expenditure, selling expenses or administrative expenses, based on the function of the underlying assets. The amortisation expense of assets exclusively acquired in the context of a business combination (margin in backlog, customer relationships) is recognised as other expense.

INTERNALLY GENERATED INTANGIBLE ASSETS

Development costs are capitalised if and only if the project they relate to meets the following criteria:

- the project is clearly defined and its related costs are separately identified and reliably measured;
- the technical feasibility of the project is demonstrated;
- the intention exists to complete the project and to use or sell it;
- adequate technical and financial resources are available to complete the project;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset. The amortisation charge is reported in research and development expenses.

2.3.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. When an item of property, plant and equipment is made up of components with different useful lives, the total cost is allocated between the various components. Components are then separately depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of each component. The useful lives most commonly used are the following:

	Estimated useful life in years
Buildings	7-40
Machinery and equipment	3-20
Tools, furniture, fixtures and others	1-10

Useful lives are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis. The depreciation expense is recorded in cost of sales, selling expenses or administrative expenses, based on the function of the underlying assets.

Borrowing costs that are attributable to an asset whose construction period exceeds one year are capitalised as part of the costs of the asset.

Property, plant and equipment acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised. They are recognised at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financing obligation. Lease payments are apportioned between finance charges and repayment of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the term of the relevant lease, when shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised on a straight-line basis over the lease term.

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2.3.11 Impairment of goodwill, tangible and intangible assets

Goodwill and intangible assets not yet available for use are tested for impairment at least annually or when there are indicators that they may be impaired. Other intangible assets and tangible assets are tested for impairment only if there are indicators of impairment.

The impairment test methodology is based on a comparison between the recoverable amount of an asset and its net carrying value. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. If an asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined at a cash-generating unit level.

For management purposes, goodwill acquired in a business combination is monitored at the level of Sectors as defined in Note 1: therefore goodwill is tested for impairment at the level of the Group of cash-generating units constituting each Sector.

The recoverable amount is the higher of fair value less costs to sell and value in use. The valuation performed is based upon the Group's internal three-year business plan. Cash flows beyond this period are estimated using a perpetual long-term growth rate for the subsequent years. The recoverable amount is the sum of the discounted cash flows and the discounted terminal residual value. Discount rates are determined using the weighted-average cost of capital of each Sector.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised immediately in the income statement. In the case of goodwill allocated to a group of CGUs, the impairment loss is allocated first to reduce the carrying amount of goodwill and then to the other assets on a pro-rata basis of the carrying amount of each asset.

Impairment losses recognised in respect of goodwill cannot be reversed. The impairment losses recognised in respect of assets or cash-generating units may be reversed in a later period and recognised immediately in the income statement. The carrying amount is increased to the revised estimate of recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised in prior years.

2.3.12 Financial assets

LOANS AND DEPOSITS

Loans are initially measured at their fair value, plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Deposits are reported as financial assets when their initial maturity is more than three months and as cash and cash equivalents in case of demand deposits or when the initial maturity is less than three months.

If there is any indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded as a financial expense. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported as a financial income.

INVESTMENTS AND DEBT SECURITIES

Investments in non-consolidated companies are designated as available-for-sale financial assets. They are initially measured at their fair value, plus directly attributable transaction costs and subsequently re-measured at fair value.

A valuation model is used in case of unlisted securities. Changes in fair value are directly recognised in other comprehensive income until the security is disposed of or is determined to be impaired. On disposal or in case of significant or prolonged decline in the fair value, the cumulative gain or loss previously recognised in other comprehensive income is included in the profit or loss for the period. Unlike impairment losses recognised in respect of investments in a debt instrument, impairment losses recognised in respect of investments in equity instruments cannot be reversed through profit and loss.

When the fair value cannot be determined reliably, investments in non consolidated companies are measured at cost. Any impairment loss recognised for such investment is not reversed in a subsequent period, except when disposed of.

All debt securities that the Group has the expressed intention and ability to hold to maturity are designated as held-to-maturity financial assets. They are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect amounts expected not to be recoverable. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the investment's carrying value and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses may be reversed through profit and loss in subsequent periods.

Marketable securities are securities held for trading which cannot be considered as cash and cash equivalents. They are designated as financial asset at fair value through profit or loss. Changes in fair value are reported as financial income or expense.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised and re-measured at fair value (see Note 2.3.7 for foreign currency hedging instruments and Note 2.3.18 for interest rate hedging instruments).

RECEIVABLES

Receivables are initially recognised at fair value, which in most cases approximates the nominal value. If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded within income from operations. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported within income from operations.

2.3.13 Inventories

Raw materials and supplies, work in progress and finished products are stated at the lower of cost, using the weighted average cost method, or net realisable value. Inventory cost includes direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.3.14 Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value.

Bank overdraft are shown within borrowings in current liabilities on the balance sheet.

2.3.15 Taxation

The Group computes taxes in accordance with prevailing tax legislation in the countries where income is taxable.

The CVAE component (*Cotisation sur la Valeur Ajoutée des Entreprises*) of the new business tax (*Contribution Économique Territoriale* – CET) applicable in France as from January 1, 2010 is recognised as an income tax.

Temporary differences arising between the carrying amount and the tax base of assets and liabilities, unused tax losses and unused tax credits are identified for each taxable entity. Corresponding deferred taxes are calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the asset is realised or the liability settled.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the deductible differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of certain taxable temporary differences between the Group's share in the net assets in subsidiaries, joint ventures and associates and their tax bases. The most common situation when such exception applies relates to undistributed profits of subsidiaries where distribution to the shareholders would trigger a tax liability: when the Group has determined that profits retained by the subsidiary will not be distributed in the foreseeable future, no deferred tax liability is recognised.

Deferred tax assets and liabilities are offset when both of the following conditions are met:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Deferred tax is charged or credited to net income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is classified in other comprehensive income.

2.3.16 Provisions

As long as a construction contract or a long-term service agreement is in progress, obligations attributable to such a contract are taken into account in the assessment of the margin to be recognised and are therefore reported within the accounts "Construction contracts in progress, assets" or "Construction contracts in progress, liabilities".

Upon completion of the contract, such obligations are recognised as distinct liabilities when they satisfy the following criteria:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation; and
- such outflow can be reliably estimated.

These liabilities are presented as provisions when they are of uncertain timing or amount. When this uncertainty is dispelled, they are presented as trade payables or other current liabilities.

Obligations resulting from transactions other than construction contracts and long-term service agreements are directly recognised as provisions as soon as the above-mentioned criteria are met.

Where the effect of the time value of money is material, provisions are measured at their present value.

Restructuring provisions are made when plans to reduce or close facilities, or to reduce the workforce have been finalised and approved by the Group management and have been announced before the balance sheet date, resulting in an obligation of the Group to third parties. Restructuring costs include employees' severance and termination benefits and estimated facility closing costs. In addition to such provisions, restructuring costs may include asset write-off relating to the restructured activities.

2.3.17 Financial liabilities

BONDS AND BORROWINGS

Bonds and interest-bearing bank loans are initially recognised at fair value, less any transaction costs directly attributable to the issuance of the liability. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised and re-measured at fair value (see Note 2.3.7 for foreign currency hedging instruments and Note 2.3.18 for interest rate hedging instruments).

PAYABLES

Payables are initially recognised at fair value, which in most cases approximates the nominal value. They are subsequently re-measured at amortised cost.

2.3.18 Interest rate derivatives

The Group may enter into hedges for the purpose of managing its exposure to movements in interest rates. Derivatives are recognised on the balance sheet at fair value at the closing date. Providing that the relationships between the interest rate exposure and the related derivatives are qualifying relationships, the Group uses the specific accounting treatments designated as hedge accounting. Fair value hedge accounting and cash flow hedge accounting are applied to fixed and floating rate borrowings, respectively.

In the case of fair value hedge relationships, the re-measurement of the fixed rate borrowing is offset in the income statement by the movement in the fair value of the derivative up to the effective part of hedged risk. In the case of cash flow hedge relationships, the change in fair value of the derivative is recognised directly in equity. When the forecast transaction results in the recognition of a monetary item, the amounts previously recognised directly in equity are reclassified to the income statement.

2.3.19 Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees.

EQUITY-SETTLED SHARE-BASED PAYMENTS

Equity-settled share-based payments are measured at fair value at the grant date (excluding the effect of non-market-based conditions) using the binomial pricing model. The cumulative recognised expense is based on the fair value at grant date and on the estimated number of shares that will eventually vest (including the effect of non-market-based vesting conditions). It is recorded in income from operations throughout the vesting period with a counterpart in equity.

CASH-SETTLED SHARE-BASED PAYMENTS

For cash-settled share-based payments, a liability equal to the portion of the goods or services rendered is recognised at the current fair value determined at each balance sheet date.

The Group may also provide employees with the ability to purchase the Group's ordinary shares at a discounted price compared to that of the current market value. In that case, the Group records an expense based on the discount given and its estimate of the shares expected to vest.

2.3.20 Post-employment and other long-term defined employee benefits

The Group provides its employees with various types of post-employment benefits, such as pensions, retirement bonuses and medical care, and other long-term benefits, such as jubilee awards and deferred compensation schemes. The type of benefits offered to individual employees is related to local legal requirements as well as practices of the specific subsidiaries.

The Group's health care plans are generally contributory with participants' contributions adjusted annually.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

For single employer defined benefit plans, the Group uses the Projected Unit Credit Method to determine the present value of its obligations and the related current and past service costs/profits. This method considers the actuarial assumptions' best estimates (for example, the expected turnover, the expected future salary increase and the expected mortality).

Most defined benefit pension liabilities are funded through pension funds legally distinct from the entities constituting the Group. Plan assets related to funded plans are invested mainly in equity and debt securities. Other supplemental pension plans sponsored by the Group for certain employees are directly paid by the employer as they become due. Post-employment medical benefit plans are predominantly unfunded.

The Group periodically reviews plan assets and obligations. The effects of any change in actuarial assumptions together with the differences between forecast and actual experience are assessed. The Group recognises in other comprehensive income the full amount of any actuarial gains and losses as well as the effect of any asset ceiling.

The estimated cost of providing defined benefits to employees is accrued during the years in which the employees render services. In the income statement, the service cost is included in the income from operations. The amortisation of unrecognised prior service cost/profit and specific events impacts (e.g. curtailments) are recognised in other expenses. Interest cost and expected return on assets are included in financial income (expenses).

The Group also participates in multi-employer defined benefit plans, mainly in the United States and Canada. As corresponding funds are not able to provide sufficient information to use defined benefit accounting, these plans are accounted for as defined contribution plans (see below).

POST-EMPLOYMENT DEFINED CONTRIBUTION PLANS

For defined contribution plans, the Group pays contributions to independently administered funds at a fixed percentage of employees' pay. These contributions are recorded as operating expenses.

OTHER LONG-TERM EMPLOYEE BENEFITS

The accounting method used when recognising obligations arising from other long-term employee benefits is similar to the method used for post-employment defined benefits, except that prior service cost and actuarial gains/losses are immediately recognised in full in "other income/expense" in the income statement.

2.3.21 Off balance sheet commitments

COMMITMENTS ARISING FROM EXECUTION OF OPERATIONS CONTROLLED BY THE GROUP

In the ordinary course of business, the Group is committed to fulfil various types of obligations arising from customer contracts (among which full performance and warranty obligations). Obligations may also arise from leases and regulations in respect of tax, custom duties, Environment, Health and Safety. These obligations may or may not be guaranteed by bonds issued by banks or insurance companies.

As the Group is in a position to control the execution of these obligations, a liability only arises if an obligating event (such as a dispute or a late completion) has occurred and makes it likely that an outflow of resources will occur.

When the liability is considered as only possible but not probable or, when probable, cannot be reliably measured, it is disclosed as a contingent liability.

When the liability is considered as probable and can be reliably measured, the impact on the financial statements is the following:

- if the additional liability is directly related to the execution of a customer contract in progress, the estimated gross margin at completion of the contract is reassessed; the cumulated margin recognised to date based on the percentage of completion and the accrual for future contract loss, if any, are adjusted accordingly;
- if the additional liability is not directly related to a contract in progress, a liability is immediately recognised on the balance sheet.

The contractual obligations of subcontractors towards the Group are of the same nature as those of the Group towards its customers. They may be secured by the same type of guarantees as those provided to the Group's customers.

No contingent asset is disclosed when the likelihood of the obligation of the third party remains remote or possible. A contingent asset is disclosed only when the obligation becomes probable.

Any additional income resulting from a third party obligation is taken into account only when it becomes virtually certain.

COMMITMENTS ARISING FROM EXECUTION OF OPERATIONS NOT WHOLLY WITHIN THE CONTROL OF THE GROUP

Obligations towards third parties may arise from ongoing legal proceedings, credit guarantees covering the financial obligations of third parties in cases where the Group is the vendor, and indemnification guarantees issued in connection with disposals of business entities.

In case of legal proceedings, a contingent liability is disclosed when the liability is considered as only possible but not probable, or, when probable, cannot be reliably measured. In case of commitments arising from guarantees issued, contingent liabilities are disclosed as soon as guarantees have been delivered and as long as they have not matured.

A provision is recorded if the obligation is considered as probable and can be reliably measured.

Contingent assets arising from legal proceedings or guarantees delivered by third parties are only disclosed when they become probable.

2.3.22 Earnings per share

Basic earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds reimbursable with shares, by the weighted average number of outstanding shares during the period increased by the weighted average number of shares to be issued on reimbursement of bonds reimbursable with shares ("ORA").

Diluted earnings per share are computed by dividing the period net profit (loss) before the financial cost (net of tax) of bonds reimbursable with shares, by the weighted average number of outstanding shares during the period adjusted in order to take into consideration all dilutive instruments (ORA, stock options, free shares).

2.3.23 Segment information

Operating segments used to present segment information are identified on the basis of internal reports used by the Chief Executive Officer (CEO) to allocate resources to the segments and assess their performance.

The Chief Executive Officer is the Group's "chief operating decisions maker" within the meaning of IFRS 8.

The methods used to measure the key performance indicators of the segments for internal reporting purposes are the same as those used to prepare the consolidated financial statements.

Note 3
Scope of consolidation

3.1 CHANGE IN SCOPE OF CONSOLIDATION

On 20 January 2010, Alstom and Schneider Electric, acting under a consortium agreement, signed an agreement with Areva with the purpose of acquiring its transmission and distribution activities ("Areva T&D"). Following the approvals from competition authorities, the closing of the acquisition took place on 7 June 2010 and the consortium acquired the entire capital of Areva T&D for an equity value of €2,290 million and both partners of the consortium took over from Areva the financial debt refinancing of this company.

Alstom funded the equity value of the Transmission activities (€1,589 million) and refinanced the related debt of €762 million.

The consortium agreement establishes that, at the closing date of the transaction, Transmission activities and Distribution activities are owned respectively by Alstom and Schneider Electric.

As a result, the Transmission activities have been fully consolidated since 7 June 2010 in the Group's financial statements, while the Distribution activities are totally excluded from the consolidation scope.

With this acquisition, the Group formed its third Sector, named Alstom Grid.

In accordance with IFRS 3 (revised), the Group has recognised the assets acquired and liabilities assumed, these being measured at fair value at the acquisition date.

Accordingly, a preliminary valuation has been determined as at 7 June 2010. Recognised assets and liabilities may be subsequently adjusted during a maximum of 12 months from the acquisition date, depending on new information obtained about the facts and circumstances existing at the acquisition date.

Preliminary fair values of the assets acquired and liabilities assumed of the Transmission activities at the date of acquisition:

(in € million)	Fair values
Intangible assets	512
Property plant & equipment	634
Associates & other investments	1
Other non-current assets, net	16
Deferred tax	176
Total non-current assets	**1,339**
Inventories	725
Construction contracts in progress, assets	-
Trade receivables	1,920
Other current operating assets	564
Marketable securities and other current financial assets	-
Cash and cash equivalents	328
Total current assets	**3,537**
TOTAL ASSETS	4,876
Non-current provisions	238
Accrued pensions and other employee benefits	181
Non-current borrowings	17
Non-current obligations under finance leases	7
Deferred tax	17
Total non-current liabilities	**460**
Current provisions	435
Current borrowings	1,058
Current obligations under finance leases	1
Construction contract in progress, liabilities	742
Trade payables	766
Other current operating liabilities	1,225
Total current liabilities	**4,227**
TOTAL LIABILITIES	4,687
Net assets acquired	**189**
Fair value of assets and liabilities attributable to non-controlling interests	75
Fair value of assets and liabilities attributable to the shareholders of the Group	**114**
Purchase price	1,589
Provisional goodwill	**1,475**

The valuation of assets acquired and liabilities assumed at their fair value has resulted in the recognition of new intangible assets (technology, order backlog margin and customer relationships) and the re-measurement of tangible assets, inventories and liabilities. Assets were valued by external independent experts.

The Group decided to measure the non-controlling interests at the non-controlling interests' proportionate share of the identifiable net assets of the Transmission activities.

The resulting and preliminary goodwill amounts to €1,475 million and is mainly supported by the leadership position of Alstom Group in growing markets and by expected synergies between Grid and other Alstom activities in terms of portfolio strategy, in particular the unique positioning of the acquired businesses on the Smart Grid key markets and the international presence of the Transmission businesses.

Specific synergies with Power and Transport Sectors in the fields of cost reductions, comprehensive commercial offering and combined workforce and know-how resulted in an allocation of goodwill of €293 million to Power and €46 million to Transport. Therefore the goodwill allocated to Grid amounts to €1,136 million.

For the period between the acquisition date (7 June 2010) and 31 March 2011, Alstom Grid contributed €3,653 million to sales and €218 million to income from operations. The contribution to EBIT includes acquisition costs for a total of €44 million and amortisation of margin acquired, such as order backlog margin, inventory step-up and customer relationships, for a total of €159 million. These impacts are recorded as other expense in the consolidated income statement.

Considering the complexity to properly allocate the past performance of the Transmission and Distribution activities to either Alstom or Schneider Electric, the Group is not in a position to trace such allocations prior to the acquisition date (as the two activities were not split) and thus to disclose the amounts of sales, income from operations and net income, had the acquisition taken place on 1 April 2010.

3.2 ACQUISITION IN PROGRESS

On 1 March 2010, Alstom and Russian Transmasholding (TMH) firmed up the strategic partnership agreement that they had agreed on in March 2009. Alstom also signed a Share Purchase Agreement under the terms and conditions of which it acquires a 25% stake + 1 share in Transmashholding's parent company, Breakers Investment BV. Alstom's acquisition of a stake in Breakers Investment BV is on-going subject to the fulfilment of certain conditions.

Note 4
Segment information

4.1 KEY INDICATORS BY OPERATING SEGMENT

AT 31 MARCH 2011

(in € million)	Power	Transport	Grid	Corporate & others	Eliminations	Total
Sales	11,671	5,606	3,653	-	(7)	20,923
Inter Sector eliminations	(5)	(2)	-	-	7	-
Total Sales	**11,666**	**5,604**	**3,653**	**-**	**-**	**20,923**
Income (loss) from operations	**1,052**	**398**	**218**	**(98)**	**-**	**1,570**
Earnings (loss) before interest and taxes	**690**	**225**	**35**	**(186)**	**-**	**764**
Financial income (expense)						(136)
Income tax						(141)
Share in net income of equity investments						3
NET PROFIT						490
Segment assets (1)	**13,646**	**4,595**	**5,891**	**1,006**	**-**	**25,138**
Deferred taxes (assets)						1,287
Prepaid employee defined benefit costs						28
Financial assets						3,180
TOTAL ASSETS						29,633
Segment liabilities (2)	**10,528**	**4,150**	**3,834**	**1,270**	**-**	**19,782**
Deferred taxes (liabilities)						88
Accrued employee defined benefit costs						1,145
Financial debt						4,466
Total equity						4,152
TOTAL EQUITY AND LIABILITIES						29,633
Capital employed (3)	**3,118**	**445**	**2,057**	**(264)**	**-**	**5,356**
Capital expenditure	**(413)**	**(206)**	**(126)**	**(46)**	**-**	**(791)**
Depreciation and amortisation in EBIT	**262**	**148**	**229**	**37**	**-**	**676**

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates and other investments, other non-current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets.
(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.
(3) Capital employed corresponds to segment assets minus segment liabilities.

AT 31 MARCH 2010

(in € million)	Power	Transport	Corporate & others	Eliminations	Total
Sales	13,918	5,751	-	(19)	19,650
Inter Sector eliminations	(17)	(2)	-	19	-
Total Sales	**13,901**	**5,749**	**-**	**-**	**19,650**
Income (loss) from operations	**1,468**	**414**	**(103)**	**-**	**1,779**
Earnings (loss) before interest and taxes	**1,377**	**368**	**(116)**	**-**	**1,629**
Financial income (expense)					(42)
Income tax					(385)
Share in net income of equity investments					3
NET PROFIT					1,205
Segment assets (1)	**13,953**	**5,239**	**959**	**-**	**20,151**
Deferred taxes (assets)					982
Prepaid employee defined benefit costs					8
Financial assets					4,837
TOTAL ASSETS					25,978
Segment liabilities (2)	**11,749**	**5,317**	**1,141**	**-**	**18,207**
Deferred taxes (liabilities)					113
Accrued employee defined benefit costs					943
Financial debt					2,614
Total equity					4,101
TOTAL EQUITY AND LIABILITIES					25,978
Capital employed (3)	**2,204**	**(78)**	**(182)**	**-**	**1,944**
Capital expenditure	**(428)**	**(199)**	**(52)**	**-**	**(679)**
Depreciation and amortisation in EBIT	**224**	**152**	**56**	**-**	**432**

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates and other investments, other non-current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets.
(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.
(3) Capital employed corresponds to segment assets minus segment liabilities.

AT 31 MARCH 2009

(in € million)	Power	Transport	Corporate & others	Eliminations	Total
Sales	13,060	5,685	-	(6)	18,739
Inter Sector eliminations	(6)	-	-	6	-
Total Sales	**13,054**	**5,685**	**-**	**-**	**18,739**
Income (loss) from operations	**1,248**	**408**	**(120)**	**-**	**1,536**
Earnings (loss) before interest and taxes	**1,172**	**389**	**(118)**	**-**	**1,443**
Financial income (expense)					21
Income tax					(373)
Share in net income of equity investments					27
NET PROFIT					1,118
Segment assets (1)	**13,640**	**5,172**	**1,009**	**-**	**19,821**
Deferred taxes (assets)					1,012
Prepaid employee defined benefit costs					4
Financial assets					3,407
TOTAL ASSETS					24,244
Segment liabilities (2)	**12,171**	**5,503**	**1,290**	**-**	**18,964**
Deferred taxes (liabilities)					70
Accrued employee defined benefit costs					970
Financial debt					1,356
Total equity					2,884
TOTAL EQUITY AND LIABILITIES					24,244
Capital employed (3)	**1,469**	**(331)**	**(281)**	**-**	**857**
Capital expenditure	**(407)**	**(229)**	**(35)**	**-**	**(671)**
Depreciation and amortisation in EBIT	**226**	**123**	**35**	**-**	**384**

(1) Segment assets are defined as the sum of goodwill, intangible assets, property, plant and equipment, associates and other investments, other non-current assets (other than those related to financial debt and to employee defined benefit plans), inventories, construction contracts in progress assets, trade receivables and other operating assets.
(2) Segment liabilities are defined as the sum of non-current and current provisions, construction contracts in progress liabilities, trade payables and other operating liabilities.
(3) Capital employed corresponds to segment assets minus segment liabilities.

4.2 KEY INDICATORS BY GEOGRAPHIC AREA

Sales by country of destination

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Euro zone *	5,961	6,550	6,594
thereof France	*2,155*	*1,983*	*2,182*
Rest of Europe	3,392	3,261	3,111
North America	2,571	2,736	2,943
thereof USA	*1,753*	*2,176*	*2,508*
South & Central America	1,731	952	1,088
Asia/Pacific	3,788	2,251	2,557
Middle East/Africa	3,480	3,900	2,446
TOTAL GROUP	20,923	19,650	18,739

(*) For the period ended 31 March 2009, euro zone comprises: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal and Spain. Slovakia and Slovenia have been added for the period ended 31 March 2010. Estonia has been added for the period ended 31 March 2011.

Sales by country of origin

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Euro zone *	8,209	10,104	8,647
thereof France	*4,247*	*5,151*	*4,046*
Rest of Europe	6,410	3,679	4,486
North America	2,265	2,631	2,862
thereof USA	*1,714*	*2,236*	*2,530*
South & Central America	1,090	767	655
Asia/Pacific	1,652	1,433	1,650
Middle East/Africa	1,296	1,036	439
TOTAL GROUP	20,923	19,650	18,739

(*) For the period ended 31 March 2009, euro zone comprises: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal and Spain. Slovakia and Slovenia have been added for the period ended 31 March 2010. Estonia has been added for the period ended 31 March 2011.

Non-current assets by country of location

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Euro zone (1)	3,438	1,641	1,576
thereof France (2)	*2,510*	*762*	*735*
Rest of Europe (3)	5,134	4,672	4,639
North America	741	541	412
thereof USA	*640*	*462*	*350*
South & Central America	142	66	48
Asia/Pacific	806	488	442
Middle East/Africa	37	50	41
TOTAL GROUP	10,298	7,458	7,158

(1) For the period ended 31 March 2009, euro zone comprises: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal and Spain. Slovakia and Slovenia have been added for the period ended 31 March 2010. Estonia has been added for the period ended 31 March 2011.
(2) This amount includes goodwill of Grid Sector.
(3) This amount mainly includes goodwill of Power Sector located in Switzerland.

4.3 INFORMATION ABOUT MAJOR CUSTOMERS

No external customer represents individually 10% or more of the Group's consolidated sales.

Note 5

Research and development expenditure

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Research and development expenses	**(703)**	**(558)**	**(586)**
Developments costs capitalised during the period (see Note 10.2)	(286)	(209)	(172)
Amortisation expense of capitalised development costs (see Note 10.2)	98	87	77
Amortisation of acquired technology (see Note 10.2)	67	67	60
TOTAL RESEARCH AND DEVELOPMENT EXPENDITURE	(824)	(613)	(621)

Capitalisation of development costs relates mainly to the new generation of very high speed train (AGV^{TM}) for the Transport Sector and to carbon capture & storage technology for the Power Sector.

3

Note 6

Other income and other expenses

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Capital gains on disposal of businesses (1)	-	7	35
Other (4)	46	1	9
Other income	**46**	**8**	**44**
Capital losses on disposal of businesses (1)	(33)	(36)	(80)
Restructuring costs (2)	(520)	(96)	(46)
Expenses exclusively incurred in the context of business combinations (3)	(203)	(7)	-
Other (4)	(96)	(19)	(11)
Other expense	**(852)**	**(158)**	**(137)**
OTHER INCOME (EXPENSES)	(806)	(150)	(93)

(1) Capital gains reported for the year ended 31 March 2009 originated from the disposal of non-consolidated investments in South Africa.
Capital losses mainly arose:
- for the financial years ended 31 March 2011 and 31 March 2009, from adjustments on the disposal of the former Marine Sector; and
- for the year ended 31 March 2010, from a fine from competition authorities related to a business disposed of in a previous year.

(2) In the last six months of the financial year ended 31 March 2011, the Group has started to adapt its footprint in order to address the lower demand in developed countries (Europe and USA) and the fast growth of its markets in emerging countries. Power and Transport plans respectively announced in October 2010 and March 2011 account for the largest part of the amount of restructuring costs recorded for the year ended 31 March 2011.

(3) This item comprises the costs incurred to effect the acquisition of Grid (€44 million for the year ended 31 March 2011, €7 million for the year ended 31 March 2010) and the amortisation of acquired margin related to Grid's acquisition during the year ended 31 March.

(4) Other income and other expense for the year ended 31 March 2011 mainly derive from components of the post-employment and other long term defined benefit expense (see Note 23), costs of legal proceedings that have arisen outside the ordinary course of business and non-recurring impairment losses on assets.

Note 7

Financial income (expense)

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Interest income	49	51	107
Net financial income from employee defined benefit plans	-	-	5
Net exchange gain	-	-	4
Other financial income	8	8	6
Financial income	**57**	**59**	**122**
Interest expense	(135)	(58)	(78)
Net financial expense from employee defined benefit plans	(16)	(24)	-
Net exchange loss	(7)	(6)	-
Other financial expenses	(35)	(13)	(23)
Financial expense	**(193)**	**(101)**	**(101)**
FINANCIAL INCOME (EXPENSE)	(136)	(42)	21
Out of which			
• Financial income (expense) arising from financial instruments (see Note 25)	(120)	(18)	16

Interest income of €49 million represents the remuneration of the Group's cash positions over the period.

Interest expense of €(135) million represents the cost of the gross financial debt. The increase compared to last year is due to the issuance of new bonds mainly related to the acquisition of the Grid business (see Note 24).

Other financial expense of €(35) million incorporates fees and commitment fees paid on guaranteed facilities, syndicated loans and other financing facilities for €(25) million (€(13) million for the year ended 31 March 2010 and €(13) million for the year ended 31 March 2009).

Note 8

Taxation

8.1 ANALYSIS OF INCOME TAX CHARGE

The following table summarises the components of income tax charge for the years ended 31 March 2011, 2010, 2009:

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Current income tax charge	(248)	(199)	(173)
Deferred income tax charge	107	(186)	(200)
Income tax charge	**(141)**	**(385)**	**(373)**
EFFECTIVE TAX RATE	22%	24%	25%

The favourable geographical mix of income before taxes of the period ended 31 March 2011 has enabled the Group to decrease the effective tax rate to 22% for the period ended 31 March 2011 compared to 24% for the previous fiscal year.

8.2 EFFECTIVE INCOME TAX RATE

The following table provides a reconciliation from the income tax charge valued at the French statutory rate to the actual income tax charge for the years ended 31 March 2011, 2010 and 2009:

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Pre-tax income	**628**	**1,587**	**1,464**
Statutory income tax rate of the parent company	34.43%	34.43%	34.43%
Expected tax charge	**(216)**	**(546)**	**(504)**
Impact of:			
• difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	41	130	124
• transactions liable for reduced tax rate	104	(3)	-
• changes in unrecognised deferred tax assets	(52)	71	96
• changes in tax rates	10	(2)	(29)
• additional tax expense (withholding tax, CVAE in France and IRAP in Italy)	(47)	(35)	(31)
• permanent differences and other	19	-	(29)
Income tax charge	**(141)**	**(385)**	**(373)**
EFFECTIVE TAX RATE	22%	24%	25%

8.3 ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table summarises the significant components of the Group's deferred tax assets and liabilities as of 31 March 2011 and 2010:

	At 31 March 2010						At 31 March 2011	
(in € million)	Deferred tax assets	Deferred tax liabilities	Change in P&L	Change in equity *	Acquisitions through business combinations	Translation adjustments and other changes	Deferred tax assets	Deferred tax liabilities
Differences between carrying amount and tax basis of tangible and intangible assets	178	(64)	(53)	-	13	(12)	166	(104)
Accruals for employee benefit costs not yet deductible	241	(3)	(17)	34	7	(2)	262	(2)
Provisions and other accruals not yet deductible	504	-	17	-	86	(4)	603	-
Differences in recognition of margin on construction contracts	100	(397)	(49)	-	(4)	2	47	(395)
Tax loss carry forwards	1,266	-	223	-	63	(22)	1,530	-
Other	76	(204)	38	-	40	7	141	(184)
Gross deferred tax assets/(liabilities)	**2,365**	**(668)**	**159**	**34**	**205**	**(31)**	**2,749**	**(685)**
Unrecognised deferred tax assets	(828)	-	(52)	59	(45)	1	(865)	-
Netting	(555)	555	-	-	-	-	(597)	597
Recognised deferred tax assets/(liabilities)	**982**	**(113)**	**107**	**93**	**160**	**(30)**	**1,287**	**(88)**
NET DEFERRED TAX ASSETS/(LIABILITIES)	869						1,199	

(*) Mainly related to actuarial gains and losses directly recognised in equity (see consolidated statement of comprehensive income).

The Group is satisfied as to the recoverability of its recognised deferred tax assets at 31 March 2011 (€1,199 million) on the basis of an extrapolation of the last three-year business plan, as approved by the Board of Directors.

Deferred tax assets still unrecognised amount to €865 million at 31 March 2011 (€828 million at 31 March 2010). Most of these unrecognised deferred taxes are originated from tax loss carry forward, out of which €452 million are not subject to expiry at 31 March 2011 (€360 million at 31 March 2010).

Note 9

Earnings per share

9.1 EARNINGS

(in € million)	Year ended 31 March 2011	31 March 2010	31 March 2009
Net profit attributable to equity holders of the parent	462	1,217	1,109
Financial interests related to bonds reimbursable with shares, net of tax	-	-	(1)
Earnings used to calculate basic and diluted earnings per share	**462**	**1,217**	**1,108**

9.2 NUMBER OF SHARES

	Year ended 31 March 2011	31 March 2010	31 March 2009
Weighted average number of ordinary shares used to calculate basic earnings per share	**294,210,753**	**289,234,516**	**286,787,449**
Effect of dilutive instruments other than bonds reimbursables with shares:			
• Stock options and performance shares *	2,537,173	1,936,644	3,290,001
• Free shares	230,089	240,293	1,332,599
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE DILUTED EARNINGS PER SHARE	296,978,014	291,411,453	291,410,049

(*) Stock options taken into consideration in the calculation of the diluted earnings per share only relate to plans 7, 8 and 9, plans 10, 11, 12 and 13 being out of the money as at 31 March 2011.

9.3 EARNINGS PER SHARE

(in €)	Year ended 31 March 2011	31 March 2010	31 March 2009
Basic earnings per share	1.57	4.21	3.87
Diluted earnings per share	1.56	4.18	3.81

Note 10

Goodwill and intangible assets

Goodwill and intangible assets are reviewed for impairment at least annually and whenever events or circumstances indicate that they might be impaired. Such events or circumstances are related to significant, unfavourable changes that are of a lasting nature and affect either the economic environment or the assumptions or the targets adopted as of the acquisition date. An impairment loss is recognised when the recoverable value of the assets tested becomes durably lower than their carrying value.

10.1 GOODWILL

(in € million)	At 31 March 2010	Acquisitions	Disposals	Translation adjustments and other changes	At 31 March 2011
Power	3,381	291	-	(4)	3,668
Transport	523	46	-	(1)	568
Grid	-	1,162	-	(2)	1,160
GOODWILL	3,904	1,499	-	(7)	5,396
of which:					
Gross value	3,904	1,499	-	(7)	5,396
Impairment	-	-	-	-	-

(in € million)	At 31 March 2009	Acquisitions	Disposals	Translation adjustments and other changes	At 31 March 2010
Power	3,368	-	-	13	3,381
Transport	518	-	-	5	523
GOODWILL	3,886	-	-	18	3,904
of which:					
Gross value	3,886	-	-	18	3,904
Impairment	-	-	-	-	-

The movements of the period ended 31 March 2011 mainly arose from the acquisition of Grid business (see Note 3). This goodwill is calculated on a preliminary basis as at 31 March 2011.

The impairment test at 31 March 2011 supported the Group's opinion that goodwill is not impaired.

The main assumptions used to assess the recoverable amounts of goodwill are as follows:

	Power	Transport	Grid
Net carrying amount of goodwill at 31 March 2011 **(in € million)**	3,668	568	1,160
Value elected as representative of the recoverable value	Value in use	Value in use	Value in use
Number of years over which cash flow estimates are available	3 years	3 years	3 years
Extrapolation period of cash flow estimates	2 years	2 years	2 years
Long term growth rate at 31 March 2011	**2.0%**	**1.5%**	**2.0%**
Long term growth rate at 31 March 2010	2.0%	1.5%	-
Long term growth rate at 31 March 2009	2.0%	2.0%	-
After tax discount rate at 31 March 2011 *	**9.0%**	**9.0%**	**9.0%**
After tax discount rate at 31 March 2010 *	9.0%	9.0%	-
After tax discount rate at 31 March 2009 *	10.0%	10.0%	-

(*) The application of pre-tax discount rates to pre-tax cash flows leads to the same valuation of cash generating units.

Sensitivity of enterprise values to key assumptions can be presented as follows:

(in € million)	Power		Transport		Grid	
	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp
After tax discount rate	2,072	(1,555)	516	(393)	575	(430)
	-50 bp	+50 bp	-50 bp	+50 bp	-50 bp	+50 bp
Long-term growth rate	(611)	707	(192)	168	(213)	246

At 31 March 2011, a sensitivity analysis based on such key assumptions demonstrates that there is no probable scenario according to which the recoverable amount of the CGU would become less than its carrying value.

10.2 INTANGIBLE ASSETS

(in € million)	At 31 March 2010	Additions/ disposals/ amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2011
Development costs	1,112	286	2	(5)	1,395
Acquired technology	1,245	1	172	4	1,422
Other intangible assets	277	35	338	28	678
Gross value	**2,634**	**322**	**512**	**27**	**3,495**
Development costs	(452)	(98)	-	1	(549)
Acquired technology	(575)	(93)	-	-	(668)
Other intangible assets	(154)	(159)	-	(31)	(344)
Accumulated amortisation and impairment	**(1,181)**	**(350)**	**-**	**(30)**	**(1,561)**
Development costs	660	188	2	(4)	846
Acquired technology	670	(92)	172	4	754
Other intangible assets	123	(124)	338	(3)	334
NET VALUE	1,453	(28)	512	(3)	1,934

(in € million)	At 31 March 2009	Additions/ disposals/ amortisation	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2010
Development costs	907	209	-	(4)	1,112
Acquired technology	1,244	-	-	1	1,245
Other intangible assets	240	23	-	14	277
Gross value	**2,391**	**232**	**-**	**11**	**2,634**
Development costs	(363)	(87)	-	(2)	(452)
Acquired technology	(508)	(67)	-	-	(575)
Other intangible assets	(123)	(27)	-	(4)	(154)
Accumulated amortisation and impairment	**(994)**	**(181)**	**-**	**(6)**	**(1,181)**
Development costs	544	122	-	(6)	660
Acquired technology	736	(67)	-	1	670
Other intangible assets	117	(4)	-	10	123
NET VALUE	1,397	51	-	5	1,453

The movements of the period ended 31 March 2011 are mainly due to the recognition of technology, order backlog margin and customer relationships as assets acquired in the Grid business combination (see Note 3).

Technology and licence agreements acquired through the combination with ABB ALSTOM POWER in 1999 and 2000 represent the bulk of the gross amount reported as acquired technology at 31 March 2010.

Note 11

Property, plant and equipment

(in € million)	At 31 March 2010	Acquisitions/ Depreciation/ Impairments	Disposals	Acquisitions through business combinations	Translation adjustments and other changes	At 31 March 2011
Land	126	11	(7)	64	3	197
Buildings	1,263	83	(84)	223	127	1,612
Machinery and equipment	2,325	151	(95)	239	96	2,716
Constructions in progress	340	164	(7)	68	(303)	262
Tools, furniture, fixtures and other	469	68	(49)	40	10	538
Gross value	**4,523**	**477**	**(242)**	**634**	**(67)**	**5,325**
Land	(5)	(2)	-	-	(2)	(9)
Buildings	(579)	(77)	65	-	(12)	(603)
Machinery and equipment	(1,641)	(183)	83	-	26	(1,715)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(340)	(62)	44	-	11	(347)
Accumulated depreciation and impairment	**(2,565)**	**(324)**	**192**	**-**	**23**	**(2,674)**
Land	121	9	(7)	64	1	188
Buildings	684	6	(19)	223	115	1,009
Machinery and equipment	684	(32)	(12)	239	122	1,001
Constructions in progress	340	164	(7)	68	(303)	262
Tools, furniture, fixtures and other	129	6	(5)	40	21	191
NET VALUE	1,958	153	(50)	634	(44)	2,651

(in € million)	At 31 March 2009	Acquisitions/ Depreciation/ Impairments	Disposals	Changes in scope of consolidation	Translation adjustments and other changes	At 31 March 2010
Land	121	3	(1)	-	3	126
Buildings	1,161	69	(53)	(1)	87	1,263
Machinery and equipment	2,116	161	(89)	(1)	138	2,325
Constructions in progress	342	145	(4)	-	(143)	340
Tools, furniture, fixtures and other	437	53	(45)	-	24	469
Gross value	**4,177**	**431**	**(192)**	**(2)**	**109**	**4,523**
Land	(5)	-	-	-	-	(5)
Buildings	(566)	(52)	42	-	(3)	(579)
Machinery and equipment	(1,547)	(144)	82	1	(33)	(1,641)
Constructions in progress	-	-	-	-	-	-
Tools, furniture, fixtures and other	(324)	(48)	41	-	(9)	(340)
Accumulated depreciation and impairment	**(2,442)**	**(244)**	**165**	**1**	**(45)**	**(2,565)**
Land	116	3	(1)	-	3	121
Buildings	595	17	(11)	(1)	84	684
Machinery and equipment	569	17	(7)	-	105	684
Constructions in progress	342	145	(4)	-	(143)	340
Tools, furniture, fixtures and other	113	5	(4)	-	15	129
NET VALUE	1,735	187	(27)	(1)	64	1,958

The net value of tangible assets held under finance leases and included in the above data is as follows:

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Land	13	13	13
Buildings	77	88	98
Machinery and equipment	7	7	9
Tools, furniture, fixtures and other	15	18	17
NET VALUE OF TANGIBLE ASSETS HELD UNDER FINANCE LEASES	112	126	137

Commitments to purchase fixed assets amount to €85 million at 31 March 2011. They notably arise from the construction of a new facility in the United States of America for the manufacturing of steam and gas turbines.

Note 12

Associates and non consolidated investments

12.1 ASSOCIATES

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009	% interest
Shanghai Alstom Transportation Company (SATCO)	10	10	14	40.0%
Cerrey – Babcock & Wilcox de Mexico	17	17	13	25.0%
Alstom Atomenergomash	12	13	9	49.0%
Other	4	3	3	-
TOTAL	43	43	39	-

(in € million)	Closing date	Total assets at closing date	Total liabilities at closing date	Total revenues	Total net profit (loss)
Shanghai Alstom Transportation Company (SATCO)	31 December	73	48	59	6
Cerrey – Babcock & Wilcox de Mexico *	31 December	167	101	117	7
Alstom Atomenergomash	31 March	93	8	-	(1)

(*) Financial statements of year end closing 31 December 2010 are not yet available. Financial statements of year end closing 31 December 2009 are disclosed.

12.2 NON CONSOLIDATED INVESTMENTS

	At 31 March 2011			At 31 March 2010	At 31 March 2009	At 31 March 2011
(in € million)	Gross	Impairment	Net	Net	Net	% interest
Bright Source Energy	110	-	110	-	-	17.80%
Shanghai Lingang Transformers (1)	26	-	26	-	-	50.00%
Tramvia Metropolita SA	5	-	5	5	8	25.35%
Tramvia Metropolita del Besos	3	-	3	3	3	15.20%
Other (2)	27	(7)	20	15	16	-
TOTAL	171	(7)	164	23	27	

(1) This entity was acquired during the financial year 2010-2011 and the accounting treatment is still under review.
(2) No other investments net value exceeds €3 million.

Changes in fair value occurred during the financial year ended 31 March 2011 amount to €12 million and have been recorded in other comprehensive income as gains on available for sale financial assets.

Note 13

Other non-current assets

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Financial non-current assets associated to financial debt *	429	450	449
Long-term loans, deposits and other	138	85	80
OTHER NON-CURRENT ASSETS	567	535	529

(*) These non-current assets relate to a long-term rental of trains and associated equipment to a London metro operator (see Notes 24 and 29). They are made up as follows:
- at 31 March 2011, €405 million receivables and €24 million deposit;
- at 31 March 2010, €427 million receivables and €23 million deposit;
- at 31 March 2009, €429 million receivables and €20 million deposit.

Note 14

Inventories

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Raw materials and supplies	944	932	1,019
Work in progress	2,461	2,116	1,995
Finished products	377	303	147
Inventories, gross	**3,782**	**3,351**	**3,161**
Raw materials and supplies	(166)	(112)	(91)
Work in progress	(168)	(176)	(170)
Finished products	(85)	(30)	(24)
Write-down	**(419)**	**(318)**	**(285)**
INVENTORIES, NET	3,363	3,033	2,876

Changes in inventory write-down recognised as expense for the year ended 31 March 2011 amount to €26 million (€32 million expense for the year ended 31 March 2010, €20 million income for the year ended 31 March 2009).

Note 15

Construction contracts in progress

(in € million)	At 31 March 2011	At 31 March 2010	Variation	At 31 March 2009
Construction contracts in progress, assets	2,479	3,637	(1,158)	3,139
Construction contracts in progress, liabilities	(9,166)	(10,169)	1,003	(10,581)
CONSTRUCTION CONTRACTS IN PROGRESS	(6,687)	(6,532)	(155)	(7,442)

(in € million)	At 31 March 2011	At 31 March 2010	Variation	At 31 March 2009
Contract costs incurred plus recognised profits less recognised losses to date	48,228	51,577	(3,349)	46,180
Less progress billings	(50,839)	(54,345)	3,506	(49,258)
Construction contracts in progress excluding down payments received from customers	(2,611)	(2,768)	157	(3,078)
Down payments received from customers	(4,076)	(3,764)	(312)	(4,364)
CONSTRUCTION CONTRACTS IN PROGRESS	(6,687)	(6,532)	(155)	(7,442)

Note 16

Trade receivables

(in € million)	Total	No past due on the reporting date	Past due on the reporting date: Less than 60 days	Between 60 and 180 days	More than 180 days
Trade receivables at 31 March 2011	**6,053**	**5,037**	**312**	**258**	**446**
• o/w gross	6,170	5,101	313	259	497
• o/w impairment	(117)	(64)	(1)	(1)	(51)
Trade receivables at 31 March 2010	**3,446**	**2,624**	**354**	**156**	**312**
• o/w gross	3,531	2,648	355	157	371
• o/w impairment	(85)	(24)	(1)	(1)	(59)
Trade receivables at 31 March 2009	**3,873**	**3,025**	**393**	**278**	**177**
• o/w gross	3,952	3,045	396	280	231
• o/w impairment	(79)	(20)	(3)	(2)	(54)

Impairment losses are determined considering the risk of non recovery assessed on a case by case basis. Due to the type of business operated by the Group, past due receivables are frequently representative of outstanding amounts confirmed by customers but whose payment is subject to clearance of items raised during inspection of works. Such receivables do remain fully recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of the related contracts.

Note 17

Other current operating assets

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Down payments made to suppliers	560	554	611
Corporate income tax	51	73	67
Other taxes	709	589	485
Prepaid expenses	329	137	142
Other receivables	418	457	421
Derivatives relating to operating activities (see Note 25)	365	318	342
Remeasurement of hedged firm commitments in foreign currency	513	450	705
OTHER CURRENT OPERATING ASSETS	2,945	2,578	2,773

Note 18

Marketable securities and other current financial assets

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Derivatives related to financing activities	33	31	10
Marketable securities	17	4	5
MARKETABLE SECURITIES AND OTHER CURRENT FINANCIAL ASSETS	50	35	15

Note 19

Working capital

BALANCE SHEET POSITIONS

(in € million)	At 31 March 2011	At 31 March 2010	Variation	At 31 March 2009
Inventories	3,363	3,033	330	2,876
Construction contracts in progress, assets	2,479	3,637	(1,158)	3,139
Trade receivables	6,053	3,446	2,607	3,873
Other current operating assets	2,945	2,578	367	2,773
ASSETS	14,840	12,694	2,146	12,661
Non-current provisions	1,095	460	635	444
Current provisions	1,387	1,181	206	1,226
Construction contracts in progress, liabilities	9,166	10,169	(1,003)	10,581
Trade payables	4,071	3,613	458	3,866
Other current operating liabilities	4,063	2,784	1,279	2,847
LIABILITIES	19,782	18,207	1,575	18,964
WORKING CAPITAL	(4,942)	(5,513)	571	(6,303)

ANALYSIS OF VARIATION IN WORKING CAPITAL

(in € million)	Year ended 31 March 2011	Year ended 31 March 2010
Working capital at the beginning of the period	**(5,513)**	**(6,303)**
Changes in working capital resulting from operating activities [1]	743	960
Changes in working capital resulting from investing activities [2]	97	1
Translation adjustments and other changes	(269)	(171)
Total changes in working capital	**571**	**790**
WORKING CAPITAL AT THE END OF THE PERIOD	(4,942)	(5,513)

(1) Item presented within "net cash provided by operating activities" in the consolidated statement of cash flows.
(2) Item presented within "net cash used in investing activities" in the consolidated statement of cash flows.

Note 20

Equity

When managing capital, the objective of the Group is to safeguard its ability to continue as a going concern so that it can provide returns to shareholders, bring benefits to its other partners and optimise the structure of the capital in order to reduce its cost. To achieve this, the Group may choose to:

- adjust the amount of dividends paid to the shareholders;
- reimburse a portion of capital;
- issue new shares; or
- sell assets in order to scale back its net debt.

20.1 MOVEMENTS IN SHARE CAPITAL

Movements in financial year ended 31 March 2011

At 31 March 2011, the share capital of Alstom amounted to €2,060,935,128 consisting of 294,419,304 ordinary shares with a par value of €7 each. For the year ended 31 March 2011, the weighted average number of outstanding ordinary shares amounted to 294,210,753 and the weighted average number of ordinary and dilutive shares stood at 296,978,014.

During the year ended 31 March 2011, 4,380 bonds reimbursable in shares "*Obligations Remboursables en Actions*" were converted into 275 shares at a par value of €7. The 81,682 bonds reimbursable with shares outstanding at 31 March 2011 represent 5,130 shares to be issued.

Movements in financial year ended 31 March 2010

At 31 March 2010, the share capital of Alstom amounted to €2,056,893,972 consisting of 293,841,996 ordinary shares with a par value of €7 each. For the year ended 31 March 2010, the weighted average number of outstanding ordinary shares amounted to 289,234,516 and the weighted average number of ordinary and dilutive shares stood at 291,411,453.

During the year ended 31 March 2010, 19,209 bonds reimbursable in shares "*Obligations Remboursables en Actions*" were converted into 1,211 shares at a par value of €7. The 86,062 bonds reimbursable with shares outstanding at 31 March 2010 represented 5,405 shares to be issued.

In March 2010, 4,400,000 shares have been issued to Bouygues, Alstom main shareholder. This issuance of shares extinguishes a financial debt that arose from a put option granted by Alstom to Bouygues in 2006 (see Note 24).

In June 2009, ALSTOM acquired 700,000 of its own shares for a total amount of €34 million. These shares have subsequently been cancelled.

In April 2009, 1,092,111 new shares have been created, following the implementation of the employee profit sharing plan "ALSTOM sharing 2009" (see Note 21).

Movements in financial year ended 31 March 2009

At 31 March 2009, the share capital of ALSTOM amounted to €2,013,575,921 consisting of 287,653,703 ordinary shares with a par value of €7 each (on 7 July 2008, the nominal value of ALSTOM shares was split by two). For the year ended 31 March 2009, the weighted average number of outstanding ordinary shares amounted to 286,787,449 and the weighted average number of ordinary and dilutive shares stood at 291,410,049.

During the year ended 31 March 2009, 34,901,161 bonds reimbursable in shares "*Obligations Remboursables en Actions*" were converted into 2,191,845 shares at a par value of €7. The 105,271 bonds reimbursable with shares outstanding at 31 March 2009 represented 6,611 shares to be issued.

20.2 DISTRIBUTION OF DIVIDENDS

In respect of the financial year ended 31 March 2011, it will be proposed to the Shareholders' Meeting called on 28 June 2011 to distribute dividends for a total amount of €183 million corresponding to a €0,62 dividend per share.

The following dividends were distributed in respect of the previous three financial years:

- year ended 31 March 2010 (decision of Shareholders' Meeting held on 22 June 2010): total amount of €364 million, corresponding to a €1,24 dividend per share;
- year ended 31 March 2009 (decision of Shareholders' Meeting held on 23 June 2009): total amount of €323 million, corresponding to a €1,12 dividend per share;
- year ended 31 March 2008 (decision of Shareholders' Meeting held on 24 June 2008): total amount of €226 million, corresponding to a €0,80 dividend per share (after the two-for-one stock split that took place on 7 July 2008).

Note 21

Share-based payments

21.1 STOCK OPTIONS, PERFORMANCE SHARES AND STOCK APPRECIATION RIGHTS

STOCK OPTION PLANS AND FREE PERFORMANCE SHARES

	Adjusted exercise price (1)	Exercise period	Option's fair value at grant date	Adjusted number of options granted (2)	Adjusted number of options exercised since the origin
Plans issued of shareholders meeting on 24 July 2001					
Plan n°6					
Granted on 7 January 2003 to 5 beneficiaries	€77.20	7 Jan. 2004 6 Jan. 2011	-	94,828	5,000
Plans issued of shareholders meeting on 9 July 2004					
Plan n°7					
Granted on 17 September 2004 to 1,007 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	€6.97	5,566,000	4,445,828
Plan n°8					
Granted on 27 September 2005 to 1,030 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	€9.72	2,803,000	1,520,831
Plan n°9					
Granted on 28 September 2006 to 1,053 beneficiaries	€37.33	28 Sept. 2009 26 Sept. 2016	€12.19	3,367,500	497,767
Plans issued of shareholders meeting on 26 June 2007					
Plan n°10					
Granted on 25 September 2007 to 1,196 beneficiaries	€67,50	25 Sept. 2010 24 Sept. 2017	€26.69	1,697,200	1,000
Plan n°11					
Granted on 23 September 2008 to 1,431 beneficiaries	€66.47	23 Sept. 2011 22 Sept. 2018	€18.58	754,300	-
Plan n°12					
Granted on 21 September 2009 to 1,360 beneficiaries	€49.98	21 Sept. 2012 20 Sept. 2017	€10.28	871,350	-
Plan issued of shareholders meeting on 22 June 2010					
Plan n°13					
Granted on 13 December 2010 to 1,716 beneficiaries	€33.14	13 Dec. 2013 12 Dec. 2018	€6.93	1,235,120	

(1) The exercise price corresponds 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).
(2) The number of options and performance shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.
(3) The performance shares initially granted amounted to 126,000 (plan 10).

The exercise period of stock options granted by plan 6 has expired during the year ended 31 March 2011.

At 31 March 2011, stock options granted by plans 7, 8, 9 and 10 are fully vested. These options will expire seven years after the end of the vesting period of each plan.

The number of stock options, free performance shares and stock appreciation rights granted on 23 September 2008 under the long term incentive plan 11 was conditional upon the Group satisfying specified levels of operating margin for the financial year 2010/11.

The 2010/11 Group's operating margin is below 9.0%; as a consequence no option will be exercisable under this plan and no performance share will be delivered.

The long term incentive plans 12 and 13 set up since 2007 also combine the allocation of stock options with the free allocation of performance shares.

Adjusted number of options cancelled since the origin	Adjusted number of outstanding options at 31 March 2011 (inc. those that may be subscribed by the present members of the Executive Committee)	Performance share's fair value at grant date	Adjusted number of performance shares that may be delivered [3]	Adjusted number of performance shares delivered since the origin	Adjusted number of performance shares cancelled since the origin	Adjusted number of outstanding performance shares at 31 March 2011 (inc. to the present members of the Executive Committee)
89,828	-	-	-	-	-	-
438,500	681,672 (125,000)	-	-	-	-	-
255,232	1,026,937 (130,000)	-	-	-	-	-
341,000	2,528,733 (525,000)	-	-	-	-	-
98,900	1,597,300 (298,000)	€116.42	252,000	102,160	27,840	122,000
754,300	-	€57.31	445,655	-	445,655	-
30,550	840,800 (217,000)	€43.28	522,220	-	33,700	488,520 (16,000)
54,630	1,180,490 (245,000)	€28.31	740,860	-	20,980	719,880 (20,000)

The grant of these instruments is conditional upon the Group satisfying the following performance conditions:

- LTI plan 12 granted on 21 September 2009:

In order to take into account the temporary dilutive impact of the integration of Alstom Grid, the Board of Directors has decided to adjust the thresholds of the operating margin for the financial year 2011/12 as follows:

  - if the 2011/12 Group's operating margin is equal or above 8.7%, 840,800 options will be exercisable and 488,520 performance shares will be delivered,
  - if the 2011/12 Group's operating margin is between 8.2% (inclusive) and 8.7% (exclusive), 80% of options will be exercisable and 80% of performance shares will be delivered,
  - if the 2011/12 Group's operating margin is between 7.2% (inclusive) and 8.2% (exclusive), 60% of options will be exercisable and 60% of performance shares will be delivered,
  - if the 2011/12 Group's operating margin is between 6.5% (inclusive) and 7.2% (exclusive), 40% of options will be exercisable and 40% of performance shares will be delivered,
  - if the 2011/12 Group's operating margin is below 6.5%, no option will be exercisable and no performance share will be delivered.

- LTI plan 13 granted on 13 December 2010:

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the financial years 2010/11, 2011/12 and 2012/13:

	% of conditional options exercisable & performance shares to be delivered		
	Financial year 2010/2011	Financial year 2011/2012	Financial year 2012/2013
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non-inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non-inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

For financial year 2010/11, based on consolidated financial statements, the performance condition is achieved for 40% of an allotment of LTIP13 options and performance shares.

As a reference, for financial year 2011/12, the Group has given a 7% to 8% operating margin guidance.

Stock appreciation rights ("SARs") plans

	Adjusted exercise price (1)	Vesting date Expiry date	Adjusted number of SARs granted (2)	Adjusted number of SARs exercised since the origin	Adjusted number of SARs cancelled since the origin	Adjusted number of outstanding SARs at 31 March 2011
SARs n°7						
Granted on 1 December 2004 for 114 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	478,000	407,620	69,052	1,328
SARs n°8						
Granted on 18 November 2005 for 120 beneficiaries	€22.45	27 Sept. 2008 18 Nov. 2015	234,000	127,750	43,100	63,150
Notional SARs (3)						
Granted on 16 December 2005 for 120 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	232,000	189,074	37,000	5,926
SARs n°9						
Granted on 28 September 2006 for 134 beneficiaries	€36.05	28 Sept. 2009 28 Sept. 2016	341,250	167,425	53,125	120,700
SARs n°10						
Granted on 25 September 2007 for 134 beneficiaries	€73.42	25 Sept. 2010 24 Sept. 2017	59,700	1,800	4,200	53,700

(1) The exercise price before adjustment corresponds 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).
(2) The number of SARS and their exercise prices have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.
(3) Notional SARs are capped at €22.45.

Movements in stock option plans, performance shares and stock appreciation rights plans

	Number of options	Weighted average exercise price per share in €	Number of SARs	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2009	**8,983,767**	**46.05**	**508,554**	**34.14**	**679,551**
Granted	871,350	49.98	-	-	522,220
Exercised	(1,395,765)	20.52	(217,651)	28.84	(160)
Cancelled	(513,438)	180.71	11,841	19.97	(24,395)
Outstanding at 31 March 2010 *	**7,945,914**	**42.27**	**302,744**	**36.87**	**1,177,216**
Granted	1,235,120	33.14	-	-	740,860
Exercised	(364,619)	19.31	(86,490)	35.73	(102,000)
Cancelled	(960,483)	51.29	28,550	43.21	(485,676)
OUTSTANDING AT 31 MARCH 2011	**(7,855,932)**	**39.15**	**244,804**	**40.15**	**1,330,400**

(*) On 11 May 2010, 101,560 free shares were allocated to beneficiaries of French companies.

As at 31 March 2011,

- 7,855,932 stock options are outstanding, of which 5,834,642 are exercisable;
- 1,330,400 performance shares are outstanding;
- 244,804 SARs are outstanding, of which 244,804 are exercisable.

Valuation of stock option plans and performance shares

	Exercise price	End of vesting period	Share price at grant date	Volatility	Risk free interest rate	Average dividend yield
Plan n°9						
Granted on 28 September 2006 with an expected life of 4 years	€37.33	28 Sept. 2009	€36.05	22%	3.5%	1.0%
Plan n°10						
Granted on 25 September 2007 with an expected life of 4 years	€67.50	24 Sept. 2010	€73.42	23%	4.2%	1.3%
Plan n°11						
Granted on 23 September 2008 with an expected life of 3 years	€66.47	22 Sept. 2011	€65.10	30%	4.1%	1.3%
Plan n°12						
Granted on 21 September 2009 with an expected life of 3 years	€49.98	20 Sept. 2012	€50.35	30%	2.0%	1.3%
Plan n°13						
Granted on 13 December 2010 with an expected life of 3 years	€33.14	12 Dec. 2013	€35.40	31%	1.8%	3.1%

The option valuation method follows a binomial mathematical model for plans 9, 10 and 11 and a Black & Scholes model for plans 12 and 13, with exercise of the options anticipated and spread over the exercise period on a straight-line basis. The volatility factor applied is an average of CAC 40 comparable companies' volatility at the grant date, which represents a value consistent with market practices and is considered more relevant given the significant volatility of the Group's share price over the last few years.

The Group booked a total expense of €11 million for the year ended 31 March 2011, and €15 million for the year ended 31 March 2010.

Valuation of stock appreciation rights (SARs) plans

	Exercise price	End of vesting period	Share price at 31 March: - 2011 - 2010	Volatility	Risk free interest rate	Average dividend yield
SARs n°7						
Granted on 1 December 2004 with an expected life of 4 years	€8.60	17 Sept. 2007	€41.73 €46.17	23%	1.8%	2.2%
SARs n°8						
Granted on 18 November 2005 with an expected life of 4 years	€22.45	27 Sept. 2008	€41.73 €46.17	23%	1.8%	2.2%
Notional SARs*						
Granted on 27 September 2005 with an expected life of 4 years	€17.88	27 Sept. 2008	*	23%	1.8%	2.2%
SARs n°9						
Granted on 28 September 2006 with an expected life of 4 years	€36.05	28 Sept. 2009	€41.73 €46.17	23%	1.8%	2.2%
SARs n°10						
Granted on 25 September 2007 with an expected life of 4 years	€73.42	24 Sept. 2010	€41.73 €46.17	23%	1.8%	2.2%

(*) SARs of the Notional plan have been granted at an exercise price of €17.88 and are capped at €22.45

All SARs granted are measured using a binomial model taking into account the terms and conditions according to which the instruments were granted.

The Group books a total income of €2 million for the year ended 31 March 2011, and €4 million for the year ended 31 March 2010.

21.2 SHARE-BASED PAYMENTS AWARDED TO EMPLOYEES

Free shares

On 17 November 2005, the Group announced the attribution of twelve free shares to all employees, or the equivalent in cash (SARs) depending on the conditions in each country.

At 31 March 2006, the cost related to the portion of the attribution to be settled in shares (€27 million) has been immediately offset in equity. The cost related to the portion of the attribution to be settled in cash is spread over the vesting period that extends until 16 May 2010 (€4 million income for the year ended 31 March 2011 and €2 million income for the year ended 31 March 2010).

Alstom sharing 2009

In January 2009, the Group announced a new scheme offered to Group employees in 22 countries and consisting of the following:

- the Two for One 2009 plan based on "buy one share and get one free" concept: within this plan, subscribing employees outside France will receive, instead of the Company match offered to the subscribers in France, shares allocated for free by Alstom; and
- the Alstom Classic 2009 plan: this plan allowed employees to subscribe to Alstom shares at a lower price than the current market price.

The €11 million expense relating to this scheme recorded in the income statement for the year ended 31 March 2009 has been assessed on the following basis:

- estimated number of shares to be created: 1,229,928;
- 20-day share price average before grant date: €38.54; Subscription price: €30.84; Risk-free interest rate: 2.7%.

Note 22
Provisions

(in € million)	At 31 March 2010	Additions	Releases	Applications	Business combination	Translation adjustments and other	At 31 March 2011
Warranties	484	381	(185)	(189)	223	7	721
Litigations and claims	697	392	(368)	(263)	212	(4)	666
Current provisions (1)	**1,181**	**773**	**(553)**	**(452)**	**435**	**3**	**1,387**
Tax risks and litigations (2)	92	50	(19)	(54)	69	1	139
Restructuring (3)	102	327	(11)	(68)	12	(1)	361
Other non-current provisions (4)	266	300	(78)	(47)	157	(3)	595
Non-current provisions	**460**	**677**	**(108)**	**(169)**	**238**	**(3)**	**1,095**
TOTAL PROVISIONS	1,641	1,450	(661)	(621)	673	-	2,482

(in € million)	At 31 March 2009	Additions	Releases	Applications	Translation adjustments and other	At 31 March 2010
Warranties	477	281	(155)	(126)	7	484
Litigations and claims	749	237	(112)	(183)	6	697
Current provisions (1)	**1,226**	**518**	**(267)**	**(309)**	**13**	**1,181**
Tax risks and litigations (2)	71	34	(9)	(19)	15	92
Restructuring (3)	117	65	(28)	(53)	1	102
Other non-current provisions (4)	256	73	(45)	(16)	(2)	266
Non-current provisions	**444**	**172**	**(82)**	**(88)**	**14**	**460**
TOTAL PROVISIONS	1,670	690	(349)	(397)	27	1,641

(1) Current provisions relate to warranties, litigations and claims on completed contracts.
(2) In relation to tax risks, the Group tax filings are subject to audit by tax authorities in most jurisdictions in which the Group operates. These audits may result in assessment of additional taxes that are subsequently resolved with the authorities or potentially through the courts. The Group believes that it has strong arguments against the questions being raised, that it would pursue all legal remedies to avoid an unfavourable outcome and that it has adequately provided for any risk that could result from those proceedings where it is probable that it will pay some amounts.
(3) In the last six months of the financial year ended 31 March 2011, the Group has started to implement fundamental reorganisations of its footprint in order to address the lower demand in developed countries (Europe and USA) and the fast growth of its markets in emerging countries.
(4) Other non-current provisions mainly relate to guarantees delivered in connection with disposals, employee litigations, commercial disputes and environmental obligations. Environmental provisions amount to €41 million at 31 March 2011 and €16 million at 31 March 2010.

Note 23

Post-employment and other long-term defined employee benefits

CHANGE IN DEFINED BENEFIT OBLIGATIONS

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligations at beginning of year	**(4,251)**	**(3,668)**	**(4,110)**
Service cost	(74)	(69)	(68)
Plan participant contributions	(37)	(33)	(29)
Interest cost	(233)	(206)	(219)
Plan amendments	(9)	(3)	1
Business combinations/disposals	(382)	(5)	(1)
Curtailments	19	1	-
Settlements	10	49	74
Actuarial gains (losses) – due to experience	(25)	(16)	15
Actuarial gains (losses) – due to changes in assumptions	(124)	(380)	293
Benefits paid	295	228	213
Change in scope	-	-	-
Foreign currency translation	(81)	(149)	163
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	(4,892)	(4,251)	(3,668)
Of which:			
Funded schemes	***(4,311)***	***(3,840)***	***(3,342)***
Unfunded schemes	***(581)***	***(411)***	***(326)***

CHANGE IN PLAN ASSETS

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Fair value of plan assets at beginning of year	**3,334**	**2,716**	**3,360**
Expected return on assets	217	182	224
Actuarial gains (losses) on assets due to experience	(27)	405	(663)
Company contributions	132	104	146
Plan participant contributions	37	33	29
Business combinations/disposals	204	-	-
Settlements	(10)	(46)	(67)
Benefits paid from plan assets	(216)	(189)	(148)
Change in scope	-	-	-
Foreign currency translation	92	129	(165)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	3,763	3,334	2,716

RECONCILIATION OF FUNDED STATUS OF THE PLANS WITH ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Funded status of the plans	**(1,129)**	**(917)**	**(952)**
Unrecognised past service costs (gains)	25	(12)	(10)
Impact of asset ceiling	(13)	(6)	(4)
NET OF ACCRUED AND PREPAID BENEFIT COSTS AFTER ASSET CEILING	(1,117)	(935)	(966)
Of which:			
• *Accrued pension and other employee benefit costs*	*(1,145)*	*(943)*	*(970)*
• *Prepaid pension and other employee benefit costs*	*28*	*8*	*4*

DETAILS OF FUNDED STATUS BY GEOGRAPHICAL AREA

(in € million)	At 31 March 2011
Euro zone	(616)
Rest of Europe	(292)
North America	(185)
South & central America	(10)
Asia/Pacific	(21)
Middle East/Africa	(5)
TOTAL GROUP	(1,129)

CHANGES OF ACCRUED PENSIONS AND OTHER EMPLOYEE BENEFITS RECOGNISED IN COMPREHENSIVE INCOME

Actuarial gains and losses and asset ceiling arising from post-employment defined benefit plans have been recognised in other comprehensive income as follows:

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Opening balance (net loss)	**(1,363)**	**(1,370)**	**(1,051)**
Actuarial gains and losses generated during the period	(176)	10	(355)
Asset ceiling generated during the period	(7)	(3)	36
CLOSING BALANCE (NET LOSS)	(1,546)	(1,363)	(1,370)

COMPONENTS OF PLAN ASSETS

(in € million)	At 31 March 2011	%	At 31 March 2010	%	At 31 March 2009	%
Equities	1,417	37.7	1,214	36.4	930	34.3
Bonds	1,898	50.4	1,747	52.4	1,412	52.0
Properties	340	9.0	270	8.1	215	7.9
Others	108	2.9	103	3.1	159	5.8
TOTAL	3,763	100	3,334	100	2,716	100

Plan assets for each individual plan are invested in accordance with statutory regulations, pension plan rules, and decisions of pension fund trustees. At 31 March 2011, plan assets do not include any of the Group's capital stock.

ASSUMPTIONS (WEIGHTED AVERAGE RATES)

(in %)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Discount rate	4.82	5.11	5.74
Rate of compensation increase	3.03	2.99	3.10
Expected return on plan assets for the period	6.03	6.13	6.61

Actuarial assumptions used vary by country and type of plan. Compensation increase assumptions are determined at business unit level and reviewed centrally. The expected return on plan assets is based on long-term market expectations taking into account the asset allocation of each fund.

The healthcare trend rate is assumed to be 8% in the year ended 31 March 2011 and reduces thereafter to an ultimate rate of 5% from 2018 onwards.

Sensitivity analysis shows that a 50-point increase in discount rates would reduce the Group obligations by approximately €311 million. A 50-point decrease in discount rates would increase the Group obligations by approximately €329 million.

At the year ended 31 March 2011, the effective return on assets amounts to 5.37%.

ANALYSIS OF POST-EMPLOYMENT AND OTHER LONG-TERM DEFINED BENEFIT EXPENSE

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Service cost	(74)	(69)	(68)
Defined contributions *	(155)	(150)	(144)
Income from operations	**(229)**	**(219)**	**(212)**
Actuarial gains/losses on other long-term benefits	(1)	-	-
Amortisation of unrecognised past service gain (cost)	28	(1)	2
Curtailments/settlements	19	4	7
Other income (expenses)	**46**	**3**	**9**
Interest cost	(233)	(206)	(219)
Expected return on plan assets	217	182	224
Financial income (expenses)	**(16)**	**(24)**	**5**
TOTAL BENEFIT EXPENSE	(199)	(240)	(198)

(*) Excluding Grid's figures.
Including an expense of €10 million related to multi-employer contributions accounted for as defined contribution plans for the year ended 31 March 2011.

Total cash spent in the year ended 31 March 2011 amounted respectively to €211 million and €155 * million for defined benefit and defined contribution plans (€143 million and €150 million for the year ended 31 March 2010 and €211 million and €144 million for the year ended 31 March 2009).

The company's best estimate of contributions to defined benefit and defined contribution plans expected to be paid in the year ended 31 March 2012 is approximately €350 * million, of which €174 * million of employer contributions to defined benefits plans.

(*) Excluding Grid's amount.

Note 24
Financial debt

Carrying amount (in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Bonds (1)	3,238	1,736	273
Other borrowing facilities	611	248	261
Put options and earn-out on acquired entities (2)	20	30	209
Derivatives relating to financing activities	18	10	27
Accrued interests	37	17	1
Borrowings	**3,924**	**2,041**	**771**
Non-current	*3,346*	*1,845*	*65*
Current	*578*	*196*	*706*
Obligations under finance leases	137	146	156
Other obligations under long-term rental (3)	405	427	429
Obligations under finance leases	**542**	**573**	**585**
Non-current	*491*	*527*	*543*
Current	*51*	*46*	*42*
TOTAL FINANCIAL DEBT	4,466	2,614	1,356

(1) The movements in the nominal amount of the bonds in the last two years are as follows:

		Redemption date					
Nominal value (in € million)	Total	3 March 2010	23 September 2014	5 October 2015	1 February 2017	5 October 2018	18 March 2020
OUTSTANDING AMOUNT AT 31 MARCH 2009	275	275	-	-	-	-	-
Issue of bonds	1,750	-	500	-	750	-	500
Bonds reimbursed at maturity date	(275)	(275)	-	-	-	-	-
OUTSTANDING AMOUNT AT 31 MARCH 2010	1,750	-	500	-	750	-	500
Issue of bonds	1,500	-	250	500	-	500	250
Bonds reimbursed at maturity date	-	-	-	-	-	-	-
OUTSTANDING AMOUNT AT 31 MARCH 2011	3,250	-	750	500	750	500	750
Nominal interest rate	-	6.25%	4.0%	2,88%	4.13%	3,63%	4.50%
Effective interest rate as of 31 March 2011	-	-	3.89%	2,98%	4.25%	3,71%	4.58%
Effective interest rate as of 31 March 2010	-	7.16%	4.22%	-	4.25%	-	4.58%

(2) At the end of November 2009, Bouygues exercised the put option over its 50% equity interest in Alstom Hydro Holding in exchange for 4,400,000 Alstom shares. Due to clearance processes by competition authorities in some countries, the transaction has been finalised in March 2010. The liability cancelled for this operation amounted to €175 million at the day the put was exercised (€170 million at 31 March 2009).

(3) This debt represents liabilities related to lease obligations on trains and associated equipment (see Note 13 and 29).

Note 25

Financial instruments and financial risk management

25.1 FINANCIAL INSTRUMENTS REPORTED IN THE FINANCIAL STATEMENTS

The Group's financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise funds for the Group's operations.

The Group has loans, trade and other receivables, and cash and cash equivalents that are directly derived from its operations.

The Group is exposed to currency risk, interest rate risk, credit risk and liquidity risk.

The main valuation methods applied are as follows:

- borrowings, when unhedged, are stated at amortised cost, determined by the effective interest rate method;
- the fair value of cash, cash equivalents, trade receivables and trade payables is considered as being equivalent to carrying value, due to their short maturities;
- the fair value of the financial debt is estimated based on either quoted market prices for traded instruments or current rates offered to the Group for debt of the same maturity.

Year ended 31 March 2011

BALANCE SHEET POSITIONS AT 31 MARCH 2011

At 31 March 2011 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	Carrying amount of items classified as financial instruments *					Fair value of items classified as financial instruments			
			FV P/L	AFS	LRL at amortised cost	DER	Total	Listed prices	Internal model based on observables factors	Internal model not based on observables factors	Total
Associates and available for sale assets	**207**	**43**	-	164	-	-	**164**	-	164	-	**164**
Other non-current assets	**567**	**27**	-	-	540	-	**540**	-	111	429	**540**
Trade receivables	**6,053**	**-**	-	-	6,053	-	**6,053**	-	6,053	-	**6,053**
Other current operating assets	**2,945**	**1,650**	513	-	417	365	**1,295**	-	1,295	-	**1,295**
Marketable securities and other current financial assets	**50**	**-**	17	-	-	33	**50**	-	50	-	**50**
Cash and cash equivalents	**2,701**	**-**	2,701	-	-	-	**2,701**	-	2,701	-	**2,701**
ASSETS	12,523	1,720	3,231	164	7,010	398	10,803	-	10,374	429	10,803
Non-current borrowings	**3,346**	**-**	-	-	3,346	-	**3,346**	-	3,346	-	**3,346**
Non-current obligations under finance leases	**491**	**-**	-	-	491	-	**491**	-	491	-	**491**
Current borrowings	**578**	**-**	-	-	560	18	**578**	-	578	-	**578**
Current obligations under finance leases	**51**	**-**	-	-	51	-	**51**	-	51	-	**51**
Trade payables	**4,071**	**-**	-	-	4,071	-	**4,071**	-	4,071	-	**4,071**
Other current operating liabilities	**4,063**	**1,472**	311	-	1,717	563	**2,591**	-	2,591	-	**2,591**
LIABILITIES	12,600	1,472	311	-	10,236	581	11,128	-	11,128	-	11,128

(*) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

FINANCIAL INCOME AND EXPENSE ARISING FROM FINANCIAL INSTRUMENTS FOR PERIOD ENDED 31 MARCH 2011

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	Total
Interests	3	-	-	(89)	(86)
Interest income	*3*	-	-	*46*	*49*
Interest expense	-	-	-	*(135)*	*(135)*
Dividends	-	4	-	-	4
Impairment/loss from subsequent measurement	-	1	-	-	1
Gain on disposal	-	-	-	-	-
Foreign currency and other	-	-	-	(39)	(39)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2011	3	5	-	(128)	(120)

The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.7) and bank fees (see Note 7).

INCOME FROM OPERATIONS ARISING FROM FINANCIAL INSTRUMENTS FOR THE PERIOD ENDED 31 MARCH 2011

Net foreign currency gains and losses recorded within income from operations are positive by €14 million for the year ended 31 March 2011.

They are made up of two components:

- forward points attached to hedging transactions qualified for hedge accounting;
- variation of fair value of instruments hedging future cash flows and not qualifying for hedge accounting.

Year ended 31 March 2010

BALANCE SHEET POSITIONS AT 31 MARCH 2010

At 31 March 2010 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	Carrying amount of items classified as financial instruments *					Fair value of items classified as financial instruments			
			FV P/L	AFS	LRL at amortised cost	DER	Total	Listed prices	Internal model based on observables factors	Internal model not based on observables factors	Total
Associates and available for sale assets	**66**	**43**	-	23	-	-	**23**	-	23	-	**23**
Other non-current assets	**535**	**8**	-	-	527	-	**527**	-	77	450	**527**
Trade receivables	**3,446**	**-**	-	-	3,446	-	**3,446**	-	3,446	-	**3,446**
Other current operating assets	**2,578**	**1,355**	450	-	455	318	**1,223**	-	1,223	-	**1,223**
Marketable securities and other current financial assets	**35**	**-**	4	-	-	31	**35**	-	35	-	**35**
Cash and cash equivalents	**4,351**	**-**	4,351	-	-	-	**4,351**	-	4,351	-	**4,351**
ASSETS	11,011	1,406	4,805	23	4,428	349	9,605	-	9,155	450	9,605
Non-current borrowings	**1,845**	**-**	-	-	1,845	-	**1,845**	-	1,845	-	**1,845**
Non-current obligations under finance leases	**527**	**-**	-	-	527	-	**527**	-	527	-	**527**
Current borrowings	**196**	**-**	-	-	186	10	**196**	-	196	-	**196**
Current obligations under finance leases	**46**	**-**	-	-	46	-	**46**	-	46	-	**46**
Trade payables	**3,613**	**-**	-	-	3,613	-	**3,613**	-	3,613	-	**3,613**
Other current operating liabilities	**2,784**	**1,386**	263	-	699	436	**1,398**	-	1,398	-	**1,398**
LIABILITIES	9,011	1,386	263	-	6,916	446	7,625	-	7,625	-	7,625

(*) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

FINANCIAL INCOME AND EXPENSE ARISING FROM FINANCIAL INSTRUMENTS FOR PERIOD ENDED 31 MARCH 2010

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	Total
Interests	-	-	-	(7)	(7)
Interest income	-	-	-	*51*	*51*
Interest expense	-	-	-	*(58)*	*(58)*
Dividends	-	2	-	-	2
Impairment/loss from subsequent measurement	-	-	-	-	-
Gain on disposal	-	-	-	-	-
Foreign currency and other	-	-	-	(13)	(13)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2010	-	2	-	(20)	(18)

The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.7) and bank fees (see Note 7).

INCOME FROM OPERATIONS ARISING FROM FINANCIAL INSTRUMENTS FOR THE PERIOD ENDED 31 MARCH 2010

Net foreign currency gains and losses recorded within income from operations are positive by €28 million for the year ended 31 March 2010.

Year ended 31 March 2009

BALANCE SHEET POSITIONS AT 31 MARCH 2009

			Carrying amount of items classified as financial instruments *					Fair value of items classified as financial instruments			
At 31 March 2009 (in € million)	Balance sheet carrying amount	Carrying amount not defined as financial instruments	FV P/L	AFS	LRL at amortised cost	DER	Total	Listed prices	Internal model based on observables factors	Internal model not based on observables factors	Total
Associates and available for sale assets	**66**	**39**	-	27	-	-	**27**	-	27	-	**27**
Other non-current assets	**529**	**4**	-	-	525	-	**525**	-	76	449	**525**
Trade receivables	**3,873**		-	-	3,873	-	**3,873**	-	3,873	-	**3,873**
Other current operating assets	**2,773**	**1,309**	705	-	417	342	**1,464**	-	1,464	-	**1,464**
Marketable securities and other current financial assets	**15**	**-**	5	-	-	10	**15**	-	15	-	**15**
Cash and cash equivalents	**2,943**	**-**	2,943	-	-	-	**2,943**	-	2,943	-	**2,943**
ASSETS	10,199	1,352	3,653	27	4,815	352	8,847	-	8,398	449	8,847
Non-current borrowings	**65**	**-**	-	-	60	5	**65**	-	65	-	**65**
Non-current obligations under finance leases	**543**	**-**	-	-	543	-	**543**	-	543	-	**543**
Current borrowings	**706**	**-**	-	-	684	22	**706**	-	706	-	**706**
Current obligations under finance leases	**42**	**-**	-	-	42	-	**42**	-	42	-	**42**
Trade payables	**3,866**	**-**	-	-	3,866	-	**3,866**	-	3,866	-	**3,866**
Other current operating liabilities	**2,847**	**1,313**	354	-	539	641	**1,534**	-	1,534	-	**1,534**
LIABILITIES	8,069	1,313	354	-	5,734	668	6,756	-	6,756	-	6,756

(*) FV P/L short for fair value through profit and loss; AFS short for available-for-sale assets; LRL short for loans, receivables and liabilities and DER short for derivative instruments.

FINANCIAL INCOME AND EXPENSE ARISING FROM FINANCIAL INSTRUMENTS FOR PERIOD ENDED 31 MARCH 2009

(in € million)	FV P/L	AFS	HTM	LRL at amortised cost inc. related derivatives	Total
Interests	4	-	-	25	29
Interest income	*4*	-	-	*103*	*107*
Interest expense	-	-	-	*(78)*	*(78)*
Dividends	-	4	-	-	4
Impairment/loss from subsequent measurement	-	(1)	-	-	(1)
Gain on disposal	-	-	-	-	-
Foreign currency and other	-	-	-	(16)	(16)
NET INCOME/EXPENSE FOR THE YEAR ENDED 31 MARCH 2009	4	3	-	9	16

The amount reported as "foreign currency and other" is mainly representative of forward points attached to transactions related to financing activities (See Note 2.3.7) and bank fees (see Note 7).

INCOME FROM OPERATIONS ARISING FROM FINANCIAL INSTRUMENTS FOR THE PERIOD ENDED 31 MARCH 2009

Net foreign currency gains and losses recorded within income from operations are negative by €5 million for the year ended 31 March 2009.

25.2 CURRENCY RISK MANAGEMENT

Financial debt

The nominal value of the financial debt split by currency is as follows:

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Euro	3,686	2,062	700
US Dollar	52	7	8
British Pound	422	440	443
Other currencies	320	119	209
FINANCIAL DEBT IN NOMINAL VALUE	4,480	2,628	1,360

The debt in GBP essentially originates from a long-term lease scheme of trains, involving London Underground. The related €405 million debt denominated in GBP is counter-balanced by long-term receivables having the same maturity and also denominated in GBP that are recognised as non-current assets (see Notes 13, 24 and 28).

Operations

In the course of its operations, the Group is exposed to currency risk arising from tenders submitted in foreign currency, awarded contracts and any future cash out transactions denominated in foreign currency. Main currencies triggering a significant exposure for the year ended 31 March 2011 are the Swiss Franc and the US dollar.

During the tender period, depending on the probability to obtain the project and on market conditions, the Group generally hedges a portion of its tenders using options or export insurance contracts when possible. Once the contract is signed, forward exchange contracts are used to hedge the actual exposure during the life of the contract (either as the only hedging instruments or as a complement to existing export insurance contracts).

The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposure on any individual sale or purchase transaction in excess of €100,000. Forward currency contracts must be denominated in the same currency as the hedged item. It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximise hedge effectiveness.

Derivative instruments hedging foreign currency risk are recognised at their fair value on the balance sheet as follows:

	At 31 March 2011		At 31 March 2010		At 31 March 2009	
(in € million)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for fair value hedge	348	569	298	441	318	650
Derivatives qualifying for cash flow hedges	31	7	31	-	28	15
Derivatives qualifying for net investment hedges	-	-	-	-	-	-
Derivatives not qualifying for hedge accounting	1	2	5	3	6	3
TOTAL	380	578	334	444	352	668

The fair value of those instruments is the estimated amount that the Group would receive or pay to settle the related contracts, valued on the basis of relevant yield curves and foreign exchange rates at closing date.

High volatility of foreign exchange rates during the periods ended 31 March 2011 and 31 March 2010 explains the significant amount of fair value of derivative instruments (either positive or negative). For instruments that qualify for fair value hedge accounting, any change in fair value is mostly offset by the re-measurement of the underlying exposure (either on balance sheet or off balance sheet).

The following table shows the sensitivity of the Group's pre-tax income to a change in the US dollar and Swiss Franc exchange rates. The effects on pre-tax income arise from derivative instruments not qualifying for hedge accounting and unhedged monetary items while the effect on income and expense directly recognised in equity is due to the measurement of the effective portion of derivative instruments qualifying for cash flow hedge accounting.

	USD rate			CHF rate		
	Variation	Effect on pre-tax income	Effect on income and expense directly recognised in equity	Variation	Effect on pre-tax income	Effect on income and expense directly recognised in equity
	10%	-	-	5%	-	(15)
Year ended 31 March 2011	-10%	-	-	-5%	-	15
	10%	1	-	5%	-	(17)
Year ended 31 March 2010	-10%	(1)	-	-5%	-	17
	10%	(1)	-	5%	4	(29)
Year ended 31 March 2009	-10%	1	-	-5%	(4)	29

The effective portion of instruments qualifying for cash flow hedge accounting reclassified from equity to profit or loss during the year ended 31 March 2011 is positive by €27 million.

25.3 INTEREST RATE RISK MANAGEMENT

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

Carrying amount (in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Financial assets at floating rate	2,793	4,372	2,965
Financial assets at fixed rate	454	480	481
Financial assets bearing interests	**3,247**	**4,852**	**3,446**
Financial debt at floating rate	40	(11)	(12)
Financial debt at fixed rate, put options and earn-out on acquired entities	4,426	(2,030)	(1,344)
Financial debt	**4,466**	**(2,041)**	**(1,356)**
Net position at floating rate before swaps	2,833	4,361	2,953
Net position at fixed rate before swaps	4,880	(1,550)	(863)
Net position before hedging	**7,713**	**2,811**	**2,090**
Net position at floating rate after swaps	2,833	4,361	2,953
Net position at fixed rate after swaps	4,880	(1,550)	(863)
Net position after hedging	**7,713**	**2,811**	**2,090**

Sensitivity is analysed based on the Group's net cash position after hedging at 31 March 2011, assuming that it remains constant over one year.

In absence of instruments hedging the interest risk, the effects of increases or decreases in market rates are symmetrical: a rise of 0.9% would increase the net interest income by €24 million while a fall of 0.9% would decrease it by the same amount.

25.4 CREDIT RISK MANAGEMENT

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a loss. The Group is exposed to credit risk on its operating activities (primarily for trade receivables) and from its financing activities, including deposits, foreign currency hedging instruments and other financial instruments with banks and financial institutions.

Risk related to customers

The Group believes that the risk of a counterpart failing to perform as contracted, which could have a significant impact on the Group's financial statements or results of operations, is limited because the Group seeks to ensure that customers generally have strong credit profiles or adequate financing to meet their project obligations.

In specific cases, the Group may use export credit insurance policies which may hedge up to 90% of the credit risk on certain contracts.

Risk related to other financial assets

The Group's exposure to credit risk related to other financial assets arises from default of the counterpart, with a maximum exposure equal to the carrying amount of those instruments.

Risk related to cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by Group treasury in accordance with the Group's policy. At 31 March 2011 and at 31 March 2010, as part of the central treasury management, cash and cash equivalents are invested entirely in deposits with bank counterparts of first rank noted "Investment Grade".

The Group's parent company has access to some cash held by wholly-owned subsidiaries through the payment of dividends or pursuant to intercompany loan arrangements. However local constraints can delay or restrict this access. Furthermore, while the Group's parent company has the power to control decisions of subsidiaries of which it is the majority owner, its subsidiaries are distinct legal entities and their payment of dividends and granting of loans, advances and other payments to the parent company may be subject to legal or contractual restrictions, be contingent upon their earnings or be subject to business or other constraints. These limitations include local financial assistance rules and corporate benefit laws.

The Group's policy is to centralise liquidity of subsidiaries at the parent company's level when possible. Restricted cash and cash equivalents available at subsidiary level were €398 million and €454 million at 31 March 2011 and 31 March 2010, respectively.

25.5 LIQUIDITY RISK MANAGEMENT

Financial covenants

At 31 March 2011, to increase its liquidity, the Group has in place a €1,000 million revolving credit facility fully undrawn maturing in March 2012 and extended for €942 million up to March 2013. This facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum Interest Cover (1)	Maximum total debt (€m) (2)	Maximum total net debt leverage (3)
From March 2010 to September 2013	3	5,000	3.6

(1) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense (excluding interest related to obligations under finance lease). It amounts to 19.1 at year end 31 March 2011. This covenant did not apply at year end 31 March 2010 since the Group had a net interest income.

(2) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. This covenant ceases to apply since the Group has an "Investment grade" rating.

(3) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as at 31 March 2011 is 0.8 ((1.1) at 31 March 2010).

Cash flow

The Group's objective is to maintain a strong liquidity. A revolving cash planning tool is used to monitor the Group's liquidity needs.

The following tables show the remaining maturities of all financial assets and liabilities held at 31 March 2011 and 31 March 2010.

Planning data for future new assets and liabilities are not reported. Amounts in foreign currency are translated at the closing rate. The variable interest payments are calculated using the last interest rates available at the reporting date. Assets and liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Financial instruments held at 31 March 2011

CASH FLOW ARISING FROM INSTRUMENTS INCLUDED IN NET CASH AT 31 MARCH 2011

Cash flow for the years ended 31 March (in € million)	Carrying amount	2012		2013		2014-2016		2017 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	429	29	28	27	26	69	81	27	294
Marketable securities and other current financial assets	50	-	50	-	-	-	-	-	-
Cash and cash equivalents	2,701	24	2,701	-	-	-	-	-	-
Assets	**3,180**	**53**	**2,779**	**27**	**26**	**69**	**81**	**27**	**294**
Non-current borrowings	(3,346)	-	-	(130)	(27)	(251)	(1,310)	(206)	(2,009)
Non-current obligations under finance leases	(491)	-	-	(31)	(45)	(80)	(131)	(32)	(315)
Current borrowings	(578)	(132)	(578)	-	-	-	-	-	-
Current obligations under finance leases	(51)	(34)	(51)	-	-	-	-	-	-
Liabilities	**(4,466)**	**(166)**	**(629)**	**(161)**	**(72)**	**(331)**	**(1,441)**	**(238)**	**(2,324)**
NET CASH	(1,286)	(113)	2,150	(134)	(46)	(262)	(1,360)	(211)	(2,030)

CASH FLOW ARISING FROM DERIVATIVES AT 31 MARCH 2011

Cash flow for the years ended 31 March (in € million)	Carrying amount	2012		2013		2014-2016		2017 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	365	-	245	-	77	-	40	-	3
Assets	**365**	**-**	**245**	**-**	**77**	**-**	**40**	**-**	**3**
Other current operating liabilities	(563)	-	(227)	-	(256)	-	(66)	-	(14)
Liabilities	**(563)**	**-**	**(227)**	**-**	**(256)**	**-**	**(66)**	**-**	**(14)**
DERIVATIVES	(198)	-	18	-	(179)	-	(26)	-	(11)

CASH FLOW ARISING FROM INSTRUMENTS INCLUDED IN OTHER FINANCIAL ASSETS AND LIABILITIES AT 31 MARCH 2011

Cash flow for the years ended 31 March (in € million)	Carrying amount	2012		2013		2014-2016		2017 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	164	-	-	-	-	-	-	-	164
Other non-current assets	111	-	55	-	21	-	2	-	33
Trade receivables	6,053	-	6,053	-	-	-	-	-	-
Other current operating assets	930	-	930	-	-	-	-	-	-
Assets	**7,258**	**-**	**7,038**	**-**	**21**	**-**	**2**	**-**	**197**
Trade payables	(4,071)	-	(4,071)	-	-	-	-	-	-
Other current operating liabilities	(2,028)	-	(2,028)	-	-	-	-	-	-
Liabilities	**(6,099)**	**-**	**(6,099)**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER FINANCIAL ASSETS AND LIABILITIES	1,159	-	939	-	21	-	2	-	197

Financial instruments held at 31 March 2010

CASH FLOW ARISING FROM INSTRUMENTS INCLUDED IN NET CASH AT 31 MARCH 2010

Cash flow for the years ended 31 March (in € million)	Carrying amount	2011		2012		2013-2015		2016 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	450	30	25	29	28	74	76	48	321
Marketable securities and other current financial assets	35	-	16	-	19	-	-	-	-
Cash and cash equivalents	4,351	30	4,351	-	-	-	-	-	-
Assets	**4,836**	**60**	**4,392**	**29**	**47**	**74**	**76**	**48**	**321**
Non-current borrowings	(1,845)	-	-	(76)	(10)	(212)	(561)	(169)	(1,274)
Non-current obligations under finance leases	(527)	-	-	(34)	(48)	(86)	(113)	(56)	(366)
Current borrowings	(196)	(77)	(196)	-	-	-	-	-	-
Current obligations under finance leases	(46)	(36)	(46)	-	-	-	-	-	-
Liabilities	**(2,614)**	**(113)**	**(242)**	**(110)**	**(58)**	**(298)**	**(674)**	**(225)**	**(1,640)**
NET CASH	2,222	(53)	4,150	(81)	(11)	(224)	(598)	(177)	(1,319)

CASH FLOW ARISING FROM DERIVATIVES AT 31 MARCH 2010

Cash flow for the years ended 31 March (in € million)	Carrying amount	2011		2012		2013-2015		2016 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	318	-	217	-	53	-	40	-	8
Assets	**318**	**-**	**217**	**-**	**53**	**-**	**40**	**-**	**8**
Other current operating liabilities	(436)	-	(226)	-	(73)	-	(127)	-	(10)
Liabilities	**(436)**	**-**	**(226)**	**-**	**(73)**	**-**	**(127)**	**-**	**(10)**
DERIVATIVES	(118)	-	(9)	-	(20)	-	(87)	-	(2)

CASH FLOW ARISING FROM INSTRUMENTS INCLUDED IN OTHER FINANCIAL ASSETS AND LIABILITIES AT 31 MARCH 2010

Cash flow for the years ended 31 March (in € million)	Carrying amount	2011		2012		2013-2015		2016 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	23	-	-	-	-	-	-	-	23
Other non-current assets	77	-	51	-	12	-	2	-	12
Trade receivables	3,446	-	3,446	-	-	-	-	-	-
Other current operating assets	905	-	905	-	-	-	-	-	-
Assets	**4,451**	**-**	**4,402**	**-**	**12**	**-**	**2**	**-**	**35**
Trade payables	(3,613)	-	(3,613)	-	-	-	-	-	-
Other current operating liabilities	(962)	-	(962)	-	-	-	-	-	-
Liabilities	**(4,575)**	**-**	**(4,575)**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER FINANCIAL ASSETS AND LIABILITIES	(124)	-	(173)	-	12	-	2	-	35

Financial instruments held at 31 March 2009

CASH FLOW ARISING FROM INSTRUMENTS INCLUDED IN NET CASH AT 31 MARCH 2009

Cash flow for the years ended 31 March (in € million)	Carrying amount	2010		2011		2012-2014		2015 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other non-current assets	449	31	20	29	23	76	75	67	331
Marketable securities and other current financial assets	15	-	15	-	-	-	-	-	-
Cash and cash equivalents	2,943	29	2,943	-	-	-	-	-	-
Assets	**3,407**	**60**	**2,978**	**29**	**23**	**76**	**75**	**67**	**331**
Non-current borrowings	(65)	(1)	-	(1)	(16)	(1)	(23)	-	(26)
Non-current obligations under finance leases	(543)	-	-	(35)	(46)	(88)	(114)	(77)	(383)
Current borrowings	(706)	(22)	(706)	-	-	-	-	-	-
Current obligations under finance leases	(42)	(37)	(42)	-	-	-	-	-	-
Liabilities	**(1,356)**	**(60)**	**(748)**	**(36)**	**(62)**	**(89)**	**(137)**	**(77)**	**(409)**
NET CASH	2,051	-	2,230	(7)	(39)	(13)	(62)	(10)	(78)

CASH FLOW ARISING FROM DERIVATIVES AT 31 MARCH 2009

Cash flow for the years ended 31 March (in € million)	Carrying amount	2010		2011		2012-2014		2015 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other current operating assets	342	-	236	-	65	-	41	-	-
Assets	**342**	**-**	**236**	**-**	**65**	**-**	**41**	**-**	**-**
Other current operating liabilities	(641)	-	(376)	-	(138)	-	(120)	-	(7)
Liabilities	**(641)**	**-**	**(376)**	**-**	**(138)**	**-**	**(120)**	**-**	**(7)**
DERIVATIVES	(299)	-	(140)	-	(73)	-	(79)	-	(7)

CASH FLOW ARISING FROM INSTRUMENTS INCLUDED IN OTHER FINANCIAL ASSETS AND LIABILITIES AT 31 MARCH 2009

Cash flow for the years ended 31 March (in € million)	Carrying amount	2010		2011		2012-2014		2015 and thereafter	
		Interests	Repayment	Interests	Repayment	Interests	Repayment	Interests	Repayment
Other investments	27	-	-	-	-	-	-	-	27
Other non-current assets	76	1	36	-	9	-	-	-	31
Trade receivables	3,873	-	3,873	-	-	-	-	-	-
Other current operating assets	1,122	-	1,122	-	-	-	-	-	-
Assets	**5,098**	**1**	**5,031**	**-**	**9**	**-**	**-**	**-**	**58**
Trade payables	(3,866)	-	(3,866)	-	-	-	-	-	-
Other current operating liabilities	(893)	-	(893)	-	-	-	-	-	-
Liabilities	**(4,759)**	**-**	**(4,759)**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER FINANCIAL ASSETS AND LIABILITIES	339	1	272	-	9	-	-	-	58

25.6 COMMODITY RISK MANAGEMENT

Most of commodities bought by the Group has already been modified and included into spare parts. For the other commodities, the Group has included into customer contracts a customer price adjustment clause, so that the Group has a limited exposure to the variation of commodity prices.

Note 26

Other current operating liabilities

(in € million)	At 31 March 2011	At 31 March 2010	At 31 March 2009
Staff and associated costs	1,050	822	810
Corporate income tax	56	132	151
Other taxes	339	368	292
Deferred income	19	60	44
Other payables	1,725	703	554
Derivatives relating to operating activities	563	436	641
Remeasurement of hedged firm commitments in foreign currency	311	263	355
OTHER CURRENT OPERATING LIABILITIES	4,063	2,784	2,847

Note 27

Employee benefit expense and headcount

	Year ended		
(in € million)	31 March 2011	31 March 2010	31 March 2009
Total wages and salaries	4,326	3,484	3,336
Social charges	1,083	951	862
Post-employment and other long-term benefit expense * (see Note 23)	199	240	198
Share-based payment expense (see Note 21)	5	9	25
TOTAL EMPLOYEE BENEFIT EXPENSE	5,613	4,684	4,421

(*) Excluding Grid's amounts.

	At 31 March 2011	At 31 March 2010	At 31 March 2009
Staff of consolidated companies			
Managers, engineers and professionals	41,301	32,486	32,001
Other employees	43,924	36,372	39,510
HEADCOUNT *	85,225	68,858	71,511

(*) Headcount doesn't include any temporary people.

Note 28

Contingent liabilities and disputes

28.1 CONTINGENT LIABILITIES

Commercial obligations

Contractual obligations of the Group towards its customers may be guaranteed by bank bonds or insurance bonds. Bank and insurance bonds may guarantee liabilities already recorded on the balance sheet as well as contingent liabilities.

At 31 March 2011, the Group has in place both uncommitted bilateral lines in numerous countries up to €19.6 billion and the Committed Bonding Facility Agreement allowing issuance of instruments from 28 July 2010 to 27 July 2013 for an amount of €8.275 billion.

At 31 March 2011, the total outstanding bonding guarantees related to contracts, issued by banks or insurance companies, amount to €15.7 billion (€14.6 billion at 31 March 2010).

The available amount under the Committed Bonding Facility at 31 March 2011 amounts to €2.1 billion (€2.0 billion at 31 March 2010). The issuance of new bonds under this bonding facility is subject to the financial covenants disclosed in Note 25.5. The available amount under bilateral lines at 31 March 2011 amounts to €9.8 billion.

Vendor financing

Until 2003, the Group provided some financial support, referred to as vendor financing, to financial institutions financing certain purchasers of Transport equipments.

At 31 March 2011, guarantees given as part of past vendor financing arrangements amount to €244 million.

Included in this amount are:

- guarantees totalling $63 million (€44 million, €47 million and €47 million at 31 March 2011, 31 March 2010 and 31 March 2009 respectively) given with respect to equipments sold to a US train operator; and
- guarantees totalling £177 million (€200 million, €199 million and €190 million at 31 March 2011, 31 March 2010 and 31 March 2009 respectively) given as part of a leasing scheme involving London Underground (Northern Line). Were London Underground Limited to decide not to extend the contract beyond 2017, and to hand the trains back, the Group has guaranteed to the lessors that the value of the trains and associated equipment, net of the £15 million non extension payment due by London Underground, should not be less than £177 million in 2017. The £177 million is included in the €405 million amount of "Other obligations under long-term rental" (see Note 24).

28.2 DISPUTES

Disputes in the Group's ordinary course of business

The Group is engaged in several legal proceedings, mostly contract-related disputes that have arisen in the ordinary course of business. These 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 are claimed against the Group, sometimes jointly with its consortium partners. Amounts can be significant.

In some proceedings amount claimed is not specified at the beginning of the proceeding. Amounts retained in respect of litigation are taken into account in the estimate of margin at completion in case of contracts in progress or included in provisions and other current liabilities in case of completed contracts when considered as reliable estimates of probable liabilities. Actual costs incurred may exceed the amount of initial estimates because of a number of factors including the inherent uncertainties of the outcome of litigation.

Moreover during fiscal year 2010/11, the Group had to face an increase in number and amount of first demand bank guarantees calls in the context of a tougher economic environment. When the Group considers that a call is irregular or is a misuse of the right to call a bank guarantee, it initiates appropriate legal proceedings.

Asbestos

In France, some of the Group's subsidiaries are subject to civil proceedings in relation to the use of asbestos. These proceedings are initiated by certain employees or former employees suffering from an occupational disease in relation to asbestos with the aim of obtaining a court decision allowing them to obtain a supplementary compensation from the French Social Security (medical) funds.

In the United States, subsidiaries of the Group are also subject to asbestos-related personal injury lawsuits. The Group considers that it has valid defences in these cases and the number of outstanding cases is decreasing.

The Group believes that the cases where it may be required to bear the financial consequences of such civil or criminal proceedings both in France and the United States do not represent a material exposure. While the outcome of the existing asbestos-related cases cannot be predicted with reasonable certainty, the Group believes that these cases will not have any material adverse effect on its financial condition. It can give no assurance, however, that present asbestos-related cases or new cases it may face in the future may not have a material adverse impact on its financial condition.

United States Class Action Lawsuit

The Group has negotiated a settlement for a remaining cost for Alstom of less than €2 million and closed the class action lawsuits filed on behalf of various purchasers of American Depositary Receipts and other Alstom securities between August 1999 and August 2003 and consolidated in one complaint filed in June 2004.

Alleged anti-competitive activities

GIS EQUIPMENT

In April 2006, the European Commission commenced proceedings against Alstom, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears ("GIS equipment"), a product of its former Transmission & Distribution business sold to Areva in January 2004, following investigations that began in 2004.

On 24 January 2007, the European Commission levied a fine of €65 million against Alstom which includes €53 million on a joint and several basis with Areva T&D. Alstom has requested the cancellation of this decision before the General Court of the European Union. The Court reduced the amount of fines levied against Alstom to €58.5 million on 3 March 2011. Alstom has decided to appeal this decision before the Court of Justice of the European Union. The acquisition of the Transmission activities of Areva T&D on 7 June 2010 has no impact on Alstom's exposure.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages from all manufacturers concerned of GBP 249.3 million in total since it bought GIS equipment at inflated prices due to alleged anti-competitive arrangements between manufacturers. Alstom contests the facts. On 12 June 2009, the High Court of Justice in London decided a stay of proceeding until the European Commission decision of 24 January 2007 is final. During fiscal year 2010/11, two other similar civil actions have been started before national jurisdictions for a global amount of €24 million.

POWER TRANSFORMERS

On 20 November 2008, the European Commission sent a statement of objections to a number of manufacturers of power transformers, including Alstom, concerning their alleged participation in anti-competitive arrangements. Alstom has contested the materiality of the alleged facts. On 7 October 2009, the European Commission levied a fine of €16.5 million against Alstom which includes €13.5 million on a joint and several basis with Areva T&D. Alstom has requested the cancellation of the decision before the General Court of the European Union on 21 December 2009. The date when the hearings will take place is not yet known and a Court decision should not occur before 2012.

GERMAN PROCEEDINGS

The Group received a statement of objections issued by the German Federal Cartel Office ("FCO") on 22 December 2008, alleging breaches of German competition law in the field of steam generators for lignite-fired power plants. On 12 August 2010, the FCO levied a fine of €91 million against ALSTOM Power Systems GmbH and two of its former officers, as well as against two competitors now bankrupt for alleged cartel arrangements between 1990 and 2003. Alstom has requested a reconsideration of this decision and believes it has strong legal arguments to reduce this amount. In addition civil actions from large customers cannot be excluded.

Alleged illegal payments

Certain companies and/or current and former employees of the Group have been or are currently being investigated in various countries with respect to alleged illegal payments. These procedures may result in fines, exclusion of Group subsidiaries from public tenders and third-party actions. In France, on 6 October 2010, a Group's subsidiary in the Hydro business was formally charged for alleged illegal payments concerning past operations in Zambia. The Group considers that there is no matter for a breach of law and has pleaded that the criminal investigation, which is now closed, should end up favourably. The World Bank has also launched an investigation for alleged illegal payments concerning past operations in Zambia. The sanctions the World Bank may impose range from penalties to disbarment from all or part of the projects financed by the World Bank, which may have a significant adverse effect on the image, results and financial situation of the Group.

US litigation following an accident in the Washington D.C. metro

On 22 June 2009, a collision between two metro trains occurred in the Washington D.C. metro resulting in the death of 9 persons and the injury of 52 persons. At present, 23 lawsuits, consolidated in one single lawsuit, have already been filed against Alstom Signaling Inc. and other defendants not belonging to the Group. The claims against Alstom Signaling Inc. amount in excess of $475 million as of today. A report of the National Transportation Safety Board on the causes of the accident partially implicated equipment supplied by Alstom Signaling Inc. However it is too early to definitively determine the precise causes of the accident, resulting liabilities and the total amount of claims. These claims have been declared to the Group's insurers and Alstom believes it has adequate insurance coverage.

Budapest metro

In 2006, Alstom was awarded by BKV a contract for the delivery of 22 Metropolis metros for Line 2 and 15 metros for Line 4 for the city of Budapest. During the execution of the project, Alstom experienced delays mostly related to technical change requests from BKV and the refusal by the Hungarian Authority "NKH" to deliver the final train homologation. In August 2007, NKH granted a Preliminary Type License, but, in October 2010, NKH refused to grant the final homologation ("Final Type License"). On 19 October 2010 BKV terminated the contract and called immediately thereafter all bank guarantees amounting in total to approximately €130 million. On 25 October 2010, the French Court of Nanterre served a provisional injunction and ordered the bank not to pay considering that BKV manifestly misused its right to call the bank guarantees. BKV has appealed this decision before the French Court of Versailles. In addition, Alstom commenced an arbitration procedure on 21 January 2011.

Lignite-fired station in Maritza

In 2006, Alstom was awarded by AES a contract for the manufacture of a lignite-fired station in Maritza, Bulgaria. During the execution of the project, Alstom experienced delays and works disruptions mostly due to the defective nature of the lignite supplied by AES. In March 2011, AES terminated the contract. Prior to termination, AES called its performance bank guarantee up to approximately €150 million. On 10 February 2011, the French Court of Nanterre served a provisional injunction and ordered the bank not to pay, considering that AES manifestly misused its right to call the bank guarantee. AES has appealed this decision before the French Court of Versailles. In addition, Alstom commenced an arbitration procedure on 22 January 2011.

There are no other governmental, legal or arbitration procedures, including proceedings of which the Group is aware and which are pending or threatening, which might have, or have had during the last twelve months, a significant impact on the financial situation or profitability of the Group.

3

Note 29

Lease obligations

		Maturity of lease payments		
(in € million)	Total	Within 1 year	1 to 5 years	Over 5 years
Long term rental *	556	57	202	297
Capital leases	160	27	84	49
Operating leases	375	152	129	94
TOTAL AT 31 MARCH 2011	1,091	236	415	440
Long term rental *	427	25	104	298
Capital leases	179	28	75	76
Operating leases	306	54	148	104
Total at 31 March 2010	**912**	**107**	**327**	**478**
Long term rental *	429	20	98	311
Capital leases	189	28	80	81
Operating leases	214	40	108	66
Total at 31 March 2009	**832**	**88**	**286**	**458**

(*) Obligations related to lease of trains and associated equipments (see Note 24) including interests to be paid.

Note 30

Independent Auditors' fees

Fees due to auditors and members of their networks in respect of years ended 31 March 2011 and 31 March 2010 were as follows:

	Year ended 31 March 2011				Year ended 31 March 2010			
	Mazars		PricewaterhouseCoopers		Mazars		PricewaterhouseCoopers	
(in € million)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Independent Auditors' diligence, certification, review of individual and consolidated accounts	7.2	95	12.1	93	5.1	96	8.8	80
• Alstom SA	0.7	9	1.6	12	0.8	16	1.2	11
• Controlled entities	6.5	86	10.5	81	4.3	80	7.6	69
Other audit diligence and audit related services	0.3	4	0.6	5	0.2	4	0.8	7
• Alstom SA	-	-	0.1	1	-	-	0.1	1
• Controlled entities	0.3	4	0.5	4	0.2	4	0.7	6
Sub-total	**7.5**	**99**	**12.7**	**98**	**5.3**	**100**	**9.6**	**87**
Tax services	0.1	1	0.3	2	-	-	1.4 *	13
Other	-	-	-	-	-	-	-	-
Sub-total	**0.1**	**1**	**0.3**	**2**	**-**	**-**	**1.4**	**13**
TOTAL	7.6	100	13.0	100	5.3	100	11.0	100

(*) Tax services related to foreign entities. These services were pre approved by the Audit Committee and are compliant with French independence rules and Alstom's requirements. These tax services were mainly transferred to other service providers during the fiscal year 2009-2010.

Note 31

Related parties

SHAREHOLDERS OF THE GROUP

To the Group's knowledge, the only shareholder holding more than 6% of the parent company's share capital is Bouygues, a French company listed on Paris stock market. At 31 March 2011, Bouygues holds a 30.8% stake in Alstom share capital.

In November 2009, Bouygues has exercised a put option over its 50% equity interest in Alstom Hydro Holding in exchange for 4,400,000 Alstom shares. The transaction has been finalised in March 2010 (see Note 24).

No material transactions have been carried out with Bouygues during the financial year ended 31 March 2011.

ASSOCIATES

No material transactions have been carried out with associates during the period ended 31 March 2011.

RECORDED EXPENSE IN RESPECT OF COMPENSATION AND RELATED BENEFITS ATTRIBUTABLE TO KEY MANAGEMENT PERSONNEL DURING THE YEAR

The Group considers that key management personnel as defined by IAS 24 are the members of the Executive Committee at 31 March 2011.

	Year ended		
(in € thousand)	31 March 2011	31 March 2010	31 March 2009
Short-term benefits	**6,846**	**5,955**	**6,025**
Fixed gross salaries	3,946	3,450	3,225
Variable gross salaries	2,900	2,505	2,800
Post-employment benefits	**1,334**	**3,986**	**788**
Post-employment defined benefit plans	1,204	3,876	681
Post-employment defined contribution plans	130	110	107
Other post-employment benefits	-	-	-
Other benefits	**1,585**	**1,721**	**3,521**
Non monetary benefits	25	24	24
Share-based payments *	1,560	1,697	3,497
TOTAL	9,765	11,662	10,334

(*) Expense recorded in the income statement in respect of stock option plans and performance shares.

Note 32

Subsequent events

On 20 April 2011, Alstom and Shanghai Electric Group announce the signing of a letter of intent for the creation of Alstom-Shanghai Electric Boilers Co, a 50/50 joint company combining both partners' activities in the boiler market for power plants.

Note 33

Major companies included in the scope of consolidation

The major companies of the Group are listed below and selected according to one of the following criteria: significant holding companies or sales above €100 million for the year ended 31 March 2011. The list of all consolidated companies is available upon request at the head office of the Group.

Companies	Country	Ownership%	Consolidation method
Parent company			
ALSTOM	France	-	Parent company
Holding companies			
ALSTOM Holdings	France	100%	Full consolidation
ALSTOM Power Holdings SA	France	100%	Full consolidation
ALSTOM Grid SAS	France	100%	Full consolidation
ALSTOM Deutschland AG	Germany	100%	Full consolidation
ALSTOM SpA	Italy	100%	Full consolidation
ALSTOM NV	Netherlands	100%	Full consolidation
ALSTOM Espana IB SA Holding	Spain	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
ALSTOM UK Holdings Ltd	United Kingdom	100%	Full consolidation
ALSTOM Inc	United States	100%	Full consolidation
Industrial companies			
ALSTOM Limited (Australia)	Australia	100%	Full consolidation
ALSTOM Grid Australia Ltd	Australia	100%	Full consolidation
ALSTOM Belgium SA	Belgium	100%	Full consolidation
ALSTOM Brasil Energia e Transporte Ltda	Brazil	100%	Full consolidation
ALSTOM Grid Energia Ltda	Brazil	100%	Full consolidation
ALSTOM Power & Transport Canada Inc.	Canada	100%	Full consolidation
ALSTOM Grid Canada, Inc	Canada	100%	Full consolidation
Tianjin ALSTOM Hydro Co. Ltd	China	99%	Full consolidation
ALSTOM Hydro France	France	100%	Full consolidation
ALSTOM Power Service	France	100%	Full consolidation
ALSTOM Power Systems SA	France	100%	Full consolidation
ALSTOM Transport SA	France	100%	Full consolidation
ALSTOM Grid GmbH	Germany	100%	Full consolidation
ALSTOM Power Energy Recovery GmbH	Germany	100%	Full consolidation
ALSTOM Power Service GmbH	Germany	100%	Full consolidation
ALSTOM Power Systems GmbH	Germany	100%	Full consolidation
ALSTOM Transport Deutschland GmbH	Germany	100%	Full consolidation
ALSTOM Projects India Ltd	India	68%	Full consolidation
AREVA T&D India Limited	India	72%	Full consolidation
PT ALSTOM Grid	Indonesia	95%	Full consolidation
ALSTOM Ferrovaria S.p.A	Italy	100%	Full consolidation
ALSTOM Power Italia SpA	Italy	100%	Full consolidation
ALSTOM K.K.	Japan	100%	Full consolidation
Cerrey – Babcock & Wilcox	Mexico	25%	Equity method
ALSTOM Mexicana S.A. de C.V.	Mexico	100%	Full consolidation
ALSTOM Power Nederland B.V.	Netherlands	100%	Full consolidation
ALSTOM Power Sp.z o.o.	Poland	100%	Full consolidation
ALSTOM S&E Africa (Pty) Ltd	South Africa	100%	Full consolidation
ALSTOM Hydro Spain S.L.	Spain	100%	Full consolidation
ALSTOM Transporte SA	Spain	100%	Full consolidation
ALSTOM Wind SL	Spain	100%	Full consolidation
ALSTOM Power Sweden AB	Sweden	100%	Full consolidation
ALSTOM (Switzerland) Ltd	Switzerland	100%	Full consolidation
AP O&M Ltd.	Switzerland	100%	Full consolidation
AREVA T&D Enerji Endustrisi A.S	Turkey	100%	Full consolidation
ALSTOM Ltd	United Kingdom	100%	Full consolidation
ALSTOM Grid UK Ltd	United Kingdom	100%	Full consolidation
ALSTOM Grid Inc.	United States	100%	Full consolidation
ALSTOM Power Inc.	United States	100%	Full consolidation
ALSTOM Transportation Inc.	United States	100%	Full consolidation
AP Com Power Inc.	United States	100%	Full consolidation

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2011 on:

- the audit of the accompanying consolidated financial statements of Alstom;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 March 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 2.1.1 of the consolidated financial statements, which sets out the change in accounting method following the application of the revised standards IFRS 3 – "Business Combinations" and IAS 27 – "Consolidated and Separate Financial Statements".

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

1. CONSTRUCTION CONTRACTS

As described in Notes 2.2, 2.3.2, 2.3.3, 2.3.16, 22 and 28.1 to the consolidated financial statements and related to the recognition of revenue and gross margin, Alstom makes estimates that may have a significant impact, notably when determining the margin at completion on each contract, determined on the basis of the latest information and contract status available. Those estimates are reflected on the balance sheet in the captions "Construction contracts in progress, assets", "Construction contracts in progress, liabilities" and for contracts completed in "Current provisions". We have examined the processes applied by Alstom and considered the data and assumptions on which these estimates are based.

2. ACQUISITION OF ALSTOM GRID

At the date of the acquisition of Areva T&D's Transmission business, and as indicated in Note 3 to the consolidated financial statements, Alstom identified the assets and liabilities acquired, and determined their fair value, with the assistance of external evaluators.

Our work consisted in examining specific elements of this acquisition, the methods and assumptions used to estimate these fair values, and in particular the external evaluators' report.

3. GOODWILL AND OTHER LONG TERM ASSETS

Alstom performed at year-end an impairment test on goodwill and also assessed whether there was any indication of impairment of other long-term assets, in accordance with the approach described in Note 2.3.11 to the consolidated financial statements. We have assessed the impairment test performed and verified that Note 10 to the consolidated financial statements gives the appropriate information.

4. RESTRUCTURING

Alstom has recorded provisions for restructuring according to the method and principles described in Note 2.3.16 to the consolidated financial statements. Our work consisted in assessing the data and assumptions used, and verifying that Notes 6 and 22 to the consolidated financial statements provide appropriate disclosure.

5. DISPUTES

We have examined the procedures used by Alstom to identify, assess and account for disputes. We have ensured that the status of the disputes and the related uncertainties are adequately described in Note 28.2 to the consolidated financial statements.

As stated in Note 2.2 to the consolidated financial statements, several matters mentioned in the paragraphs above are based on estimates and assumptions which are uncertain by nature, and for which the final outcome may significantly differ from the initial forward looking data used, in particular given the current economic environment.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, on 4 May 2011

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT	MAZARS
Olivier Lotz	Thierry Colin

STATUTORY ACCOUNTS

INCOME STATEMENTS

Year ended 31 March (in € million)	Note	2011	2010	2009
Management fees and other operating income		138	133	137
Administrative costs and other operating expenses		(28)	(27)	(32)
Depreciation and amortisation expense		-	(2)	(1)
OPERATING INCOME	3	110	104	104
Interest income		120	44	112
Interest expenses		(107)	(32)	(40)
Bonds issuance costs and premiums recognised as income or expense		(2)	(4)	(6)
Financial income	4	**11**	**8**	**66**
Current income		**121**	**112**	**170**
Non recurring result	5	**10**	**(13)**	**-**
Income tax credit	6	85	52	68
NET PROFIT		216	151	238
Total Income		*355*	*449*	*317*
Total Expenses		*(139)*	*(298)*	*(79)*

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BALANCE SHEETS

ASSETS

At 31 March (in € million)	Note	2011	2010	2009
FIXED ASSETS				
Intangible assets		2	2	2
Investments	7	9,216	9,216	9,216
Advances to subsidiary	7	5,607	4,282	2,738
Total fixed assets		**14,825**	**13,500**	**11,956**
Current assets				
Receivables	8	52	46	16
Deferred charges	9	18	14	6
Total current assets		**70**	**60**	**22**
TOTAL ASSETS		**14,895**	**13,560**	**11,978**

LIABILITIES

At 31 March (in € million)	Note	2011	2010	2009
Shareholders' equity				
Share capital		2,061	2,057	2,014
Additional paid-in capital		624	619	414
Legal reserve		206	201	198
Restricted reserve		15	11	2
General reserve		7,477	7,483	7,491
Retained earnings		906	1,124	1,212
Net profit		216	151	238
Total shareholders' equity	**10**	**11,505**	**11,646**	**11,569**
Provisions for risks and charges	**11**	**49**	**59**	**44**
Liabilities				
Bonds	13	3,288	1,766	276
Trade payables		3	3	4
Other payables	14	43	86	85
Deferred income	16	7		
Total liabilities		**3,341**	**1,855**	**365**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**14,895**	**13,560**	**11,978**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

DETAILED SUMMARY

Note 1

Basis of preparation of the statutory financial statements

The statutory financial statements for the year ended 31 March 2011 have been prepared in accordance with the provisions of the French Chart of Accounts as described by the Regulation 1999-03 issued by the *Comité de la Réglementation Comptable* (CRC), and approved by Decree dated 22 June 1999.

These accounts have been prepared using the same accounting policies and measurement methods as at 31 March 2010.

Note 2

Description of accounting policies

2.1 INVESTMENTS

Investments are recorded at acquisition cost, excluding transaction costs.

The year end valuation is based on current value in use value which is estimated using various assessment methods notably return on investment and appraised net assets.

When the recoverable value of the investment is lower than the book value, an impairment loss is recognised.

2.2 SHARE CAPITAL

A share capital increase is recorded at the nominal share price. If the issue price is higher than the nominal value, this difference is recorded as a paid-in capital.

Transaction costs on capital increase are offset against paid-in capital. If total transaction costs exceed the paid-in capital, the excess is recorded as intangible assets and amortised over a period of five years.

2.3 PROVISIONS FOR RISKS AND CHARGES

Provisions for litigations and disputes

The Company identifies and analyses on a regular basis current litigations in which it is engaged. When provisions are deemed necessary, they are measured on the basis of its best estimate of the expenditure required to settle the obligation at the balance-sheet date. These estimates take into account information available and different possible outcomes. Due to changes in facts and circumstances, costs finally incurred may differ from those estimates.

Provisions for post-employment benefits

The obligation arising from post-employment defined benefits granted to the Chairman and Chief Executive Officer is determined using the projected unit credit method and is wholly recognised as a liability.

2.4 FINANCIAL DEBT

Financial debt is recorded at nominal value in the liabilities. Transaction costs and bonds premium are recorded as deferred charges or deferred income and amortised over the duration of the borrowings.

Financial instruments (swaps) may be used to hedge interest rate risks on bonds.

2.5 TAX GROUP

The Company is the mother company of a French tax group including ALSTOM Holdings and several subsidiaries of ALSTOM Holdings.

Each company determines its income tax charge on the basis of its own pre-tax income for the year, as if it was not included in a tax group. The Company recognises a gain or a loss equal to the difference between the current income tax based on the group pre-tax income and the sum of tax charges recognised by the entities members of the tax group.

When a subsidiary member of the tax group exits from the said tax group, it is not compensated for the loss of its tax credits, tax loss carry forward and/or long term losses derived during the period of time it belonged to the tax group.

Note 3

Operating income

Operating income is essentially made of €136 million management fees invoiced to the Group's Companies for the use of the Alstom name.

Administrative costs and other operating expenses include management fees invoiced by ALSTOM Holdings, external operating expenses, the gross compensation due to the Chairman and Chief Executive Officer (€2,044,786 for the financial year ended 31 March 2011) and Directors' fees paid (€641,500 for the same financial year ended).

Note 4

Financial income

Year ended at 31 March (in € million)	2011	2010
Interest income on advances made to ALSTOM Holdings	120	44
Interest expenses on bonds	(107)	(32)
Bonds issuance costs and premiums recognised as income or expense	(2)	(4)
• *Amortisation expense on deferred charges*	*(4)*	*(4)*
• *Amortisation income on premium received*	*2*	-
TOTAL	11	8

The interest income increase is explained by the raise of the average outstanding advance made to ALSTOM Holdings.

New bonds (€1,500 million issued in the financial year-see Note 13) explain the increase of interest costs.

Note 5

Non recurring result

Following the review of risks arising from legal proceedings where the Company is currently engaged, a €10 million release of provisions has been recognised for the financial year ended 31 March 2011 (see Note 11). An additional €13 million provision was recorded in previous year accounts.

Note 6

Income tax

The €85 million tax credit is broken down as follows:

- €87 million gain from tax grouping; and
- €2 million loss from withholding taxes paid outside France.

In absence of tax grouping, a €40 million income tax charge would have been recorded at 31 March 2011.

The deferred tax position of the Company at 31 March 2011 is the following:

At 31 March (in € million)	2011	2010
Bases of deferred tax liabilities		
Regulated provisions	-	-
TOTAL	-	-
Bases of deferred tax assets		
Non deductible provisions	9	16
Tax loss carry forward	346	69
TOTAL	355	85

Note 7

Financial assets

(in € million)	At 31 March 2010	Acquisition	Disposal	At 31 March 2011
Investments				
ALSTOM Holdings	9,216	-	-	9,216
TOTAL	9,216	-	-	9,216

7.1 INVESTMENTS

ALSTOM Holdings is ALSTOM's sole significant subsidiary and owns all operating entities of the Group Alstom.

At 31 March 2011, the Company performed an impairment test of its stake in ALSTOM Holdings.

The valuation was primarily determined applying the discounted cash flow methodology which capture the potential of the assets base to generate future profits and cash flows. It was based on the following factors:

- internal three-year business plan of ALSTOM Holdings and its subsidiaries prepared as part of their annual budget exercise;
- extrapolation of the three year business plan with two additional years; and
- Group's weighted average cost of capital, post-tax, of 9%.

The consolidated financial debt of ALSTOM Holdings and its subsidiaries and other assets and liabilities not recognised when using the discounted cash flow methodology was then considered to determine the recoverable value of investments.

The recoverable amount of ALSTOM Holdings shares is higher than their carrying amount. No impairment loss has been recognised, accordingly.

7.2 ADVANCES

(in € million)	At 31 March 2010	Variation	At 31 March 2011
Advances to ALSTOM Holdings			
Gross value	4,266	1,304	5,570
Accrued interests	16	21	37
TOTAL	4,282	1,325	5,607

Advances to ALSTOM Holdings have a maturity below one year and can be cancelled by anticipation, which ensures their liquidity.

Note 8
Receivables

Current receivables can be broken down as follows:

	At 31 March 2011		At 31 March 2010	
(in € million)	Total	Out of which related parties	Total	Out of which related parties
Current account with ALSTOM Holdings	1	1	1	1
Trade receivables	7	7	6	6
"Research tax credit" receivable from the French State	39		33	-
Other receivables	5		6	-
TOTAL	52	8	46	7

All receivables are due within one year.

Note 9
Deferred charges

DEFERRED CHARGES

(in € million)	At 31 March 2010	Amount capitalised during the period	Amortisation expense of the period	At 31 March 2011
Bonds issuance costs and premiums	14	8	(4)	18

Note 10

Shareholders' equity

10.1 SHARE CAPITAL

At 31 March 2011, ALSTOM's share capital amounted to €2,060,935,128 consisting of 294,419,304 ordinary shares with a par value of €7 each and fully paid.

The variations of share capital during the period are the following:

	Number	Par value (in €)
Existing shares at beginning of year	**293,841,996**	**7**
- reimbursement of bonds	275	7
- exercise of options	466,379	7
- subscription of shares under employee sharing program	110,654	7
EXISTING SHARES AT YEAR END	294,419,304	7

At 31 March 2010, ALSTOM's share capital amounted to €2,056,893,972 consisting of 293,841,996 ordinary shares with a par value of €7 and fully paid.

10.2 CHANGES IN SHAREHOLDERS' EQUITY

(in € million)	At 31 March 2010	Shareholders' Meeting held 22 June 2010	Other movements	At 31 March 2011
Capital	2,057	-	4	2,061
Additional paid-in capital	619	-	5	624
Legal reserve	201	5	-	206
Restricted reserve	11	-	4	15
General reserve	7,483	-	(6)	7,477
Retained earnings	1,124	(218)	-	906
Net profit	151	(151)	216	216
TOTAL	11,646	(364)	223	11,505

Following the decision of the Shareholders' Ordinary Meeting held on 22 June 2010, a €1.24 dividend per share was distributed, representing a total amount of €364 million, related to the financial year ended 31 March 2010.

The dividends per share distributed in respect of the two previous financial years respectively amounted to €1.12 for the year ended 31 March 2009 and €1.60 for the year ended 31 March 2008 (this dividend is representative of the dividend per share before the two-for-one stock split that took place on 7 July 2008).

"Other movements" for the period arise from:

- a €7 million cash contribution, resulting from the exercise of options;
- the subscription of shares under employee sharing programme;
- the €216 million net profit.

Note 11

Provisions for risks and charges

(in € million)	At 31 March 2010	Additions	Releases	At 31 March 2011
Litigations and disputes	55	-	(10)	45
Post-employment defined benefits	4	-	-	4
TOTAL	59	-	(10)	49

11.1 PROVISIONS FOR LITIGATIONS AND DISPUTES

GIS equipment

In April 2006, the European Commission commenced proceedings against Alstom, along with a number of other companies, based on allegations of anti-competitive practices in the sale of gas-insulated switchgears ("GIS equipment"), a product of its former Transmission & Distribution business sold to Areva in January 2004, following investigations that began in 2004.

On 24 January 2007, the European Commission levied a fine of €65 million against Alstom which includes €53 million on a joint and several basis with Areva T&D. Alstom has requested the cancellation of this decision before the General Court of the European Union. The Court reduced the amount of fines levied against Alstom to €58.5 million on 3 March 2011. Alstom has decided to appeal this decision before the Court of Justice of the European Union. The acquisition of the Transmission activities of Areva T&D on 7 June 2010 has no impact on Alstom's exposure.

Following the aforementioned European Commission decision of 24 January 2007, on 17 November 2008 National Grid commenced a civil action before the High Court of Justice in London to obtain damages against the manufacturers of GIS equipment, including Alstom and certain of its subsidiaries. National Grid asserts that it has suffered overall alleged damages from all manufacturers concerned of GBP 249.3 million in total since it bought GIS equipment at inflated prices due to alleged anti-competitive arrangements between manufacturers. Alstom contests the facts. On 12 June 2009, the High Court of Justice in London decided a stay of proceeding until the European Commission decision of 24 January 2007 is final. During fiscal year 2010/11, two other similar civil actions have been started before national jurisdictions for a global amount of €24 million.

Power transformers

On 20 November 2008, the European Commission sent a statement of objections to a number of manufacturers of power transformers, including Alstom, concerning their alleged participation in anti-competitive arrangements. Alstom has contested the materiality of the alleged facts. On 7 October 2009, the European Commission levied a fine of €16.5 million against Alstom which includes €13.5 million on a joint and several basis with Areva T&D. Alstom has requested the cancellation of the decision before the General Court of the European Union on 21 December 2009. The date when the hearings will take place is not yet known and a Court decision should not occur before 2012.

United States Class Action Lawsuit

The Group has negotiated a settlement for a remaining cost for Alstom of less than € 2 million and closed the class action lawsuits filed on behalf of various purchasers of American Depositary Receipts and other Alstom securities between August 1999 and August 2003 and consolidated in one complaint filed in June 2004.

Provisions recorded by Alstom regarding these proceedings amount to €45 million at 31 March 2011 (€55 million at 31 March 2010).

11.2 PROVISIONS FOR POST-EMPLOYMENT DEFINED BENEFITS

The provision related to post-employment benefits represents the present value at year end of the obligations arising from defined benefits granted by the Company to the Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer benefits from a supplemental collective retirement scheme, which is composed of a defined benefit plan and a defined contribution plan.

The defined benefit plan implemented in 2004 covers all managing executives of the Group in France whose base annual salary exceeds eight times the annual French social security ceiling. The rights under this plan are vested only if the beneficiary retires from the Company and after claiming his or her retirement rights. Even though the plan does not set any minimum seniority requirement in order to benefit from it, the plan remains compliant with the intention behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority, and only represent each year a limited percentage of the compensation corresponding at maximum to a rate of 1.2% per year on a capped amount. The pension is determined by multiplying the replacement ratio based on the seniority by the fraction of the annual reference salary (i.e. the average of the last three fixed and variable annual remunerations) that exceeds eight times the annual French social security ceiling (€282,560 for the 2011 calendar year). The annual reference salary is capped at €2 million. Since the 1st of January 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC supplemental retirement scheme. As such, given his seniority within the Group, the Chairman and Chief Executive Officer could, when he retires, claim a replacement ratio between 13% and 20% of this salary portion.

The amount of contributions paid by ALSTOM within the defined contribution plan, was €22,274 for the year ended 31 March 2011.

The legal retirement indemnity is also granted to the Chairman and Chief Executive Officer.

The liability recognised in respect of the defined benefit obligation, including the legal retirement indemnity, amounts to €4,403,546 as at 31 March 2011.

Note 12

Bonds reimbursable with shares

In December 2003, the Company had issued bonds reimbursable with shares maturing in December 2008.

At 31 March 2011, in absence of notification from bondholders regarding the redemption, 81,682 bonds were still outstanding amounting €0.1 million. These bonds represent 5,130 shares to issue.

Note 13

Financial debts

During the year ended at 31 March 2011, the Group has issued new bonds in two successive waves:

- On 24 June 2011, issuance of two bonds of €250 million each with maturity date on 23 September 2014 and 18 March 2020;
- On 5 October 2010, issuance of two new bonds of €500 million each with maturity date on 5 October 2015 and 5 October 2018.

The movements in nominal amount of bonds over the past two years are as follows:

		Maturity date					
(Nominal value in € million)	Total	3 March 2010	23 September 2014	5 October 2015	1 February 2017	5 October 2018	18 March 2020
Annual nominal interest rate		*6,25%*	*4,00%*	*2,875%*	*4,125%*	*3,625%*	*4,50%*
Outstanding amount at 31 March 2009	**275**	**275**	**-**		**-**	**-**	**-**
Bonds issued	1,750	-	500	-	750	-	500
Bonds reimbursed at maturity date	(275)	(275)	-		-	-	-
Outstanding amount at 31 March 2010	**1,750**	**-**	**500**	**-**	**750**	**-**	**500**
Bonds issued	1,500	-	250	500	-	500	250
Bonds reimbursed at maturity date	-	-	-		-	-	-
OUTSTANDING AMOUNT AT 31 MARCH 2011	**3,250**	**-**	**750**	**500**	**750**	**500**	**750**

Accrued interests at 31 March 2011 amounting to €38 million are added to the outstanding principal amount in the balance-sheet.

At 31 March 2011, to increase its liquidity, the Group has in place a €1,000 million revolving credit facility fully undrawn maturing in March 2012 and extended for €942 million up to March 2013. This facility is subject to the following financial covenants, based on consolidated data:

Covenants	Minimum interest cover [(a)]	Maximum total debt (in €m) [(b)]	Maximum total net debt leverage [(c)]
From March 2010 to September 2013	3	5,000	3.6

(a) Ratio of EBITDA (Earnings Before Interest and Tax plus Depreciation and Amortisation) to net interest expense (excluding interest related to obligations under finance lease). It amounts to 19.1 at year end 31 March 2011. This covenant did not apply at year end 31 March 2010 since the Group had a net interest income.

(b) Total debt corresponds to borrowings, i.e. total financial debt less finance lease obligations. This covenant ceases to apply since the Group has an *"Investment grade"* rating.

(c) Ratio of total net debt (Total debt less short-term investments or trading investments and cash and cash equivalents) to EBITDA. The net debt leverage as at 31 March 2011 is 0.8 ((1.1) at 31 March 2010.

Note 14

Other liabilities

At 31 March (in € million)	2011	2010
Payables to members of the tax group	41	83
Oher tax and social security payables	2	3
TOTAL	43	86

Note 15

Maturity of liabilities

(in € million)	At 31 March 2011	Within one year	One to five years	More than five years	out of which related parties
Bonds	3,288	38	1,250	2,000	-
Trade payables	3	3	-	-	1
Other payables	43	43	-	-	41
TOTAL	3,334	84	1,250	2,000	42

Note 16

Deferred income

DEFERRED INCOME

(in € million)	At 31 March 2010	Amount capitalised during the period	Amortisation income of the period	At 31 March 2011
Bonds issuance premiums	-	9	(2)	7

Note 17

Other information

17.1 COMMITMENTS

Total outstanding guarantees given by the Company amounted to €127 million at 31 March 2011, out of which €35 million Parent guarantees detailed as follows:

- €21 million lease guarantees;
- €11 million guarantees of commercial obligations contracted by the Transport Sector; and
- €3 million rent guarantees.

17.2 STOCK OPTIONS

STOCK OPTION PLANS

	Adjusted exercise price (1)	Exercise period	Option's fair value at grant date	Adjusted number of options granted (2)	Adjusted number of options exercised since the origin
Plans issued of Shareholders' Meeting on 24 July 2001					
Plan n°6					
Granted on 7 January 2003 to 5 beneficiaries	€77.20	7 Jan. 2004 6 Jan. 2011	-	94,828	5,000
Plans issued of Shareholders' Meeting on 9 July 2004					
Plan n°7					
Granted on 17 September 2004 to 1,007 beneficiaries	€8.60	17 Sept. 2007 16 Sept. 2014	€ 6.97	5,566,000	4,445,828
Plan n°8					
Granted on 27 September 2005 to 1,030 beneficiaries	€17.88	27 Sept. 2008 26 Sept. 2015	€ 9.72	2,803,000	1,520,831
Plan n°9					
Granted on 28 September 2006 to 1,053 beneficiaries	€37.33	28 Sept. 2009 26 Sept. 2016	€ 12.19	3,367,500	497,767
Plans issued of Shareholders' Meeting on 26 June 2007					
Plan n°10					
Granted on 25 September 2007 to 1,196 beneficiaries	€67,50	25 Sept. 2010 24 Sept. 2017	€ 26.69	1,697,200	1,000
Plan n°11					
Granted on 23 September 2008 to 1,431 beneficiaries	€66.47	23 Sept. 2011 22 Sept. 2018	€ 18.58	754,300	-
Plan n°12					
Granted on 21 September 2009 to 1,360 beneficiaries	€49.98	21 Sept. 2012 20 Sept. 2017	€ 10.28	871,350	-
Plan issued of Shareholders' Meeting on 22 June 2010					
Plan n°13					
Granted on 13 December 2010 to 1,716 beneficiaries	€33.14	13 Dec. 2013 12 Dec. 2018	€ 6.93	1,235,120	

(1) The exercise price corresponds 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).
(2) The number of options and performance shares and the exercise price of options have been adjusted as a result of transactions that have impacted the number of capital shares after grant dates.
(3) The performance shares initially granted amounted to 126,000 (plan 10).

The exercise period of stock options granted by plan 6 has expired during the year ended 31 March 2011.

At 31 March 2011, stock options granted by plans 7, 8, 9 and 10 are fully vested. These options will expire seven years after the end of the vesting period of each plan.

The number of stock options and free performance shares granted on 23 September 2008 under the long term incentive plan 11 was conditional upon the Group satisfying specified levels of operating margin for the financial year 2010/2011.

The 2010/2011 Group's operating margin is below 9.0%; as a consequence no option will be exercisable under this plan and no performance share will be delivered.

The long term incentive plans 12 and 13 set up since 2007 also combine the allocation of stock options with the free allocation of performance shares.

The grant of these instruments is conditional upon the group satisfying the following performance conditions:

Adjusted number of options cancelled since the origin	Adjusted number of outstanding options at 31 March 2011 (inc. those that may be subscribed by the present members of the Executive Committee)	Performance share's fair value	Adjusted number of performance shares that may be delivered [3]	Adjusted number of performance shares exercised since the origin	Adjusted number of performance shares cancelled since the origin	Adjusted number of outstanding performance shares at 31 March 2011 (inc. to the present members of the Executive Committee)
89,828	-	-	-	-	-	-
438,500	681,672 (125,000)	-	-	-	-	-
255,232	1,026,937 (130,000)	-	-	-	-	-
341,000	2,528,733 (525,000)	-	-	-	-	-
98,900	1,597,300 (298,000)	€ 116.42	252,000	102,160	27,840	122,000
754,300	-	€ 57.31	445,655	-	445,655	-
30,550	840,800 (217,000)	€ 43.28	522,220	-	33,700	488,520 (16,000)
54,630	1,180,490 (245,000)	€ 28.31	740,860	-	20,980	719,880 (20,000)

LTI plan 12 granted on 21 September 2009:

In order to take into account the temporary dilutive impact of the integration of Alstom Grid, the Board of Directors has decided to adjust the thresholds of the operating margin for the financial year 2011/2012 as follows:

- if the 2011/12 Group's operating margin is equal or above 8.7%, 840,800 options will be exercisable and 488,520 performance shares will be delivered;
- if the 2011/12 Group's operating margin is between 8.2% (inclusive) and 8.7% (exclusive), 80% of options will be exercisable and 80% of performance shares will be delivered;
- if the 2011/12 Group's operating margin is between 7.2% (inclusive) and 8.2% (exclusive), 60% of options will be exercisable and 60% of performance shares will be delivered;
- if the 2011/12 Group's operating margin is between 6.5% (inclusive) and 7.2% (exclusive), 40% of options will be exercisable and 40% of performance shares will be delivered;
- if the 2011/12 Group's operating margin is below 6.5%, no option will be exercisable and no performance share will be delivered.

LTI plan 13 granted on 13 December 2010:

The total number of options exercisable and performance shares to be delivered will depend on the Group's operating margin for the financial years 2010/2011, 2011/2012 and 2012/2013:

	% of conditionnal options exercisable & performance shares to be delivered		
Exercice clos le 31 mars	2011	2012	2013
Operating margin achieved above or equal to 7.5%	40%	40%	20%
Operating margin achieved between 7% (inclusive) and 7.5% (non inclusive)	30%	30%	10%
Operating margin achieved between 6.5% (inclusive) and 7% (non inclusive)	10%	10%	0%
Operating margin achieved below 6.5%	0%	0%	0%

For financial year 2010/2011, based on consolidated financial statements, the performance condition is achieved for 40% of an allotment of LTIP 13 options and performance shares.

As a reference, for financial year 2011/2012, the Group has given a 7% to 8% operating margin guidance.

MOVEMENTS IN STOCK OPTION PLANS AND PERFORMANCE SHARE PLANS

	Number of options	Weighted average exercise price per share in €	Number of performance shares
Outstanding at 31 March 2009	**8,983,767**	**46.05**	**679,551**
Granted	871,350	49.98	522,220
Exercised	(1,395,765)	20.52	(160)
Cancelled	(513,438)	180.71	(24,395)
Outstanding at 31 March 2010 (*)	**7,945,914**	**42.27**	**1,177,216**
Granted	1,235,120	33.14	740,860
Exercised	(361,619)	19.16	(102,000)
Cancelled	(960,483)	51.29	(485,676)
OUTSTANDING AT 31 MARCH 2011	**7,858,932**	**39.15**	**1,330,400**

(*) On 11 May 2010, 101,560 free shares were allocated to beneficiaries of French companies.

As at 31 March 2011,

- 7,858,932 stock options are outstanding, of which 5,837,642 are exercisable;
- 1,330,400 performance shares are outstanding.

17.3 FREE SHARE PLANS AWARDED TO EMPLOYEES

Alstom sharing 2009

In January 2009, the Group announced a new scheme offered to Group employees in 22 countries and consisting of the following:

- the Two for One 2009 plan based on "buy one share and get one free" concept: within this plan, subscribing employees outside France will receive, instead of the company match offered to the subscribers in France, shares allocated for free by Alstom; and
- the Alstom Classic 2009 plan: this plan allowed employees to subscribe to Alstom shares at a lower price than the current market price.

17.4 SEVERANCE PAYMENT AND OTHER BENEFITS ARISING UPON THE TERMINATION OF THE MANDATE

Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment as well as to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, Chairman and Chief Executive Officer, concern (i) the entitlement to the additional collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan from which benefit all persons exercising functions within the Group in France, the base annual remuneration of which exceeds eight times the French Social Security cap, above mentioned, as well as (ii) the upholding, in the event of termination of his mandate as initiated by either the Company or himself, of only the rights to exercise the stock options and the rights to the delivery of the performance shares, that will have been definitively vested as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

These commitments have been approved by the Shareholders' Meeting held on 23 June 2009.

17.5 TRANSACTIONS WITH RELATED PARTIES

The decree n° 2009-267 dated 9 March 2009 requires to give information about transactions with related parties contracted at conditions other than normal market conditions.

The Company has not identified any transaction coming into the scope of requirement.

17.6 LIST OF SUBSIDIARIES

ALSTOM Holdings is Alstom's sole significant subsidiary and is 100% owned.

INFORMATION ON ALSTOM HOLDINGS

Gross value of investment held by the Company	€9.2 billion
Net value of investment held by the Company	€9.2 billion
Gross value of loans and advances granted by the Company	€6.1 billion
Net value of loans and advances granted by the Company	€6.1 billion
Bonds and guarantees granted by the Company outstanding at 31 March 2011	-
Dividends paid by ALSTOM Holdings to the Company during financial year ended at 31 March 2011	-
Alstom Holdings shareholders' equity at 31 March 2010	€5.1 billion
Alstom Holdings shareholders' equity at 31 March 2011	€5.0 billion

Note 18

Subsequent events

The Company has not identified any subsequent event to be reported.

Five-year summary

Information as per Article L 232-1 of the French Commercial Code

Year ended 31 March	2007	2008	2009	2010	2011
1. Share capital at year end					
a) Share capital **(in € thousand)**	1,940,641	1,982,430	2,013,576	2,056,894	2,060,935
b) Number of outstanding issued shares	138,617,201	141,602,127	287,653,703	293,841,996	294,419,304
c) Par value of shares **(in €)**	14	14	7	7	7
2. Operations and income for the year (in € million)					
a) Dividends received	-	-	-	-	-
b) Income before tax, depreciation, impairment and provisions	92	128	177	118	125
c) Income tax credit	29	72	68	52	85
d) Net income after tax, depreciation, impairment and provisions	2,701	180	238	151	216
e) Dividends	111	227	323	364	183
3. Earnings per share (in €)					
a) Net earning after tax, but before depreciation, impairment and provisions	0.88	1.42	0.85	0.58	0.71
b) Net earning after tax, depreciation, impairment and provisions	19.49	1.27	0.83	0.51	0.73
c) Net dividend per share	0.8	1.6	1.12	1.24	0.62
4. Personnel					
a) Average headcount of the year	-	-	-	-	-
b) Amount of remuneration of the Chairman and Chief Executive Office **(in € thousand)**	2,228	2,391	2,466	2,310	2,045
c) Amount of social charges and other welfare benefits for the year **(in € thousand)**	540	579	754	651	521

Appropriation of the net income for the period ended 31 March 2011

Information as per Article 243-bis of the French Tax Code

The following appropriation of the net income for the year ended 31 March 2011 (€216,382,005.91) will be proposed to the next Shareholders' Meeting:

Net income for the financial year	€ 216,382,005.91
Retained earnings	€ 906,148,253.86
Allocation to the legal reserve	€ 404,115.60
Distributable income	€ 1,122,126,144.17
Dividends paid	€ 182,539,968.48
Retained earnings carried forward	€ 939,586,175.69

The proposed dividend corresponds to a dividend of €0.62 for each of the 294,419,304 shares comprising the capital as of 31 March 2011 and eligible to dividend at 1 April 2010.

This dividend gives right to the 40% deduction available to individuals domiciled in France for tax purposes provided for in Article 158 paragraph 3 sub-paragraph 2 of the French General Tax Code.

The dividend would be paid in cash on 5 July 2011. Should the Company hold any of its own shares at that date, the amount of dividends attributable to those shares would be carried forward.

Dividend payouts in respect of the previous years were as follows:

- a dividend of €1.24 per share (par value of €7) for the period ended 31 March 2010;
- a dividend of €1.12 per share (par value of €7) for the period ended 31 March 2009;
- a dividend of €1.60 per share (par value of €14) for the period ended 31 March 2008 (this dividend is representative of the dividend per share before the two-for-one stock split that took place on 7 July 2008).

Comments on statutory accounts

INFORMATION REQUESTED BY THE ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE

The Company is the holding company of the Alstom Group. The Company centralises a large part of the external financing of the Group and directs the funds to its subsidiary ALSTOM Holdings through loans and a current account. Fees from its indirect subsidiaries for the use of the ALSTOM name are the Company's main other source of revenue.

INCOME STATEMENT

The Company net profit amounted to €216 million and mainly comprised:

- €110 million operating income stemming from the fees for the use of ALSTOM name minus administrative costs and other external costs;
- €11 million financial income;
- €10 million non-recurring income; and
- €85 million income tax credit including a €87 million tax group gain.

BALANCE SHEET

Total of balance sheet amounts to €14,895 million and is made of:

- Assets:
  - ALSTOM Holdings investments totalling €9,216 million,
  - advances to ALSTOM Holdings amounting to €5,607 million.
- Shareholders' equity and liabilities:
  - Shareholders' equity amounts to €11,505 million and is made of:
    - share capital: €2,061 million,
    - paid-in capital: €624 million,
    - reserves: €7,698 million,
    - retained earnings: €906 million, and
    - net profit of the period: €216 million;
  - outstanding bonds amounting to €3,288 million;
  - tax and social payables (€43 million) out of which €41 million due to subsidiaries in accordance with the tax grouping agreements.

INFORMATION ON TRADE PAYABLES

In accordance with by the Article D. 441-4 of the French Commercial Code, it is stated that trade payables recorded on the balance-sheet are made up as follows:

- received invoices to be paid for €1 million (versus €2 million at 31 March 2010) whose maturity is less than 60 days;
- invoices to come for €2 million (versus €1 million at 31 March 2010).

STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2011, on:

- the audit of the accompanying financial statements of Alstom;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methodes of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 March 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- Investments are recorded as assets in your company's balance sheet for a net book value of €9,216 million. Note 2(a) "Summary of accounting policies – Investments" to the financial statements describes the methods adopted for accounting for these investments as well as the methods used to calculate impairment losses. We have examined the methodology used and assessed the reasonableness of the estimates applied by ALSTOM to perform the impairment test, as described in Note 7 "Financial assets" to the financial statements. The data and assumptions on which those estimates are based, are uncertain by nature, and the future results may significantly differ from the initial forward looking data used;
- We have examined the procedures used by Alstom to identify, assess and account for disputes. We have ensured that the status of the disputes and the related uncertainties are adequately described in the Note 11 "Provisions for risks and charges" to the financial statements.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the Directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning controlling interests and the identity of shareholders (and holders of the voting rights) has been properly disclosed in the management report.

Courbevoie and Neuilly-sur-Seine, 4 May 2011

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT	MAZARS
Olivier Lotz	Thierry Colin

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

Annual General Meeting to approve the financial statements for the year ended 31 March 2011

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the principal terms and conditions of the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

We were not informed of any agreement or commitment authorised during the year ended 31 March 2011 to be submitted to the Annual General Meeting in accordance with Article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

AGREEMENTS AND COMMITMENTS AUTHORISED IN PRIOR YEARS AND WHICH REMAINED IN FORCE DURING THE YEAR

In accordance with Article R. 225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by your Annual General Meeting in previous years, remained in force during the past year.

Commitments falling within the scope of Article L. 225-42-1 of the French Commercial Code with Mr. Patrick Kron, Chairman and Chief Executive Officer

Director concerned

Patrick Kron, Chairman and Chief Executive Officer

Nature and purpose

At its 4 May 2009 meeting, the Board of Directors authorised the amendments to the commitments discussed in Article L. 225-42-1 of the French Commercial Code with Mr. Patrick Kron and which had been approved by the Annual General Meeting on 24 June 2008. These amendments followed Mr. Patrick Kron's proposal to waive all rights, in the event that his term of office is terminated for any reason, to termination benefits, as well as stock options and performance shares which have not vested as of the end of his term of office. The Annual General Meeting approved these amendments on 23 June 2009.

Consequently, the commitments undertaken with respect to stock options and performance shares are now as follows:

Stocks options and performance shares

In the event of termination of his term of office as Chairman and Chief Executive Officer, by either the Company or himself, the Chairman and Chief Executive Officer will only uphold the rights to exercise the stock options subject to performance conditions and the rights to the delivery of the performance shares, granted before the end of his term of office, as of the end of his term of office, following the fulfilment of the conditions set forth by the plans. Stock options and performance share that have vested as of the end of his term of office cannot be exercised or delivered.

Supplemental retirement schemes

The Chairman and Chief Executive Officer is entitled to a supplemental retirement scheme, based on a defined contribution plan and a defined benefit plan, set up on 1 January 2004 for Group employees in France whose basic annual remuneration exceeds eight times the French social security ceiling. This scheme provides for an annual pension equivalent to approximately 1.2% of the salary bracket above 8 times this ceiling, capped at €2 million. Since 1 January 2008, this capping is annually adjusted based on the change in base salary used for supplemental retirement AGIRC.

The contributions paid by Alstom to its Chairman and Chief Executive Officer regarding the defined contribution plan for the year ended 31 March 2011 amounted to €22,274. With respect to the defined benefit plan, the obligation assumed by Alstom at 31 March 2011 amounted to €4,403,546 including statutory retirement termination benefits.

Conditions of the authorisation

These amendments were authorised by the Board of Directors on 4 May 2009, and approved by the Annual General Meeting on 23 June 2009.

Agreement for industrial, commercial and financial cooperation with Bouygues

Directors concerned

Bouygues SA, Georges Chodron de Courcel

Nature and purpose

Alstom and Bouygues signed an agreement for industrial, commercial and financial cooperation on 26 April 2006. The purpose of this agreement is to develop cooperation between the commercial networks of the two Groups and, where possible, to realise integrated projects combining the civil engineering activities of the Bouygues Group with the equipment activities of the Alstom Group.

This agreement also includes a project for the creation of a joint company in the hydraulic electricity production business, which was the subject of an agreement signed on 29 September 2006 between Bouygues, Alstom Power Centrales and Alstom Hydro Holding. This agreement was amended by the parties on 30 October 2009, resulting in the contribution in kind by Bouygues SA of all of its shares in Alstom Hydro Holding to Alstom on 12 March 2010, under the terms and conditions of the abovementioned agreement.

Conditions of the authorisation

The amendment to the joint venture agreement was first authorised by the Board of Directors on 28 October 2009.

AGREEMENTS AND COMMITMENTS AUTHORISED DURING THE YEAR

We have been advised that the following agreements and commitments, which were approved during the year, remained current during the year.

Subscription agreement on the €500 million bonds issued on 23 September 2009

Directors concerned

Georges Chodron de Courcel and Jean-Martin Folz

Nature and purpose

On 21 September 2009, Alstom agreed, in particular with BNP Paribas and Société Générale, a subscription agreement in connection with its €500 million bonds issue, to be redeemed in full on 23 September 2014, and for which the banks agreed to guarantee the subscription of the bonds. The subscription agreement carries a fee equal to 0.35% of the principal amount, *i.e.*, €1,750k. The bonds were issued on 23 September 2009.

Conditions of the authorisation

The subscription agreement was first authorised by the Board of Directors on 21 September 2009.

Subscription agreement on the €750 million bonds issued on 1 February 2010

Directors concerned

Georges Chodron de Courcel and Jean-Martin Folz

Nature and purpose

On 28 January 2010, Alstom agreed, in particular with BNP Paribas and Société Générale, a subscription agreement in connection with its €750 million bonds issue, to be redeemed in full on 1 February 2017, and for which the banks agreed to guarantee the subscription of the bonds. The subscription agreement carries a fee equal to 0.35% of the principal amount, *i.e.,* €2,625k. The bonds were issued on 1 February 2010.

Conditions of the authorisation

The subscription agreement was first authorised by the Board of Directors on 22 December 2009.

Courbevoie and Neuilly-sur-Seine, on 4 May 2011

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT	MAZARS
Olivier Lotz	Thierry Colin

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RISK FACTORS

The content of the Annual Financial Report is identified in the summary table with the help of a pictogram AFR

The section below presents the main risk factors, both specific to Alstom and to its market environment. Together with the sections "Management Report on consolidated financial statements fiscal year 2010/11" and "Group description of activities", it constitutes the Board of Directors' report on the Group's management for fiscal year 2010/11.

Internal control and risk management procedures are described in section "Corporate governance – Chairman's Report pursuant to article L. 225-37 of the French Commercial Code" (the "Chairman's report"), which presents in particular the annual risk assessment process ("cartography of Group risks") and the Internal Control Questionnaire ("self-assessment questionnaire").

RISKS IN RELATION TO MARKET ENVIRONMENT AND GROUP ACTIVITIES

Market environment

Long-term evolution of Alstom's markets is driven by a variety of complex and inter-related external factors, such as economic growth, political stability, public policies in particular on environment and public transportation, price and availability of the different sources of fuels. Short-term evolution of Alstom's markets are also driven by the current financing constraints, the impact of government stimulus packages and the uncertainty on economic growth, particularly on future demand of electricity. Worldwide demand analysis and key drivers for each Alstom's businesses, as well as Alstom assessment of the crisis short- and long-term impact on its activities are presented in sections "Group description of activities" and "Management report on consolidated financial statements fiscal year 2010/2011".

In addition the Group faces the evolution of customers demand due to the specificity of their markets, as well as a strong competition, both from large historical international competitors as well as new ones from emerging countries, in particular Asia, where they benefit from a low cost base. The impact of this increased competition on prices, payment terms, tenders' quality, time to market, and customer service may affect Alstom's position in certain of its markets. As a consequence Alstom is adjusting its sourcing and industrial footprints and adapting its products offering to better address these evolutions. Alstom competitive position in its various businesses is described in section "Group description of activities".

The Group believes it competes effectively in most of its markets. It considers that its strong backlog as well as all the measures it has taken, in particular for reducing costs and adapting headcount to demand, should enable it to face the current competition and the economic environment which remains uncertain. Despite the economic rebound in emerging countries, the market conditions remain contrasted across geographies and technologies, European and North America still experiencing delays in investments decisions, particularly in the power generation sector. These initiatives may proved to be insufficient in case of a long lasting down turn of the world economy, drop in demand and increasing and continued competitive pressures. The evolution of the Power Sector's markets could also be affected by the consequences of the earthquakes in Japan. The economic growth in North Africa and the Middle-East could also suffer the consequences of the political events which occurred in these regions and could have repercussions on Alstom's activities in the concerned countries. Any unfavourable development of any of the aforementioned drivers could have an adverse effect on Alstom's markets and as a consequence an adverse effect on its activity and financial situation.

Contract execution

Alstom's business includes major long-term contracts executed more and more frequently in the framework of complex consortiums. The revenue, cash flow and profitability of a long-term project vary significantly in accordance with the progress of that project and depend on a variety of factors, some of which are beyond the Group's control, such as unanticipated technical problems with equipment being supplied, postponement or delays in contract implementation, financial difficulties of customers, withholding of payment by customers, and performance defaults by or financial difficulties of suppliers, subcontractors or consortium partners with whom Alstom is jointly liable. Profit margins realised on certain of Alstom's contracts may vary from its original estimates as a result of changes in costs and productivity over their term. As a result of this variability, the profitability of certain contracts may significantly impact the Group income and cash flows in any given period.

Alstom has established strict risk control procedures applying from tendering to contract execution, through its Corporate Risks Committee at the Group level and procedures implemented within the Sectors, as described in the Chairman's Report. However Alstom can give no assurance that these and other initiatives will be sufficient. Certain of its projects are or may be subject to delays, cost overruns, or performance shortfalls which may lead to the payment of penalties or damages. Such difficulties may have a material adverse impact on the Group results and financial position.

Design and use of complex technologies

The Group designs, manufactures and sells several products of large individual value that are used in major infrastructure projects. Alstom is required to address the evolution of customers demand for more and more complex tenders with increasing constraints and uncertainties in homologations. Alstom is also required to introduce new, highly sophisticated and technologically complex products on increasingly short time scales. This necessarily limits the time available for testing and increases the risk of product defects and their financial consequences. It is sometimes necessary to fine tune or modify products after Alstom begins manufacturing them or after its customers begin operating them. Because Alstom produces some of its products in series, it may need to make such modifications during the production cycle.

At the same time, when it sells its products or enters into maintenance contracts, Alstom may be required to accept onerous contractual penalties, in particular related to performance, availability and delay in delivering its products, as well as after-sales warranties. Alstom's contracts may also include clauses allowing the customer to terminate the contract or return the product if performance specifications or delivery schedules are not met. As a result of these contractual provisions and the time needed for the development, design and manufacturing of new products, problems encountered with Alstom's products may result in material unanticipated expenditures, including without limitation additional costs related to securing replacement parts and raw materials, delays and cost overruns in manufacturing, delivering and implementing modified products and the related negotiations or litigation with affected clients.

In instances where such difficulties occur, Alstom cannot ensure that the total costs that it ultimately incurs will not exceed the amount that it has provisioned. Further, given the technical sophistication of its products, Alstom can give no assurance that it will not encounter new problems or delays in spite of the technical validation processes implemented within the Group. Any such problems or delays could cause Alstom's products to be less competitive than those of its competitors and have a material adverse impact on its results and financial position.

Costs and conditions to access to certain manufactured goods and raw materials

In the course of its business, Alstom uses raw materials and manufactured goods in amounts which vary according to the project and which may represent up to one third of the contract price. Given the difficulties and delays in the delivery of certain manufactured goods and the significant volatility of raw materials prices, the Group cannot ensure that these elements will necessarily be fully reflected in contract prices thus potentially impacting the profitability of its contracts. See also Note 25.6 to the consolidated financial statements for the fiscal year ended 31 March 2011.

Any unexpected unfavourable evolution in this area could create a negative pressure on margins and adversely affect Alstom's results. In addition, the financial and economic crisis has increased risks of failures of certain Alstom's suppliers. Although the Group has an advanced system to detect these failures, Alstom cannot ensure that it may not be affected by delays in deliveries or financial difficulties possibly encountered by its suppliers. The Note 25.6 to the financial statements as of 31 March 2011 presents the exposure to raw materials and manufactured goods and the management policy of this risk.

Working capital management

The structure and long term of Alstom's projects may result in payment of expenses before realisation of revenue. As a result, Alstom's ability to negotiate and collect customer advances is therefore an important element of its strategy, as it provides the Group with cash flow and allows it to manage its working capital. Any long lasting decrease in global orders intake volume materially impacts working capital evolution and consequently adversely impact the Group's financial situation and its liquidity. Additional information regarding customer deposits and advances and working capital are given in Notes 15 and 19 to the consolidated financial statements for the fiscal year ended 31 March 2011.

Management of human resources

There is significant competition in the employment market with respect to the highly qualified managers and specialists, which are needed by Alstom's businesses, particularly in emerging countries. The success of development plans will depend in part on the Group's ability to retain its employee base and recruit and integrate additional managers and skilled employees. The Group can give no assurance that it will be successful in developing and retaining its employee base as needed to accompany its business development in particular in emerging countries. In addition the measures to adapt headcount to the evolution of demand may result in significant social risks which may have an adverse impact on the expected costs reductions and Group production capacities.

RISKS IN RELATION TO **FINANCIAL MARKETS**

Currency exchange, interest rate, credit and liquidity risks

The Group is significantly exposed to currency exchange risks. The Note 25 to the consolidated financial statements for the fiscal year ended 31 March 2011 presents the Group exposure and sensitivity to currency exchange and interest rate risks, as well as the management policy of these risks. Detailed information on the Group financial debt amounting to €4 467 million as of 31 March 2011 is also given in Note 24 to the consolidated financial statements for the fiscal year ended 31 March 2011.

In addition to its cash available, €2 701 million as of 31 March 2011, the Group has a €1 billion revolving credit facility (the "Credit Facility") maturing in March 2012 and extended for €942 million up to March 2013, which is fully undrawn. During fiscal year 2010/11 Alstom has completed two new bond issues for a total amount of €1 billion and increased two of its existing bond issues by €500 million in total.

In light of these operations and of the maturity of its debt described below, the Group considers that it has sufficient financial flexibility to meet its financial obligations and needs.

DEBT MATURITY

Instrument	Amount (in € million)	Maturity	Interest Rate
Capital Market			
Bonds	750	23/09/2014	4.00%
Bonds	500	05/10/2015	2.875%
Bonds	750	01/02/2017	4.125%
Bonds	500	05/10/2018	3.625%
Bonds	750	18/03/2020	4.50%
Bank loans			
Credit Facility	1,000 (among which €942 million maturing March 2013)	03/2012	Euribor +0.45%

Pursuant to its bonds and guarantees programmes, the Group has a committed revolving facility signed in April 2010 allowing the issuance of bonds up to €8.275 billion until 27 July 2013 (the "Committed Facility") which has replaced the previous master facility agreement allowing the issuance of bonds up to €8 billion (the "Master Facility") since 27 July 2010. As of 31 March 2011 the available amount under the Committed Facility is €2.1 billion taking into account the amount of outstanding bonds previously issued under the Master Facility. In addition the Group has non-committed bilateral lines in numerous countries up to a total amount of €9.8 billion as of 31 March 2011.

The Credit Facility and the Committed Facility are subject to financial covenants disclosed in Note 25 to the consolidated financial statements for the fiscal year ended 31 March 2011. Alstom complies with these covenants as at 31 March 2011 and does not anticipate any particular difficulty continuing to comply with these covenants.

Alstom is rated by two rating agencies (Moody's and Standard & Poor's) since May 2008. Alstom is rated by the rating agencies Moody's Investors Services and Standard & Poor's since May 2008. The ratings below are regularly reviewed and the Group cannot ensure that they will remain at the same level.

Agencies	April 2010	May 2011*
Moody's Investors Services		
Short-term rating	P-2	P-2
Long-term rating	Baa1 (outlook negative)	Baa1 (outlook stable)
Standard & Poor's		
Short-term rating	A-2	A-2
Long-term rating	BBB+ (outlook negative)	BBB (outlook stable)

(*) On 4 May 2011, Moody's Investor Services changed the outlook from negative to stable. On 12 May 2011, Standard & Poor's lowered the long-term rating from BBB+ (outlook negative) to BBB (outlook stable) The short-term ratings remain unchanged.

As of today the Group believes it has no major risk so as to access financial markets, if needed. A down grading of the Alstom's rating would however impact unfavourably the conditions, in particular financial, under which the Group can access to financial markets.

Additionnal information are presented in the Chairman's report regarding the specific management of financial risks.

Equity risks

Alstom holds shareholdings in listed companies which market values are continuously fluctuating. In the context of its current cash management, Alstom does not use share instruments.

Alstom considers it has no significant exposure to equity risks, except risks in relation to defined benefit pension plans described below. See also Note 23 to the financial statements for the fiscal year ended 31 March 2011.

Defined benefit pension plans

Pursuant to certain of Alstom's defined benefit schemes, notably in the United Kingdom and the United States, Alstom is committed to providing cash to cover any differences between the market value of the plan's assets and required levels for such schemes over a defined period. The Group projected benefit obligations are based on certain actuarial assumptions that vary from country to country, including, in particular, discount rates, long-term rates of return on invested plan assets, rates of increase in compensation levels and rates of mortality.

If actual results, in particular actual performance of plans assets, were to materially differ from these assumptions the funded status of the Group plans could be significantly higher or lower. Over fiscal year 2010/11, the improvement of financial markets resulted in an increase in the fair value of plan assets and in pension obligations. As a consequence the funded status of the Group plans increased from €917 million at 31 March 2010 to €1 129 million at 31 March 2011).

Further details on the methodology used to assess pension assets and liabilities together with the annual pension costs are included in Notes 2.3.20 and 23 to the consolidated financial statements for the fiscal year ended 31 March 2011.

The Pension Committee supervises and monitors pension plans and other employee benefits as described in the Chairman's report.

RISKS IN RELATION TO ACQUISITIONS, DISPOSALS AND OTHER EXTERNAL GROWTH OPERATIONS

As part of its development strategy, Alstom has completed and continue to complete acquisitions of businesses or companies, as well as mergers, joint ventures and partnerships. In June 2010 Alstom closed the acquisition of the Transmission activities of Areva which became the Grid Sector. Over the last fiscal years the Group has also implemented an important number of joint ventures and partnerships in emerging countries, in particular Russia, India and China to enter these new markets. These operations include risks, in particular in relation to the potential political or economical instability depending on the countries, to the difficulties that may arise in evaluating assets and liabilities relating to these operations, as well as in integrating people, activities, technologies and products. Although the Group has put in place strong processes to control these operations, no assurance exists that the acquired businesses or companies do not contain liabilities which were not anticipated at the time of the operation and for which Alstom's no or insufficient protection from the seller or partner or that such joint ventures and partnerships may not result in additional financing needs, increased acquisition and integration costs, as well as industrial property risks.

The Group has disposed of certain of its businesses and may continue to dispose some of them. As is customary, it makes certain warranties regarding the businesses being sold. In some cases the Group has retained certain contracts and liabilities. As a result it may be required to bear increased costs on retained contracts and liabilities and to pay indemnities or purchase price adjustments to the acquirer, which could have a material adverse effect on the Group's results and financial position. In particular, the Group has received claims, some of which involving significant amounts, following the disposal of its former T&D and Marine Sectors. Certain claims regarding Alstom former T&D Sector in relation to investigations by competition authorities, including the European Commission, are exposed in Note 28.2 to the consolidated financial statements for the fiscal year ended 31 March 2011.

LEGAL RISKS

This section is to be read in relation with the Note 28.2 to the consolidated financial statements for the fiscal year ended 31 March 2011.

Disputes in the ordinary course of business

The Group is engaged in several legal proceedings, mostly contract related disputes that have arisen in the ordinary course of business. Contract related disputes, often involving claims for contract delays or additional work, are common in the areas in which the Group operates, particularly for large, long-term projects.

Moreover during fiscal year 2010/11 the Group had to face an increase in number and amount of first demand bank guarantees calls in the context of a tougher economic environment. When the Group considers that a call is irregular or is a misuse of the right to call a bank guarantee, it initiates appropriate legal proceedings to contest this call.

Allegations of anti-competitive activities and illegal payments

The Group is subject to procedures for alleged anti-competitive practices described in Note 28.2 to the consolidated financial statements for the fiscal year ended 31 March 2011. Any adverse development of these investigations and procedures may have a material adverse impact on the Group reputation, as well as on its results and financial position due notably to the significant amount of fines that can be ordered in this area.

Certain companies and/or current and former employees of the Group have been or are currently being investigated in various countries with respect to alleged illegal payments. These procedures may result in fines, the exclusion of Group subsidiaries from public tenders and third-party actions.

Strict procedures are in place to ensure compliance with all laws and regulations, and in particular those relating to competition rules and prohibited payments. As part of this objective, the Group communicates to each employee the Alstom Code of Ethics, which prescribes strict compliance with rules of conduct to prevent in particular anti-competitive activities and corruption and which recalls the role of employees and the alert procedure within the Group.

During fiscal year 2010/11, Alstom has also continued to conduct several training programmes to continuously improve employees awareness towards potential risks linked to illegal activities and for teaching appropriate and practical individual behaviours for the day to day professional life.

The Group internal control rules and procedures to control the risks linked to illegal activities have been constantly reinforced over the last years. Alstom actively strives to ensure that it appropriately addresses any problems that may arise. However, given the extent of its activities worldwide, Alstom cannot be assured that such difficulties will not arise or that such difficulties will not have a material adverse effect on its reputation and/or our results and financial situation position.

For more information on the internal control system put in place within the Group, the Alstom Code of Ethics and the measures taken by the Ethics & Compliance Department, see section "Corporate governance – Chairman's report – Internal control and risks management procedures report".

Asbestos

It has been the Group's policy for many years to abandon definitively the use of products containing asbestos by all of its operating units worldwide and to promote the application of this principle to all of its suppliers, including in those countries where the use of asbestos is permitted. In the past, however, the Group used and sold some products containing asbestos, particularly in France in its former Marine Sector sold on 31 May 2006 and to a lesser extent in its other Sectors. The Group is subject to asbestos-related legal proceedings or claims including in France and the United States, which are described in Note 28.2to the consolidated financial statements for the fiscal year ended 31 March 2011.

US litigation following an accident in the Washington D.C. metro

Detailed information regarding the accident which occurred in the Washington D.C. metro on 22 June 2009 is given in the Note 28.2 to the consolidated financial statements for the fiscal year ended 31 March 2011.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

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 exposes the Group to the risk of substantial environmental costs and liabilities, including in relation with divested assets and past activities. In most of the jurisdictions in which the Group operates, its industrial activities are subject to obtaining permits, licences and/or authorisations, or to prior notification. Alstom's facilities must comply with these permits, licences or authorisations and are subject to regular inspections by competent authorities.

The Group invests significant amounts to ensure that it conducts its activities in order to reduce the risks of impacting the environment and regularly incurs capital expenditures in connection with environmental compliance requirements. Although the Group is involved in the remediation of contamination of certain properties and other sites, it believes that its facilities are in compliance with their operating permits and that its operations are generally in compliance with environmental laws and regulations.

The procedures ensuring compliance with environmental, health and safety regulations are decentralised and monitored at each plant. The costs linked to environmental health and safety issues are budgeted at plant or unit level and included in the consolidated income statement.

The outcome of environmental, health and safety matters cannot be predicted with certainty and there can be no assurance that the Group will not incur any environmental, health and safety liabilities in the future and it cannot guarantee that the amount that it has budgeted or provided for remediation and capital expenditures for environmental or health and safety related projects will be sufficient to cover the intended loss or expenditure. In addition, the discovery of new conditions or facts or future changes in environmental laws, regulations or case law may result in increased liabilities that could have a material effect on our financial condition or results of operations. The Group has booked provisions of €41 million to cover environmental risks as of 31 March 2011.

The environmental, health and safety risks management policy is presented in section "Corporate governance – Chairman's report – Internal control and risk management procedures report".

INSURANCE

The Group policy is to purchase insurance policies covering risks of a catastrophic nature from insurers presenting excellent solvency criteria. The amount of insurance purchased varies according to Alstom's estimation of the maximum foreseeable loss, both for Property Damage & business Interruption and Civil Liability Insurance.

This estimate is made within the framework of Industrial Risk Management Audits that are conducted for property damage and business interruption. For civil liability, the estimation of insurance needs depends on the evaluation of the maximum legal risk considering the various Group activities. The annual risks assessment process which results in the Group cartography of risks, has allowed the Group to confirm that the appropriate level of insurance was purchased for insurable risks. For more information see also section "Corporate governance – Chairman's report – Internal control and risk management procedures report".

The main risks covered are the following, subject to certain customary limitations, exclusions and declarations in relation of each type of insurance:

- property damage and business interruption caused by fire, explosion, natural events or other perils as well as machinery breakdown;
- liability incurred because of damage caused to third parties by our operations, products and services;
- transit, covering transportation risks from start to discharge of goods at warehouse, construction site or final destination; and
- construction and installation, covering risks during execution of contracts.

In addition to Group policies, Alstom purchases, in the various countries where it is present, policies of insurance of a mandatory nature or designed to cover specific risks such as automobile, worker's compensation or employer's liability.

During fiscal year 2010/11 the entities from the Grid Sector were covered by specific policies, covering both the Transmission and Distribution activities acquired from Areva in consortium with the Schneider Group and implemented prior to the acquisition. These policies have similar characteristics as compared to Alstom Group policies, except the limits which are specified below. Since 1 April 2011, the Grid Sector (Transmission activities) has been integrated into the Group policies.

The presentation below is a summary of the main Group insurance policies, and does not reflect all applicable restrictions and limits. For reasons of confidentiality and protection of the interests of the Group, it is not possible to describe exhaustively all policies.

Property damage and business interruption

The insurance programme covers accidental damage and consequent business interruption caused by fire, explosions, impact of vehicles and aircraft, storm, hail, snow, riot, civil commotion, water damage and natural events to industrial, commercial and administrative sites of the Group declared to insurers:

- the programme has an overall limit of €410 million per event (€300 million per event for the Grid Sector);
- sub-limits apply in particular for natural events (these sub-limits vary according to the insured sites and the type of events) for machinery breakdown and accidental events other than those named in the policy;
- coverage is subject to usual limitations and exclusions, in particular: war, civil war, terrorism, nuclear reaction, and certain natural events normally insured in national pools;
- the policy is in force in all countries where the Group has significant industrial sites with the exception of India and China, where specific policies are in place.

Civil liability resulting from operations or products and services

The Group Insurance Programme covers the financial consequences of liability of the Group because of damages caused to third parties because of its operations or products and services:

- the programme has several layers of insurance for an overall limit of €700 million per event and in annual aggregate; sub-limits are applicable (€200 million per event in annual aggregate for the Grid Sector);
- the policy is subject to usual limitations and exclusions of policies of this type, in particular, war, nuclear reactions, work accidents, Directors and Officers liability, automobile liability, consequences of contractual obligations more onerous than trade practice, as well as damages caused by products such as asbestos, formaldehyde, lead, organic pollutants as well as those caused by toxic mould, magnetic fields and electronic viruses.

Transport insurance

The policy covers damages to transported goods irrespective of the mode of transportation: sea, land or air, anywhere in the world; coverage is extended to war risks (however, some territories are excluded):

- the policy limit is €70 million, with sub-limits notably during storage at packers or sub-contractors (€50 million for the Grid Sector);
- the policy is subject to limitations and exclusions generally applicable to policies of this type.

Damage during installation and construction

For the Power Sector, a construction and installation policy covers damage to equipment being installed, with an insurance limit of €250 million per event for contracts having values of less than €1 billion and for which the duration of works is less than 60 month. For the Transport Sector, a policy with a limit of €100 million is in place to cover contracts of the French entities, with an obligation to declare contracts exceeding €50 million. The Grid Sector has a policy with a limit of €50 million, to cover contracts exceeding €150 million and 42 month. Contracts which cannot be insured under these policies are insured specifically according to the needs. Construction and Installation policies are subject to customary limitations and exclusions, in particular war, radioactive contamination and terrorism.

Reinsurance

The Group owns a reinsurance vehicle to self-insure property damage and business interruption, civil liability and transportation risks. This new vehicle is not used since 2004. A reinsurance vehicle was opened in June 2007 to self-insure a primary layer of €2 million of the construction and installation risk policy of the Power Sector. The maximum commitment of this vehicle is €10 million per year. This new vehicle is not used since 1 January 2010.

The costs of the main Group policies represents approximately 0.4% of the annual consolidated sales for fiscal year 2010/11.

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CORPORATE GOVERNANCE

The content of the Annual Financial Report is identified in the summary table with the help of a pictogram AFR

For many years, the Company has committed itself to carrying out the corporate governance principles published by the AFEP and the MEDEF.

The Corporate Governance Code to which the Company abides is the AFEP-MEDEF Corporate Governance Code updated on April 2010.

In its first section, which is dedicated to Corporate Governance, the Chairman of the Board of Directors' report, as presented below pursuant to Article L. 225-37 of the French Commercial Code, presents the decisions made by the Board of Directors in that respect.

CHAIRMAN'S REPORT

pursuant to Article L. 225-37 of the French Commercial Code

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors presents, in this report for the fiscal year ended on 31 March 2011, the composition of the Board of Directors, the application of the principle of balanced representation of men and women, the Corporate Governance Code to which the Company abides, the conditions for the preparation and organisation of the Board of Directors' duties, the limitations that the Board can impose on the Chief Executive Officer's powers, the principles and rules set by the Board to determine the compensation and benefits of any kind to be paid to the Company's Executive and Non-Executive Directors (*mandataires sociaux*), other disclosure required pursuant to Article L. 225-37 of the French Commercial Code, as well as the internal control and risk management procedures implemented by the Company at the Group level.

This report was reviewed and approved by the Board of Directors at its meeting held on 3 May 2011, after the Audit Committee reviewed the chapter relating to the internal control and risk management procedures, after the Nominations and Remuneration Committee reviewed the chapter relating to Corporate Governance and after the Ethics, Compliance and Sustainability Committee reviewed the parts entering its field of expertise only.

In a report attached to their general report, the Independent Auditors will present their observations on the content of this report, and more specifically on the internal control procedures relating to the preparation and the processing of accounting and financial information and on the compliance with the disclosure of other information required pursuant to Article L. 225-37 of the French Commercial Code.

Code of Corporate Governance

The AFEP-MEDEF Corporate Governance Code for listed companies updated on April 2010 that includes the October 2008 recommendations on the remuneration of Executive Directors represents the Corporate Governance Code applicable to the Company for the purpose of this report (the "AFEP-MEDEF Code"). This code is available on the MEDEF internet site (www.medef.fr) and on the Company internet site (www.alstom.com, section "About us").

At its meeting held on 5 November 2008, the Board of Directors adhered to the AFEP-MEDEF recommendations on remuneration dated 6 October 2008 that are applicable to Executive Directors (*dirigeants mandataires sociaux*), noted that almost all of them were already implemented and decided that the additional provisions considered necessary for the implementation of the recommendations would be set at a later date, which was made in 2009 after the Board of Directors reviewed all the Company Corporate Governance practices.

Since then, upon the report of the Nominations and Remuneration Committee, the Board of Directors reviews annually these practices in order to identify the necessity to more accurately reflect these recommendations or to explain the discrepancies, if any. In March 2011, the Board of Directors undertook this review, as well as a comparative analysis of the mechanism set up by the Company for insider trading prevention with the November 2010 AMF (*Autorité des marchés financiers*) recommendations. Next, in May 2011, the Board of Directors took another look at the operation and the duties of the Audit Committee relative to the July 2010 report published by the AMF workgroup on Audit Committees, based on the review completed by the Committee and management.

The Board of Directors concluded that the Company was seeking to conform to the recommendations of the AFEP-MEDEF Code and that it did not notice the existence of any deviation from these recommendations. Some differences are explained in this report.

Corporate Governance and Executive and Non-Executive Directors' Compensation Report

Representatives of the Legal Department, the Human Resources Department, and the Finance Department contributed to the drafting of this section.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS

As of 3 May 2011, the Board of Directors is composed of fourteen members, of whom six are non-French nationals (43%) and nine are independent (64%). Mr Patrick Kron, the Chairman and Chief Executive Officer, is the only Director who performs executive duties.

Since 2002, the Directors are appointed for a four-year period. The terms of office have not been staggered and the renewal of such terms of office is distributed over three consecutive years. Upon the Nominations and Remuneration Committee's report, the Board of Directors examines the Board and Committees' composition at the time of renewal of Directors' mandates. Directors are also invited to indicate their views on this topic during the annual assessment of the Board and Committees' functioning.

Pursuant to the Board's Internal Rules, each Director shall hold at least 500 shares. The number of shares effectively held is, generally speaking, higher than 500. As of 3 May 2011, 26,245 total Company shares were held by individual Directors and 90,543,867 shares were held by Bouygues SA.

Upon the Board of Directors' proposal, the Ordinary and Extraordinary Shareholders' Meeting held on 22 June 2010 renewed, for a four year period, the mandates of Mr Georges Chodron de Courcel, Mr Olivier Bouygues and of Bouygues SA which permanent representative is Mr Philippe Marien.

This Shareholders' Meeting also approved the appointments of Mrs Lalita D. Gupte and Mrs Katrina Landis for four years, thereby exemplifying the Board of Directors' willingness to internationalize its composition, reinforce the diversity of available skills and to increase the representation of women within the Board of Directors, which is now of 21.4% (3/14).

It will be proposed to the Shareholders' Meeting convened on 28 June 2011 to renew the directorships of Mr Patrick Kron, Mrs Candace Beinecke, Mr Jean-Martin Folz, Mr James W. Leng, Mr Klaus Mangold and Mr Alan Thomson for four years.

				Committees						
Name	Title	Age	Independent Director	Audit	N&R (1)	EC&S (2)	First Term Start	Current Term End	Years on Board	Experience
Patrick Kron	Chairman and CEO Director	57					2003 2001	2011	10	Industry
Jean-Paul Béchat	Director	68	√	√ Chairman			2001	2012	10	Industry
Candace K. Beinecke	Director	64			√		2001	2011	10	Law
Olivier Bouygues	Director	60			√		2006	2014	5	Industry
Georges Chodron de Courcel	Director	61		√			2002	2014	9	Bank, Finance
Pascal Colombani	Director	65	√	√		√	2004	2012	7	Industry, Technology
Jean-Martin Folz	Director	64	√			√ Chairman	2007	2011	4	Industry
Lalita D. Gupte	Director	62	√	√			2010	2014	1	Bank, Finance
Gerard Hauser	Director	69	√		√		2003	2012	8	Industry
Katrina Landis	Director	51	√			√	2010	2014	1	Industry
James W. Leng	Director	65	√		√ Chairman		2003	2011	8	Industry
Klaus Mangold	Director	67	√		√		2007	2011	4	Industry
Bouygues SA represented by Philippe Marien	Director	55		√			2008	2014	3	Finance
Alan Thomson	Director	64	√	√			2007	2011	4	Finance

(1) Nominations and Remuneration Committee.
(2) Ethics, Compliance and Sustainability Committee created on 28 September 2010.

INFORMATION ON THE BOARD MEMBERS

The information provided below also constitute the information of the Board of Directors' Report to the Shareholders' Meeting requested by the paragraph 4 of Article L. 225-102-1 of the French Commercial Code.

PATRICK KRON

Age: 57.

Nationality: French.

Professional address: ALSTOM

3, avenue André Malraux – 92300 Levallois-Perret (France).

Principal function: Chairman and Chief Executive Officer of ALSTOM.

End of current mandate: AGM 2011.
First mandate: 2001 – 2007.

Holds 9,011 shares.

Other current directorships and positions:

In France:

Director of Bouygues *;
Director of Association Française des Entreprises Privées (AFEP);
Director of the Association of the choral Society "Les Arts Florissants".

Within the Alstom Group:
Chairman of ALSTOM Resources Management.

In foreign countries:

Within the Alstom Group:
Director of ALSTOM UK Holdings Ltd.

Past directorships (held during the past five years):

Director of Imerys * (3 May 2005 – 2 May 2006);
Member of the Supervisory Board of Vivendi Universal* (28 April 2005 – 13 December 2006).

Biography:

Mr Patrick Kron is a graduate of École polytechnique and the Paris École des mines. He started his career in the French Ministry of Industry where he served from 1979 to 1984 before joining the Pechiney Group. From 1984 to 1988, Patrick Kron held operational responsibilities in one of the Group's most important factories in Greece, becoming manager of this Greek subsidiary. From 1988 to 1993, he occupied several senior operational and financial positions within Pechiney, first managing a group of activities in the processing of aluminium and eventually as President of the Electrometallurgy Division. In 1993, he became a member of the Executive Committee of the Pechiney Group and was appointed Chairman of the Board of the Carbone Lorraine Company from 1993 to 1997. From 1995 to 1997, he ran the Food and Health Care Packaging Sector of Pechiney and held the position of Chief Operating Officer of the American National Can Company in Chicago (USA). From 1998 to 2002, Patrick Kron was Chief Executive Officer of Imerys before joining ALSTOM. He has been Chief Executive Officer of ALSTOM since 1 January 2003 and Chairman and Chief Executive Officer since 11 March 2003.

Mr Patrick Kron was awarded the "Légion d'honneur" on 30 September 2004 and is Officer of National Order of Merit since 18 November 2007.

JEAN-PAUL BÉCHAT

Age: 68.

Nationality: French.

Professional address: ARSCO –
91, rue du Faubourg Saint-Honoré – 75008 Paris (France).

Principal function: Manager of ARSCO.

End of current Mandate: AGM 2012.
First mandate: 14 May 2001 – 9 July 2004.
Second mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Chairman of the Audit Committee.

Holds 3,900 shares.

Other current directorships and positions:

In France:

Director and Chairman of the Audit Committee of Atos Origin *;
Director of Sogepa;
Director of Musée de l'Air;
Member of the Board and Office of GIFAS.

In foreign countries:

Director of Russian Helicopters *

Past directorships and positions (held during the past-five years):

In France:

Director of the Supervisory Board of IMS * (16 June 2009 – 30 June 2010);
Chief Executive Officer of Safran * (11 May 2005 – 2 September 2007).

In foreign countries:

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(*) Listed company.

Biography:
Mr Jean-Paul Béchat is a graduate of École polytechnique and has a Master degree in Science from Stanford University (USA). In 1965, Mr Béchat started his career at Snecma and, from June 1996 till March 2005, he was Chairman and Chief Executive Officer of the group, then Chairman of the Management Board when the group evolved as Safran until August 2007. Mr Béchat is Honorary Chairman and member of the Board of GIFAS. He is also member of the Boards of Atos Origin and Sogepa. Mr Béchat is Honorary Fellow of the Royal Aeronautical Society, member of the Association Aéronautique et Astronautique de France (AAAF) and member of the International Academy of Astronautics (IAA). Mr Béchat is Officer of the *Légion d'honneur* and Officer of the National Order of Merit.

CANDACE K. BEINECKE

Age: 64.

Nationality: American.

Professional address: Hughes Hubbard & Reed LLP –
One Battery Park Plaza, New York, NY 10004-1482 (United States).

Principal function: Chair of Hughes Hubbard & Reed LLP.

End of current mandate: AGM 2011.
First mandate: 24 July 2001 – 26 June 2007.

Member of the Nominations and Remuneration Committee.

Holds 600 shares.

Other current directorships and positions:

In France:

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In foreign countries:

Chairperson of the Board of Arnhold & S. Bleichroeder Advisors First Eagle Funds, Inc. *, a public mutual fund family;
Member, Board of Trustees, Vornado Realty Trust (NYSE) *;
Member, Board of Directors, Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc.

Non-profit organisations:

Director Vice-Chair and member of the Executive Committee, the Partnership for New York City;
Trustee, The Wallace Foundation.

Past directorships and positions (held during the past-five years):

In France:

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In foreign countries:

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Biography:
Mrs Candace K. Beinecke, Chair of Hughes & Reed LLP, was named to her current position in 1999, the first woman to chair a major New York law firm. Mrs Beinecke is also a practicing partner in Hughes Hubbard's Corporate Department. Mrs Beinecke serves as Chairperson of Arnhold & S. Bleichroeder Advisors LLC First Eagle Funds, Inc., a leading US public mutual fund family. She is a Board member of Vornado Realty Trust (NYSE), Rockefeller Financial Services, Inc. and Rockefeller & Co., Inc. She also serves as a Director, Vice-Chair and Executive Committee member of the Partnership for New York City, and as a Trustee of The Wallace Foundation. She is also a member of the Board of Advisors, Yale Law School Center for the Study of Corporate Law, and a Director of the Merce Cunningham Dance Foundation. She has been included in The Best Lawyers in America, in Chambers, and in the National Law Journal's 50 Most Influential Women Lawyers in America, and one of the "25 New York executives whose contributions in and beyond business changed the City".

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OLIVIER BOUYGUES

Age: 60.

Nationality: French.

Professional address: Bouygues – 32, avenue Hoche –
75378 Paris cedex 08 (France).

Principal function: Deputy Chief Executive Officer of Bouygues *.

End of current mandate: AGM 2014.
First mandate: 28 June 2006 - 22 June 2010.

Member of the Nominations and Remuneration Committee.

Holds 2,000 shares.

Other current directorships and positions:

In France:

Chief Executive Officer of SCDM;
Standing representative of SCDM at the Board of Bouygues *;
Standing representative of SCDM, Chairman at the Board of SCDM Énergie; Chairman of SAGRI-E and SAGRI-F;
Member of the Executive Committee of Cefina;
Director of Finagestion;
Manager of SIR and SIB.

Within Bouygues group:
Director of TF1 *, Bouygues Telecom, Colas *, Bouygues Construction and Eurosport.

(*) Listed company.

In foreign countries:

Within Bouygues group:
Chairman and Chief Executive Officer and Director of Seci (ex-Saur Énergie de Côte d'Ivoire);
Director of Compagnie Ivoirienne d'Électricité (CIE) *, of Société de Distribution d'Eau de la Côte d'Ivoire (Sodeci) *, and of Société Sénégalaise des Eaux.

Past directorships (held during the past-five years) outside Bouygues group:

In France:

Director of Novasaur in 2006;
Permanent representative of SCDM, Chairman to the Board of SCDM Investcan and SCDM Investur (2010).

In foreign countries:

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Biography:

Mr Olivier Bouygues is a graduate of École nationale supérieure du pétrole (ENSPM). Mr Olivier Bouygues joined the Bouygues group in 1974. He began his career in the group's civil works branch. From 1983 to 1988, he worked at Bouygues Offshore as Director of the Cameroon subsidiary Boscam and then Director for the France Works and Special Projects division. From 1988 to 1992, he held the position of Chairman and CEO of Maison Bouygues. In 1992, he was appointed Group Executive Vice President for Utilities Management, a division covering the French and international activities of Saur. In 2002, Olivier Bouygues was appointed Deputy Chief Executive Officer of Bouygues.

GEORGES CHODRON DE COURCEL

Age: 61.

Nationality: French.

Professional address: BNP Paribas – 3, rue d'Antin – 75002 Paris (France).

Principal function: Chief Operating Officer of BNP Paribas *.

End of current mandate: AGM 2014.
First mandate: 3 July 2002 – 28 June 2006.
Second mandate: 28 June 2006 – 22 June 2010.

Member of the Audit Committee.

Holds 982 shares.

Other current directorships and positions:

In France:

Director of Bouygues *;
Director of Société Foncière, Financière et de Participations (FFP) *;
Director of Nexans *;
Member of the Supervisory Board of Lagardère SCA *;
Non-voting Director of Scor *.

Within BNP Paribas group:
Chairman of Compagnie d'Investissement de Paris SAS;
Chairman of Financière BNP Paribas SAS;
Director of Verner Investissements SAS;
Non-voting Director of Exane (a subsidiary of Verner).

In foreign countries:

Director of Erbé SA (Belgium);
Director of Group Bruxelles Lambert-GBL (Belgium) *;
Director of Scor Holding (Switzerland) AG (Switzerland);
Director of Scor Global Life Rückversicherung Schweiz AG (Switzerland);
Director of Scor Switzerland AG (Switzerland).

Within BNP Paribas group:
Chairman of BNP Paribas (Switzerland) SA;
Vice-Chairman of Fortis Banque SA/NV (Belgium) *.

Past directorships (held during the past-five years):

In France:

Non-voting Director of Safran and SCOR Global Life (ex-Scor Vie).

Within BNP Paribas group:
Chairman of BNP Emergis SAS.

In foreign countries:

Within BNP Paribas group:
Director of BNP Paribas ZAO (Russia);
Director of BNP Paribas (Suisse) SA (Switzerland);
Chairman and Director of BNP Paribas UK Holdings Limited;
Director of BNL (Italy).

Biography:

Mr Georges Chodron de Courcel graduated in 1971 from École centrale de Paris and had a degree in Economics in 1972. He began his career with Banque Nationale de Paris where he has had a succession of responsibilities. After having spent six years in Corporate Banking, he was named Head of Equity Research and then Head of Asset Management. In 1989, he was appointed Director of Corporate Finance and Chief Executive Officer of Banexi. In January 1991, he became Head of Capital Markets and in September 1996, was appointed Chief Executive International and Finance of BNP. After the merger with Paribas in August 1999, he was named Head of Corporate and Investment Banking and was Member of the Executive Committee, then Chief Operating Officer in June 2003.

(*) Listed company.

PASCAL COLOMBANI

Age: 65.

Nationality: French.

Professional address: A.T. Kearney – 44, rue de Lisbonne – 75008 Paris (France).

Principal function: Senior Advisor, A.T. Kearney.

End of current mandate: AGM 2012.
First mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Member of the Audit Committee.
Member of the Ethics, Compliance and Sustainability Committee.

Holds 600 shares.

Other current directorships and positions:

In France:

Non-Executive Chairman of the Board of Directors of Valeo *;
Non-Executive Director of Rhodia *;
Non-Executive Director of Technip *.

In foreign countries:

Non-Executive Director of British Energy Group plc (subsidiary of EDF);
Non-Executive Director of EnergySolutions * (USA).

Past directorships (held during the past five years):

In France:

Senior Advisor of Detroyat Associés and Banque Arjil (2006–2009);
Chairman of the Board of the French Association for the Advancement of Science (AFAS) (2003–2006);
Non-Executive Director of the French Institute of Petroleum (IFP) (2001–2006).

In foreign countries:

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Biography:

Mr Pascal Colombani is a graduate of École normale supérieure (Saint-Cloud) and holds a doctorate in Nuclear Physics. His career has been balanced between research and industry: he started as a research associate at the French Centre for National Research (CNRS) then joined Schlumberger where he spent almost twenty years in various management positions in Europe, the USA, and Japan. In this last assignment, while President of Schlumberger KK in Tokyo, he also initiated the implantation of an R&D centre in China. Director of Technology at the French Ministry of Research from 1997 to 1999, he became Chairman and Chief Executive Officer of the French Atomic Energy Commission (CEA) in 2000 until December 2002. He initiated the restructuring of the CEA industrial holdings, resulting in the creation of Areva in 2000, the nuclear engineering conglomerate. He chaired the Supervisory Board of Areva until 2003. Mr Pascal Colombani is Senior Advisor on Innovation, High Technology and Energy at A. T. Kearney, the management consultancy. He is also Non-Executive Chairman of the Board of Directors of Valeo and member of the Boards of British Energy Group plc (a subsidiary of EDF), Rhodia, Technip and EnergySolutions Inc. He is a member of the French Academy of Technologies. Mr Pascal Colombani is Officer of the "Légion d'honneur" and Officer of the National Order of Merit.

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JEAN-MARTIN FOLZ

Age: 64.

Nationality: French.

Principal function: Director of companies.

End of mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Chairman of the Ethics, Compliance and Sustainability Committee

Holds 1,000 shares.

Other current directorships and positions:

In France:

Director of Saint-Gobain *;
Director of Société Générale *;
Director of AXA *;
Member of the Supervisory Board of ONF Participations (SAS).

In foreign countries:

Director of Solvay * (Belgium).

Past directorships and positions (held during the past five years):

In France:

Director of Carrefour * (2008–2011);
Chairman of Association Française des Entreprises Privées (AFEP) (2007–2010);
Chairman of the Management Board of Peugeot SA * (1997–2007);
Chairman of Automobiles Peugeot;
Chairman of Automobiles Citroën;
Director of Banque PSA Finance;
Director of Peugeot Citroën Automobiles;
Director of Faurecia *.

In foreign countries:

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Biography:

Mr Jean-Martin Folz is a graduate of École polytechnique. He started his career in the French Ministry of Industry where he served from 1972 to 1978. Then he joined the group Rhône-Poulenc in 1978. He became Deputy Chief Executive Officer and, then, Chairman and Chief Executive Officer of Jeumont-Schneider between 1984 and 1987. He then joined Pechiney as Chief Operating Officer up to 1991, and was appointed Chairman of Carbone Lorraine. He was Chief Executive Officer of Eridania Béghin-Say and Chairman of Béghin-Say from 1991 to 1995. In 1995, he joined PSA Peugeot Citroën group and was appointed Chairman of the group in 1997. He left the group in February 2007. He was Chairman of AFEP from 2007 to 2010.

(*) Listed company.

LALITA D. GUPTE

Age: 62.

Nationality: Indian

Professional address: Mhaskar Building, 153 C Matunga, Sir Bhalchandra Road – Mumbai 400019, India.

Principal function: Non Executive Chairman, ICICI Venture Funds Management Company Limited.

End of current mandate: AGM 2014 (appointed on 22 June 2010).

Independent Director.
Member of the Audit Committee.

Holds 500 shares.

Other current directorships and positions:

In France:

None.

In foreign countries:

Non-Executive Chairman of Swadhaar FinServe Pvt. Ltd, Mumbai India;
Non-Executive Member of the Board of Bharat Forge Ltd *, Pune, India;
Non-Executive Member of the Board of HPCL-Mittal Energy Ltd, Delhi, India;
Non-Executive Member of the Board of Kirloskar Brothers Ltd *, Pune, India;
Non-Executive Member of the Board of Godrej Properties Ltd *, Mumbai, India.

She is also Non-Executive Member of the Board of Management of SVKM's NMIMS University, and Welham Girl's School. She is also a Member of the CAPP (Center for Asia Pacific Policy) Board of RAND, the Dean's Advisory Board of the Rotman School of Management, University of Ontario and a member of the Indian Advisory Council of NM Rothschild & Sons (India) Pvt Ltd.

Past directorships and positions (held during the past five years):

In France:

None.

In foreign countries:

Joint Managing Director and member of the Board of Directors of ICICI Bank Ltd * (2002–2006);
Member of the Board of Directors of ICICI Securities Ltd (1993–2006);
Member of the Board of Directors of ICICI Prudential Life Insurance Co Ltd (2000–2006);
Member of the Board of Directors of ICICI Lombard General Insurance Co Ltd (2000–2006);
Member of the Board of Directors of ICICI Bank UK Ltd (2003–2006);
Member of the Board of Directors of ICICI Bank Canada (2003–2006);
Member of the Board of Directors of ICICI Bank Eurasia Limited Liability Company (2005–2006);
Non-Executive Member of the Board of Directors of Firstsource Solutions Ltd *, India (2006–2010);
Non-Executive Member of the Board of Nokia Corporation *, Finland (2007– May 2011).

Biography:

Mrs. Lalita D. Gupte, is currently Chairperson of ICICI Venture Funds Management Company Limited. She retired at the end of October 2006 as Joint Managing Director and Member of the Board of ICICI Bank Limited. Mrs. Lalita D. Gupte was responsible for setting up the International business of ICICI Bank since 2001.

Beginning her career with ICICI Limited in 1971 in the project appraisal division, Mrs. Lalita D. Gupte has held various leadership positions in areas of Corporate and Retail Banking, Strategy, Resources, and International Banking and other areas. She was instrumental in transforming ICICI Bank from a primarily term lending institution into a technology led diversified financial services group. Mrs. Lalita D. Gupte was at the helm of ICICI Bank's global foray, which includes operations in over 17 countries.

Mrs Lalita D. Gupte joined the Board of ICICI Ltd in 1994 as Executive Director and remained on the Board including as Joint Managing Director till 2002 when it merged with ICICI Bank and she became Joint Managing Director of ICICI Bank from 2002-2006.

Mrs. Lalita D. Gupte has received numerous awards and recognitions.

Mrs. Lalita D. Gupte holds a Bachelor's Degree in Economics (Hons) and a Master's degree in Management Studies. She did her Advanced Management Programme (AMP) from Insead.

(*) Listed company.

GÉRARD HAUSER

Age: 69.

Nationality: French.

Principal function: Director of companies.

End of current mandate: AGM 2012.
First mandate: 11 March 2003 – 9 July 2004.
Second mandate: 9 July 2004 – 24 June 2008.

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 4,002 shares.

Other current directorships and positions:

In France:

Director of Technip *;
Director of Nexans *;
Director of Ipsen *;
Chairman of Supervisory Board of Stromboli Investissement (SAS).

In foreign countries:

Director of Mecaplast (Monaco).

Past directorships (held during the past five years):

In France:

Chairman and Chief Executive Officer of Nexans * (17 October 2000 – 26 May 2009);
Director of Aplix (12 June 1998 – 14 January 2009);
Director of Faurecia * (22 July 2003 – 23 April 2009).

In foreign countries:

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Biography:

From 1965 till 1975, Mr Hauser covered several high-duty positions in the Philips Group. From 1975 till 1996, he worked for the Pechiney Group, as Chairman and Chief Executive Officer of Pechiney World Trade first and of Pechiney Rhénalu later; he was later appointed Senior Executive Vice President of American National Can and member of the Group Executive Board. Mr Hauser joined Alcatel in 1996 and became President of its Cable and Component Sector in 1997. From October 2000 to May 2009, he was Chairman and Chief Executive Officer of Nexans.

KATRINA LANDIS

Age: 51.

Nationality: American

Professional address: BP Alternative Energy - 1101 New York Avenue NW - Washington, DC, 20005 (United States).

Principal function: Chief Executive Officer and Group Vice President BP Alternative Energy.

End of current mandate: AGM 2014 (appointed on 22 June 2010).

Independent Director.
Member of the Ethics, Compliance and Sustainability Committee.

Holds 500 shares.

Other current directorships and positions:

In France:

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In foreign countries:

Member of the Advisory Council of the American Center of Renewable Energy.

Past directorships (held during the past five years):

In France:

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In foreign countries:

Chief Operating Officer and Group Vice President BP Alternative Energy (2008–2009);
Group Vice President BP Integrated Supply and Trading (2006–2008);
Chief Executive Officer BP Integrated Supply and Trading – Oils Americas (2003–2006);
Member of the Board of Directors (Non-Executive Director) of Hydrogen Energy International Limited (2008–2009).

Biography:

Mrs Katrina Landis is the Chief Executive Officer of BP's Alternative Energy division. Alternative Energy has businesses in solar, wind, biofuels, and carbon capture and storage. Mrs Landis owned and operated a consulting company before joining the BP Group in 1992. Within BP she has served in a variety of senior roles including BP's exploration and production, oil supply, trading and mergers and acquisitions. Her career has included postings in the United Kingdom, Singapore and the United States. Mrs. Landis holds degrees from the University of Mary Washington and the University of Alaska in the United States.

(*) Listed company.

JAMES W. LENG

Age: 65.

Nationality: British.

Professional address: AEA Investors (UK) Limited – 78 Brook Street – London, W1K 5EF (United Kingdom).

Principal function: Chairman of AEA Investors Europe.

End of current mandate: AGM 2011.
First mandate: 18 November 2003 – 26 June 2007.

Independent Director.
Chairman of the Nominations and Remuneration Committee.

Holds 1,150 shares.

Other current directorships and positions:

In France:

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In foreign countries:

Non-Executive Director of TNK-BP Limited;
Director of Pregis Holding I Corporation;
Director of Pregis Holding II Corporation;
Non-Executive Director to the Ministry of Justice;
Non-Executive Director of HSBC Bank plc;
Non-Executive Director of J O Hambro Investment Management Ltd.

Past directorships (held during the past-five years):

In France:

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In foreign countries:

Non-Executive Director of Pilkington plc (11 September 1998 – 16 June 2006);
Chairman of Laporte Group Pension Trustees Ltd (4 July 2001 – 19 March 2007);
Non-Executive Director of Hanson plc (1 June 2004 – 24 August 2007);
Non-Executive Director of Corus Group plc (12 June 2001 – 23 January 2008);
Deputy Chairman of Corus Group plc (22 April 2002 – 23 January 2008);
Chairman of Corus Group plc (1 June 2003 – 23 January 2008);
Chairman of Tata Steel UK Limited (21 January 2008 – 21 November 2008);
Nominated Executive of Convenience Food Systems (7 July 2004 – 15 January 2009);
Non-Executive Director of Rio Tinto plc (14 January 2009 – 7 February 2009);
Non-Executive Director of Rio Tinto Limited (14 January 2009 – 7 February 2009);
Chairman of Tata Steel Europe Limited (14 November 2008 – 31 March 2009);
Deputy Chairman of Tata Steel Limited * (17 May 2007 – 7 July 2009);
Chairman of Doncasters Group Limited (20 December 2006 – 31 December 2009);
Non-Executive Director of CforC Limited (29 April 2009 – 15 December 2010).

Biography:

Mr James W. Leng is a Non-Executive Director on the Boards of ALSTOM, where he chairs the Nominations and Remuneration Committee, TNK-BP, the largest independent Russian oil and gas company, and European Chairman of AEA, an American private equity partnership. He is a Senior Advisor to HSBC and a Non-executive of HSBC Bank Plc, J O Hambro Investment Management Ltd and a Governor at Ashridge College and Chairman of the Guyll-Leng Charitable Trust established in 2010 to assist young children from disadvantaged backgrounds. From 2001-2009 he was Chairman of Corus Group plc, a global steel company sold to Tata Steel of India where he was also Deputy Chairman until July 2009. Past Non-Executive Directorships include, Chairman of Doncaster Ltd, (Precision Engineering), Pilkington plc (Glass), Hanson plc (Aggregates & Building Products) and IMI plc (Engineering). In an executive capacity he was Chief Executive Officer of Laporte plc, an international speciality chemicals company and before that Low & Bonar plc a diverse materials and packaging company. His early business years were spent at John Waddington plc where he was Managing Director of a number of their subsidiaries including consumer goods and packaging companies.

(*) Listed company.

KLAUS MANGOLD

Age: 67.

Nationality: German.

Professional address: IWB GmbH - Leitz-Strasse 45 – 70469 Stuttgart (Germany).

Principal function: Chairman of the Advisory Board of Rothschild GmbH (Frankfurt).

End of current mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Nominations and Remuneration Committee.

Holds 500 shares.

Other current directorships and positions:

In France:

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In foreign countries:

Vice-Chairman Europe of Rothschild, Paris/London;
Member of the European Advisory Council of Rothschild, Paris/London;
Member of the Supervisory Board of Universitätsklinikum, Freiburg;
Member of the Supervisory Board of Metro AG *;
Member of the Supervisory Board of Continental AG *, Hannover;
Member of the Supervisory Board of TUI AG *, Hannover, Germany;
Chairman of the Supervisory Board of ALSTOM Deutschland AG, Germany.

Past directorships and positions (held during the past-five years):

In France:

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In foreign countries:

Member of the Supervisory Board of Drees & Sommer AG, Stuttgart.

Biography:

Prof. Klaus Mangold is a former Member of the Board of Management of DaimlerChrysler AG, former Chairman of the Board of Management of DaimlerChrysler Services AG and former Executive Advisor to the Chairman of DaimlerChrysler AG. He studied law and economics at the Universities of Munich, Geneva, London, Heidelberg and Mainz and finished his studies with a law degree at Heidelberg University. After graduating, he held different functions in the German industry before being nominated a Member and Chairman of the Board of Management of Rhodia AG, a branch of the French Rhône-Poulenc group (1983–1990), and Chairman and Chief Executive Officer of Quelle-Schickedanz AG (1991–1994). He joined the Daimler-Benz group as a Member of the Board of Management in charge of its Services Division and Central and Eastern European markets (1995–2003). Prof. Mangold is member of a number of Supervisory and Advisory Boards including those of Rothschild Europe, Metro AG, Continental AG, TUI AG. Prof. Klaus Mangold is Honorary Consul of the Russian Federation. He is Commander of the "Légion d'honneur" in France.

ALAN THOMSON

Age: 64.

Nationality: British.

Professional address: HAYS plc – 250 Euston Road, London (United Kingdom).

Principal function: Chairman of HAYS plc.

End of current mandate: AGM 2011 (appointed on 26 June 2007).

Independent Director.
Member of the Audit Committee.

Holds 1,500 shares.

Other current directorships and positions:

In France:

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In foreign countries:

Senior Independent Director of Johnson Matthey plc * (UK);
Chairman of Bodycote plc * (UK).

Past directorships and positions (held during the past-five years):

In France:

–

In foreign countries:

Deputy Chairman of Bodycote plc * (UK) (2007–2008);
Group Finance Director of Smiths Group plc * (UK) (1995–2006).

Biography:

Mr Alan Thomson studied Economics and History at Glasgow University graduating with a Master of Arts degree in 1967. He qualified as a Chartered Accountant in 1970 and became a member of the Institute of Chartered Accountants of Scotland. From 1971 until 1975, he was Audit Manager with Price Waterhouse in Paris. From 1975 until 1979, he was Financial Director then Chief Executive Officer of Rockwell International SA in Paris, and from 1979 until 1982, he was Financial Director in the Automotive Division of Rockwell International firstly in the USA (1979–1980) then in the United Kingdom (1980–1982). From 1982 until 1984, he was UK Financial Director of Raychem Ltd, a division of a US public Materials Science company. From 1984 until 1992, he was a Divisional Finance Director within Courtaulds plc, a UK quoted company. From 1992 to 1995, Mr Alan Thomson was employed as the Group Financial Director and Main Board Director of The Rugby

(*) Listed company.

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Group plc, a UK quoted Building Materials company and from 1995, until his retirement in September 2006, he held the position of Group Financial Director of Smiths Group plc a UK quoted engineering company. Mr Alan Thomson was elected Chairman of Bodycote plc, a quoted engineering company, in April 2008. Mr Thomson was appointed in November 2010, Chairman of HAYS plc a listed recruitment company. He is also the Senior Independent Director of Johnson Matthey plc, a UK quoted company specialised in Precious metals and Environmental catalysts. Mr Alan Thomson is President of the Institute of Chartered Accountants of Scotland.

PHILIPPE MARIEN

Age: 54.

Nationality: French.

Professional address: Bouygues – 32, avenue Hoche – 75378 Paris cedex 08 (France).

Principal function: Chief Financial Officer of Bouygues group.

Member of the Audit Committee.

Designated by Bouygues SA * as its permanent representative.

End of Bouygues' mandate: AGM 2014 (mandate renewed on 22 June 2010).

Bouygues SA

French Société Anonyme with a share capital of €342,818,079.
Head Office: 32, avenue Hoche – 75378 Paris cedex 08 (France).

Holds 90,543,867 shares as of 3 May 2011.

Other current directorships and positions of Bouygues SA:

In France:

Director of Bouygues Construction;
Director of TF1 *;
Director of Colas *;
Director of Bouygues Telecom;
Director of C2S;
Director of Bouygues Immobilier;
Director of 32 Hoche.

Past directorships and positions of Bouygues SA (held during the past-five years):

In France:

Director of Société Technique de Gestion (SOTEGI) (14 April 2003 – 7 April 2008);
Director of Bouygues Bâtiment International (10 June 1999 – 28 November 2008);
Director of Bouygues Travaux Publics (10 June 1999 – 28 November 2008);
Director of Bouygues Bâtiment Île-de-France (28 May 2003 – 28 November 2008);
Director of CATC (21 May 1996 – 8 April 2008).

Current directorships of Mr Philippe Marien within Bouygues SA

Permanent representative of Bouygues, Director of Bouygues Construction;
Permanent representative of Bouygues, Director of TF1 *;
Permanent representative of Bouygues, Director of Colas *;
Chairman and Director of Bouygues Telecom;
Permanent representative of Bouygues, Director of Bouygues Immobilier.

Current directorships of Mr Philippe Marien outside Bouygues:

Chief Executive Officer of SCDM;
Liquidator of Finamag.

Past directorships of Mr Philippe Marien (held during the past five years) :

Permanent representative of Bouygues, Director of Bouygues Telecom (25 February 2008 – 18 February 2009) ;
Manager (non-partner) of SNC Les Collines (17 February 2003 – 30 June 2007) ;
Director of Compagnie des Eaux de Royan (11 February 2003 – 30 June 2007) ;
Director of Cise Maintenance (24 March 2003 – 30 June 2007).

(*) Listed company.

ADDITIONAL INFORMATION

To the Company's knowledge, no member of the Board of Directors:

- has been convicted for fraud during the last five years and/or has been the subject of any official public investigation and/or sanction by statutory or regulatory authorities;
- has been associated in his/her capacity of manager in any bankruptcy, receivership or liquidation for the past five years;
- has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in the management or conduct of the business of any issuer for the past five years.

To the Company's knowledge, no family relationships among the members of the Company's Board of Directors exists.

Furthermore, to the Company's knowledge there is no conflict of interest between any duty of the members of the Board of Directors and their private interests and/or other duties. The potential conflicts of interest are essentially those that could, as the case may be, originate from agreements that Bouygues and Alstom have entered into. Bouygues SA or companies of its group may be in a position to sign various contracts with ALSTOM or its subsidiaries pursuant, in particular, to the non exclusive cooperation protocol signed between both groups on 26 April 2006, and the purpose of which is the creation of infrastructures for transport or the production of electricity. It could also be the case with respect to service or financing agreements entered into between ALSTOM and BNP Paribas since Mr Georges Chodron de Courcel is also Delegated Chief Executive Officer of BNP Paribas.

In case of conflict of interest, according to the Director's Chart annexed to the Board of Directors' Internal Rules, any Director must inform the Board as soon as he/she is aware of any, even potential, conflict of interests and he/she must abstain from participating to discussions on the conflicting subject matter and from voting on the resolution thereby. In case of permanent conflict of interest, the Director must resign.

To the Company's knowledge, no settlement or agreement has been reached with shareholders, clients, suppliers or others to appoint a member of the Board of Directors.

To the Company's knowledge, there is no service contract linking any members of the Board of Directors to the Company or to any of its subsidiaries and granting them any benefits.

EVALUATION OF THE DIRECTORS' INDEPENDENCE

According to the AFEP-MEDEF Code and as set forth in the Board of Directors' Internal Rules, the Board of Directors re-examines annually the situation of each Director in the light of the independence criteria. The Board meeting of 3 May 2011 performed this review based on the proposals made by the Nominations and Remuneration Committee which the Board had accepted.

As in the previous year, the Board followed the definition contained in the AFEP-MEDEF Code and considered that a Director is independent when he or she has no relationship of any kind with the Company, its Group or its Management that could compromise the independence of his or her judgement.

The Board took into account all the criteria recommended by the AFEP-MEDEF Code to assess the independence of its members, which follow:

- a Director is not an employee or a Corporate Officer (*mandataire social*) of the Company or of one of its consolidated subsidiaries and has not been in such a position for the five previous years;
- a Director is not a Corporate Officer (*mandataire social*) of a company in which the Company holds, either directly or indirectly, a directorship, or in which a directorship is held or has been held within the past-five years by an employee or a Corporate Officer (*mandataire social*) of the Company;
- a Director is not either directly or indirectly, a significant customer, supplier, investment banker or commercial banker or for which the Company or its Group holds a material proportion of the entity's activity;
- a Director does not have any close family ties with a Corporate Officer (*mandataire social*) of the Company;
- a Director has not been an auditor of the Company for the past five years;
- a Director has not been a Director of the Company for more than twelve years;
- a Director does not hold, control, or represent a shareholder who holds alone or in concert more than 10% of the Company's share capital or voting rights in Shareholders' Meetings.

In compliance with AFEP-MEDEF recommendation, the Board of Directors may consider that a Director may not be qualified as independent even though the criteria are satisfied and conversely.

On this basis, the Board of Directors decided to maintain its characterisations defined in 2010 and determined that nine members should be considered as independent Directors (Mr Jean-Paul Béchat, Mr Pascal Colombani, Mr Jean-Martin Folz, Mrs Lalita D. Gupte, Mr Gérard Hauser, Mrs Katrina Landis, Mr James W. Leng, Mr Klaus Mangold and Mr Alan Thomson) out of the fourteen members of the Board of Directors.

The Board's view that Mr Gérard Hauser should be considered to be independent took into account the fact that Mr Gérard Hauser is no longer Chairman and Chief Executive Officer of Nexans since 26 May 2009, and the commercial relationship between Nexans and the Alstom Group (which represented less than 1% of Nexans revenues in 2010), a relationship that the Board judged non-material. The Board's view also took into account the fact that a Company Director is also a Non-Executive Director of Nexans, and the fact that Mr Gérard Hauser is Non-Executive Director of a company in which another Company Director without executive function is a Non-Executive Director. None of these elements were considered of the type to affect his freedom of judgment.

After having taken into account the fact that Mr Pascal Colombani is Non-Executive Director of a company in which a member of ALSTOM Executive Committee is a Non-Executive Director, and that he is a Director for a company in which an ALSTOM Director has been appointed as Non-Executive Director, the Board's opinion is that Mr Pascal Colombani should be considered to be independent. None of these elements were considered of the type to affect his liberty of judgment. The Board's view that Mr Jean-Martin Folz should be considered to be independent took into account the fact that in spite of the level of relationship between the Group and Société Générale, of which Mr Folz is a Director, Mr Folz does not have and never has had an executive position within Société Générale. In addition, no significant relationship was observed with AXA, of which Mr Folz is a Non-executive Director.

The Board of Directors also considered that the nomination of Mr Klaus Mangold as Chairman of the Supervisory Board of a German subsidiary of the Group in order to benefit fully from his experience and skills, does not compromise his ability to maintain independence of judgment insofar as this nomination did not create any hierarchical relationship with the management of the Company. The Board of Directors noted that, to this day, Mr Mangold has not informed the Board of any existing or potential conflicts of interest with respect to this mandate, and that he had undertaken to provide such information, as the case may be.

The Board also determined that Mr Jean-Paul Béchat, Mrs Lalita D. Gupte, Mrs Katrina Landis, Mr James W. Leng and Mr Alan Thomson fulfilled each of the above criteria and should be considered to be independent.

In addition to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company, Mrs Candace K. Beinecke who is Chair of Hughes Hubbard & Reed LLP, one of the Company's principal legal advisors, Mr Olivier Bouygues who is Delegated Chief Executive Officer of the company Bouygues SA, Bouygues SA which holds on 31 March 2011 approximately 30.75% of the Company's share capital, and Mr Georges Chodron de Courcel who is Delegated Chief Executive Officer of BNP Paribas, one of the core banks and one of the financial advisors of the Company, are not independent Directors.

Thereby, the Board of Directors qualified nine members out of fourteen as independent (64%), which exceeds the proportion of one half recommended by the AFEP-MEDEF Code for those companies with a widely spread share capital and the rule adopted by the Board set forth in its Internal Rules.

RULES OF CONDUCT

Director's Chart

Attached to the Board of Directors' Internal Rules is the Director's Chart, defining the Directors' rights and obligations, and the content of which is for the most part compliant with the recommendations of the AFEP-MEDEF Code.

Before accepting her/his appointment, all Directors shall take cognisance of the legal and regulatory requirements relating to his office, as well as of the Company by-laws, the Group's Code of Ethics, the internal procedures for the Board of Directors, Board Committees and this Chart. Any Director can refer to the Secretary of the Board at any time, regarding the application of these rules and the rights and obligations of his role.

Any Director shall dedicate to her/his function all the required time and attention and shall attend – unless prevented to do so – all meetings of the Board of Directors and of the Committees which he is a member of, as well as all Shareholders General Meetings.

Pursuant to the Chart, each Director has a duty to inform the Board as soon as she/he is aware of a conflict of interest, even a potential one, and to abstain from attending discussions and from voting the resolution thereby. In case of permanent conflict of interest, the Director must resign.

Pursuant to the Chart, each Director is bound by professional secrecy and must personally protect the confidentiality of any information he/she obtains in connection with his/her office that has not been made public.

The Director's Chart reminds the Directors' duty to comply with the Group's Internal Rules and, more generally, with the applicable legal or regulatory provisions regarding the Directors' abstention from dealing on the Company's securities, as set forth in the Group's Code of Conduct on the misuse of inside information designed to prevent insider trading.

The Company has been operating, since the time of its flotation in accordance with **a Code of Conduct on the misuse of inside information designed to prevent insider trading** (the "Code of Conduct") which defines the situations in which certain individuals must refrain from carrying out transactions involving the Company's securities. These principles are also contained in the Group's Code of Ethics presented in the second part of this report.

The Group's Code of Ethics and Code of Conduct are also delivered to each Director at the beginning of her/his mandate. Compliance with confidentiality rules is also among the essential rules of the Group's Code of Ethics.

The Code of Conduct for the prevention of insider trading, approved by Board of Directors, applies to the managers (Executive and Non-executive Directors) and assimilated persons, and to employees of the Group who have regular or occasional access to inside information.

Following the 3 November 2010 recommendations of the AMF on the prevention of insider trading caused by managers of listed companies, the Board of Directors reviewed the Code of Conduct on 3 May 2011. Since then, such Code includes managers' ability to resort to trading plans managed by third parties (*mandats de gestion programmée*) and allows to continue the execution of such trading plans during the blackout trading periods provided for in the Code.

Pursuant to this Code, transactions involving the Company's securities are not allowed:

- during the 30 calendar days before Alstom first six-month and annual results are disclosed to the public and until the second trading day included after the date when the information has been disclosed to the public;
- during the 15 calendar days before the public disclosure of the sales and orders for the first and third quarters of the financial year and until the second trading day included after the date when the information has been disclosed to the public, and in any case;
- when inside information is held and until the second trading day included after the date when this information has been disclosed to the public;

The schedule of these blackout periods, like the Code of Conduct, can be accessed online on the Company's intranet site.

In addition, the opening of black-out trading periods are notified by email to the interested persons and include an updated timetable of all such periods.

The prohibitions do not apply to the subscription of shares through the exercise of stock options so long they are not followed by the sale of such acquired shares.

The Board Internal Rules, as well as this Code of Conduct to which the Internal Rules of the Board refer, also remind the managers and persons assimilated to them of their **legal obligations to notify the transactions on the Company's securities** completed either by them or by persons close to them.

CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

ORGANISATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

INTERNAL RULES

The procedures governing the organisation and functioning of the Board of Directors are defined by the Internal Rules of the Board and applicable laws and regulations.

The rules are regularly reviewed by the Board to determine whether its provisions need to be amended or detailed in order to better comply with regulations in force or to improve the efficiency and operation of the Board and its Committees. The last amendments made, aimed at improving the Board's good governance practices were incorporated on 18 March 2009 upon recommendations of the Nominations and Remuneration Committee.

The Internal Rules notably state that the Board of Directors:

- shall comprise at least half of the Board of independent members as determined and reviewed annually by the Board on the basis of a proposal to be made by the Nominations and Remuneration Committee;
- shall define, upon the proposal of the Chief Executive Officer, the Group's strategy, and shall regularly review the Group's strategic options as previously defined, supervise management and verify the quality of information supplied to shareholders and the financial markets;
- shall examine and approve the annual budget and the medium-term plan;
- shall consider prior to implementation, any operation that is not part of the Group's announced strategy or that could significantly affect it or materially modify the financial structure or results of the Group;
- shall approve before implementation any acquisition or divestiture insofar as the amount exceeds €250 million, any decision to set up a partnership or a joint venture where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion;
- shall approve before implementation organic growth investments in an amount higher than €250 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy;
- shall be kept regularly informed of developments in the Group's business activities and results, the Group's significant risks, its financial position, indebtedness, cash position and, more generally, any Group commitments, and may request information about the foregoing at any time;
- shall create one or more specialised Committees and shall define their composition and responsibilities;
- shall approve the composition of the Group's Executive Committee;
- shall set the remuneration of the Executive and Non-Executive Directors (*mandataires sociaux*) and assess each year the Chairman and Chief Executive Officer's performance outside of his presence;
- shall review and approve annually the information published in the Company's annual report on its practices and structure of corporate governance, including the presentation of the policy that is followed with respect to the remuneration of Executive and Non-Executive Directors.

The Board shall examine its operation at least once a year and implement a formal assessment every three years.

In practice, the Board implement a formal assessment of its functioning and of the Committees' functioning annually.

A minimum of five meetings are scheduled each year.

TRAINING OF DIRECTORS

At the beginning of her/his mandate, each Director receive all information needed to perform her or his duties and may request any documents she or he considers appropriate.

Interviews with those responsible for the Group's main central functions are organized, as well as meetings in the Group's Sectors, with detailed presentation of the businesses and the visits of production site in order for the Directors to gain initial contact with management teams and develop a more thorough understanding of elements that are specific to the Company, its activities and the markets in which it operates.

Over the course of the 2010/11 fiscal year, within the framework of the development of continuing training initiatives, it was also decided to offer all Directors the option to participate in these training programs intended for new Directors.

During the annual evaluations of the Board's operation, the members are requested to indicate whether they feel the need to update their knowledge or broaden their skills.

The Board's Internal Rules have been supplemented to clarify that any further training a Director may request, if she or he considers it necessary, may cover not only Group's activities and product lines, but also accounting and financial aspects.

Each year, one Board meeting is held on one of the main Group's sites and provides in depth presentations of the business concerned and visits of production sites.

INFORMATION TO BE SUPPLIED TO DIRECTORS

Prior to each Board or Committee meeting, the Directors shall receive, sufficiently in advance and with proper notice (of generally one week), a report on the agenda items which require prior examination and consideration.

Draft annual and semi-annual accounts are generally sent to all Directors at least one week before the meeting of the Audit Committee which always precedes the Board meeting.

In addition to Board meetings, the Chairman regularly informs the Directors of any event or development that may have a material impact on operations or on any information previously communicated to the Board or on any matters discussed during the meetings; the Chairman also regularly forwards to the Directors any material information regarding the Company. The Board Internal Rules, notably provide for the prior notice and data to be given to the Board for any acquisition, disposal or any decision to set up a partnership or a joint venture in excess of €100 million.

The Directors also receive copies of any press releases issued by the Company which have not been specifically approved by the Board, as well as the main articles appearing in the press and reports by financial analysts.

The Directors may at any time request further information from the Chairman of the Board, who shall assess the pertinence of the request. Any Director is also entitled to meet with the Group's Senior Executives outside of the presence of the *"mandataires sociaux"* of the Company.

The Directors can also be asked to join workgroups organised by the Company whose subject matters will then be presented to the Board.

BOARD COMMITTEES

Since the Company's listing in 1998, the Board of Directors has created two Committees, the Audit Committee and the Nominations and Remuneration Committee, invested with the responsibility to study and prepare the Board's main deliberations in order to improve the Board's efficiency, which is the only body duly authorised to make decisions.

In September 2010, the Board of Directors decided to create a third Committee, the Ethics, Compliance, and Sustainability Committee (the "EC&S Committee") (see hereinafter).

Each Board meeting is generally preceded by a meeting of one or several Committees depending on the items on the Board meeting agenda. The Committees report to the Board on their work and observations, and submit their opinions, proposals or recommendations. Given the travelling requirements foreign Directors are faced with, Audit Committee meetings are usually held the day prior to Board meetings and not two days ahead as recommended by the AFEP-MEDEF Code, subject to certain exceptions, on the basis of documents that have already been sent to participants (a week before the meeting). However, with respect to the approval of the annual financial statements, it happened that the Audit Committee met several days before the Board meeting.

The composition, the powers and the procedures of each Committee are also defined by Internal Rules put forward by each Committee involved and approved by the Board of Directors. Each Committee reviews every year its Internal Rules to take into account the evolution of the regulations or recommendations and can submit any modifications that it considers appropriate to the Board.

As such, at its meeting dated 3 May 2011, and based on the recommendation made as a result of the work of its Committees, the Board of Directors made a number of changes to the Internal Rules of the Audit Committee and the new EC&S Committee in order to detail their respective duties and interactions with respect to the monitoring of risk management related to ethics, compliance, and sustainable development. The Audit Committee also took the opportunity to review the July 2010 report of the AMF workgroup on Audit Committees and considered that the definition of its duties and their execution were compliant with the recommendations made by the workgroup.

A Director's experience and skills are taken into account as selection criteria in deciding on his or her presence on a given Committee.

According to the Audit and EC&S Committees' Internal Rules, these Committees shall consist of at least three members of whom at least two-thirds must be independent Directors including the Chairman of the Committee. As for the Nominations and Remuneration Committee, the Rules recommend that it shall consist of at least three members and that at least a majority of the Committee's members are independent among whom the Chairman of the Committee who shall have a casting vote in case of a tie vote.

In the context of its work, each Committee can meet any Group executive it wishes, resort to the services of experts on its own initiative and ask for any information useful for it to perform effectively.

Moreover, each member of a Committee may propose that a meeting be held if he or she considers this necessary in order to discuss a particular issue.

Each Committee prepares a report presenting its work during the past fiscal year; this report is included in the Annual Report (see hereinafter).

The Internal Rules of the Board of Directors and its Committees and the Director's Charter appended to the Board Internal Rules of which large extracts are provided herein, as well as the Code of Conduct to which the Board Internal Rules refer, are available on the Alstom Internet site (www.alstom.com, section "About us").

ANNUAL EVALUATION OF THE FUNCTIONING OF THE BOARD AND OF THE COMMITTEES AND THE FOLLOW UP

Since 2004, the Board carried out annually a formal self-assessment of its organisation and functioning pursuant to its Internal Rules, based on a questionnaire prepared by the Nominations and Remuneration Committee addressed to each Director.

These Board's evaluations cover notably the composition of the Board, the frequency and length of the meetings, the issues discussed and time devoted, the quality of the debates, the works of Committees, the information and the training provided to the members, their remuneration and their interaction with the Group's managers. Directors are also requested to give their opinion and proposals on each topic including on the individual contribution of members to the Board works.

A summary of the individual assessments collected by the Committee on an anonymous basis is prepared by the Committee and then discussed by the Board of Directors in May. A similar procedure is simultaneously conducted to evaluate the workings of each Committee.

These evaluations were conducted for the first time in May 2004 and the last time in May 2010.

Following the recommendation of the Nominations and Remuneration Committee, a review and evaluation of the operations of the Board of Directors and its Committees in the 2010/11 fiscal year were undertaken by external consultants selected by the Committee, namely Spencer Stuart. Their findings were presented and debated at the Board of Directors' meeting of 3 May 2011.

The report concluded that the Board's overall performance was most satisfactory. It underlined the high quality of the information made available to the Directors and confirmed the high standards of governance. It also highlighted the quality of the functioning of the Board Committees and the interaction with the Group's management.

Regarding the recommendations, the Board will continue its focus on strategic debates. The Board will also increase its exposure to the Group's executives when visiting facilities and ask them to participate in specifics topics at Board meetings; this will improve the Directors' familiarity with these individuals when reviewing the Company's succession plans. Taken together, these initiatives will lead to include an additional meeting in its annual programme.

ACTIVITY REPORT OF THE BOARD FOR FISCAL YEAR 2010/11

The Board of Directors met six times during the fiscal year (eight times during the previous fiscal year). The attendance was 97.5% in 2010/11, whereas it was 93% in 2009/10.

The Board discussed and passed resolutions on all main topics regarding the Group. During its meetings, the Board notably discussed and passed resolutions on the topics below.

The Board reviewed and approved the consolidated and parent company accounts for the fiscal year 2009/10, the consolidated accounts for the first half of the fiscal year 2010/11, as well as the related management reports. The Board reviewed the draft press releases on these accounts before their publication.

At the time it reviewed the accounts and also regularly, the Board continued to review the financial situation of the Group, the evolution of the cash flow and debt and credit and bonding lines situation. The Board received information on the significant risks faced by the Group and the action plans launched and discussed and approved the description of the main risks faced by the Group which were included in the Company's 2009/10 Annual Report/Registration Document.

A report on the development of the Group's activities has been presented at each meeting. After the acquisition of the electricity Transmission and Distribution activities of Areva in consortium with Schneider Electric and the creation of the Grid Sector, the Board of Directors was briefed on a regular basis regarding the integration of the Transmission business activities and the progress of the operations to split up the Distribution activities.

In September 2010, a Board of Directors meeting was held at Aix-Les-Bains, France, on one of the main worksites of Grid, and was followed by in-depth presentations of the new Grid Sector and of its strategy including a visit of the equipment factory for gas insulated switchgears "GIS".

The Board of Directors decided to create a new Ethics, Compliance and Sustainability Committee, and determined its composition and functions.

In March 2011, during its annual budget and planning meeting attended by the Sector's Presidents and the Senior Vice President Group Strategy and Development, the Board reviewed and approved the 2011/12 budget and the three-year plan 2011/2014; it also discussed the Group's short term strategy in the different business Sector during this annual session. Within this framework, it also reviewed the market evolution, the Group's portfolio of business activities and the competitive environment, as well as the update of the risk map produced for each business line and for the Group.

The Board discussed in May 2010 and March 2011 the application by the Company of the AFEP-MEDEF corporate governance principles. It reviewed the procedures implemented by the Company to warn against insider trading, observed that such procedures were for the most part in line with AMF recommendations, and approved a number of amendments to the Code of Conduct in order to provide more detail on certain matters, as recommended by the Nominations and Remuneration Committee.

In May 2010, the Board discussed and approved the results of the annual performance evaluation of the Board and its Committees as submitted by the Nominations and Remuneration Committee, the Chairman's report attached to the Management report, the Director's independence and the criteria applied, and more generally approved the Chairman's report pursuant to Article L. 225-37 of the French Commercial Code and the section "Corporate Governance" of the 2009/2010 Annual Report/Registration Document before its filing with the AMF (*Autorité des marchés financiers*).

Also May 2010, the Board reviewed all components of the Chairman and Chief Executive Officer's remuneration. The Board determined in May 2010, the amount of the Chairman and Chief Executive Officer's variable compensation for fiscal year 2009/10 based on the achievement of the financial and personal objectives and on the terms of calculation previously set by the Board. The Board also fixed the objectives for the determination of his variable compensation for fiscal year 2010/11 and the basis for its calculation depending on the achievements and confirmed the annual fixed compensation of the Chief Executive Officer for the 2010/11 fiscal year initially set in 2009 when the incremental growth of his fixed compensation over the three-year period from 2009 to 2012 was set.

In December 2010, the Board of Directors decided, as proposed by the Nominations and Remuneration Committee, to grant the Chairman and Chief Executive Officer a conditional long-term variable compensation plan subject to reaching performance criteria that are both internal and external to the Company and to continued employment of the beneficiary within the Company.

The Board also decided, as proposed by the Nominations and Remuneration Committee, the allocation of a new long term incentive plan combining the allocation of stock options and the free allocation of performance shares both fully conditional upon the achievement of the Group's financial objectives over three consecutive fiscal years. During the fiscal year, the Board of Directors also:

- adopted the resolutions and the documents required by law concerning the Annual General Meeting;
- renewed the financial delegation of powers to the Chairman and Chief Executive Officer for the issue of bonds and approved all the bond issues launched;
- reviewed the Chairman and Chief Executive Officer's performance during its annual meeting outside of his presence held in March.

The Committees' Chairmen submitted their Committee work reports to the Board for discussion.

The Independent Auditors were invited to the two Board meetings dedicated to the review and approval of the annual and half-yearly accounts.

AUDIT COMMITTEE

The **Audit Committee**, formed in 1998, is currently composed of six members: Mr Jean-Paul Béchat, Chairman of the Committee since 1 January 2004, Mr Georges Chodron de Courcel, Mrs Lalita D. Gupte (since 28 September 2010), Mr Pascal Colombani, Mr Philippe Marien and Mr Alan Thomson.

Four members out of six are independent, including the Chairman. This corresponds to the two-thirds of Directors recommended by the AFEP-MEDEF Code.

Mrs Lalita D. Gupte, Mr Philippe Marien and Mr Alan Thomson have specific expertise in financial or accounting matters due to their qualification or professional expertise as set forth in their biographies. Mrs Lalita D. Gupte and Mr Alan Thomson are also independent members.

DUTIES

Acting under the authority of the Board of Directors, the general purpose of the Committee is to assist the Board of Directors in overseeing issues relating to the development and management of financial and accounting information. In particular, the Committee is responsible for monitoring (i) the process according to which the financial information is developed, (ii) the efficiency of internal controls and risk management systems, (iii) the legal auditing of annual account statements and consolidated account statements as carried out by the External Auditors, and the independence of such External Auditors.

In fulfilling its role, as stated in its Internal Rules as amended on 3 May 2011, the Committee is responsible for the following:

- to review the scope of consolidation and examine all draft consolidated and corporate financial statements and related reports which will be submitted to the Board for approval and to discuss them with Management and the External Auditors;
- to review with Management and the External Auditors the generally accepted accounting principles used in the preparation of the accounts including the review of alternative accounting principles, as well as any change in accounting principles, methods or rules while ensuring that such principles are still relevant;
- to examine and monitor the production process and the treatment of financial and accounting information used in the preparation of account statements;
- to evaluate the validity of the methods chosen for processing significant transactions as well as those transactions through which a conflict of interest could have occurred;
- to examine Management's presentation on risk exposure (including legal risks) and significant off-balance sheet commitments and contingencies at the time of the Committee's review of the accounts;
- to review and evaluate at least annually, the efficiency of internal control procedures and risk management procedures in place, including those associated with the development and treatment of financial and accounting information; the Committee ensures that the main risks are identified and managed, and that it is kept informed of their existence and status, it being specified that it shall receive the opinion of the Ethics, Compliance, and Sustainability Committee on the risk map concerning ethics and compliance, social responsibility and sustainable development and on the procedures in place for preventing the identified risks;
- to examine and review, on an annual basis, the organization and operation of the internal audit; the Committee approves the internal audit program, monitors its development and the results of its plans of action;
- to review with the External Auditors the nature, scope, and results of their audit and work performed; and to review their comments and suggestions, in particular those relating to internal control and risk management procedures, to accounting practices and to the internal audit program;
- to examine and provide the Board of Directors with its opinion on the Chairman of the Board of Director's draft report to shareholders at the general Shareholders' Meeting on the internal controls and risk management procedures implemented by the Company;
- to review and control the call for tenders procedure associated with the selection of External Auditors and provide the Board of Directors with a recommendation on the External Auditors proposed for appointment by shareholders at the general Shareholders' Meeting and on the amount of fees that the Company intends to pay them;
- to approve the External Audit Charter governing relations with the External Auditors and examine, on an annual basis, the amount of the fees paid by the Group to the networks to which such External Auditors belong, including fees that are not directly linked to the External Auditors' duties;
- to see to the External Auditors' independence, to examine with them, if applicable, the risks that are impacting such independence and the safety measures undertaken to mitigate these risks and grant its prior approval to any external audit performed that is accessory to or directly complementary to the audit of the accounts they are responsible for (excluding all other duties).

The Committee may also perform any other activities as the Committee or the Board of Directors deems necessary or appropriate. The Committee is entitled to seek any external assistance it may deem necessary.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning. Unless the Committee decides differently, the External Auditors will attend meetings.

ACTIVITY REPORT OF THE AUDIT COMMITTEE FOR FISCAL YEAR 2010/11

The Audit Committee met four times during fiscal year 2010/11 (five times during fiscal year 2009/10). The attendance level was 100% (93% for previous fiscal year).

The Chief Financial Officer, the Senior Vice President Internal Audit, the Group Controller, the General Counsel and at least one representative of the two independent audit firms were in attendance at all four meetings. Other Senior Management including the Senior Vice President Corporate Stratety and Development, the Vice President of Tenders and Projects Control, the Vice President of Corporate Funding and Treasury and several representatives of Sectors' Financial Departments attended the Committee meetings.

The Committee reviewed the Statutory and Consolidated Financial Statements as of 31 March 2010 as well as the half-year consolidated accounts as of 30 September 2010 (financial statements, notes and management or activity reports) in April and November 2010 respectively. In April 2010, the Committee also reviewed the Registration Document (Document de Référence) for the fiscal year ended 31 March 2010 prior to its filing with the French Stock Market authority *(Autorité des marchés financiers)* and especially the section concerning risks as well as the section concerning the internal control and risk management procedures of the Chairman's Report, which the Committee has approved.

On the basis of the presentations produced by the General Management and the independent audit firms, the Committee checked the relevance of the accounting methods and treatments used in the financial statements.

As each year, the annual and half-year closing of accounts led to detailed presentations from the General Management and Financial Management of each Sector, of the Group's major risks (risks linked to the activity, to contract execution, to the main disputes), of cash-flow, of the off-balance sheet commitments and of provisions. The

Chairman of the Committee met at each closing of accounts with the independent audit firms alone to examine how the financial statements have been prepared.

Furthermore, specific subjects were presented and discussed with the Committee concerning risk management: the Group's Treasury organisation and foreign exchange risk management. In September 2010, during a specific management session, the Senior Vice President Finance of the Grid Sector and the Group Controller presented in detail the progress of the integration and separation processes, related accounting issues and associated risks. The risk mapping methodology – risk identification and follow-up tool embedded in the Budget/Three year plan – as well as the action plans implemented, were examined. The updated results were presented by the Senior Vice President Corporate Strategy and Development at Group and Sector levels in March 2011.

The Committee reviewed the existing internal control procedures put in place in the Group and the internal control evaluation done by the Company through an annual evaluation questionnaire. The Committee was informed of the detailed results of the annual internal control campaign and of the action plans aiming to improve internal controls and risk control, to eliminate weaknesses and to ensure compliance with applicable regulations. The results of the action plans were presented to the Committee. The Committee also heard the auditors' observations and recommendations on internal control in March 2011.

The Senior Vice President Internal Audit presented the Internal Audit half-year and full year activity reports for 2010 and the proposed internal audit plan for each of the next four years was reviewed and approved. As each year, the Chairman of the Audit Committee met individually with the Senior Vice President Internal Audit.

The Committee examined the amount of fees paid out to the independent audit firms during the last fiscal year. The External Auditors' Charter includes the listing of pre-approved services that can be performed within defined limits by the independent audit firms. The Committee, was informed twice of the work performed by the independent audit firms within its guidelines and the fees involved.

As each year, members evaluated the functioning of the Committee on the basis of a questionnaire prepared by the Nominations and Remuneration Committee which particularly aims to check that important questions were adequately prepared and discussed. The results and suggestions were discussed during a Board meeting.

The Committee reported on its work, provided comments and gave proposals to the Board.

The **Nominations and Remuneration Committee**, formed in 1998, is currently composed of five members: Mr James W. Leng, Chairman of the Committee since 18 November 2003, Mrs Candace K. Beinecke, Mr Olivier Bouygues, Mr Gérard Hauser and Mr Klaus Mangold.

Three members of the Committee out of five are independent, including the Chairman, which corresponds to the AFEP-MEDEF Code's recommendation to have a majority of independent members in Remuneration Committees.

DUTIES

As stated in its Internal Rules as amended on 18 March 2009, the Committee reviews and makes proposals or gives its opinion to the Board of Directors on the following subjects:

- the separation or combining of the functions of Chairman of the Board and Chief Executive Officer of the Company;
- the nomination (or revocation) of the Chairman of the Board and of the Chief Executive Officer;
- the nomination of new Directors including in case of unforeseeable vacancy; in particular, the Committee organises an appropriate procedure for selecting future independent Directors and makes its own independent research on potential candidates prior to their being approached;
- the nomination (or revocation), upon proposal of the Chief Executive Officer, of any other Executive Directors (*Dirigeants mandataires sociaux*) and members of the Executive Committee;
- the succession plans for the Company's Executive Directors;
- the compliance by the Company with corporate governance principles that the Company abides by, notably regarding the policy with respect to the remuneration of the Executive Directors. The Committee advises the Board on the part of the annual report dedicated to the shareholders' information on these matters and on Board's work;
- the Board and Committees' composition and functioning (including the Nominations and Remuneration Committee);
- the Company's definition of an independent Director and the list of independent Directors to be inserted in the Company's Annual Report;
- the whole of the elements comprising the compensation to be paid to the Executive Directors of the Company, including any award of stock options or performance-based shares, as well as compensation and benefits of any kind (including pensions and termination benefits) also paid to them by the Company or companies belonging to the Group. The Committee notably reviews and defines the rules for determining the variable part of such compensation, ensures their coherence with the annual performance evaluation and the strategy of the Company, and thereafter controls the implementation of these rules;
- the Company's general policy relating to stock option plans including the granting, timing and frequency of allocations, and any proposed stock option plans including the proposed beneficiaries;
- the Company's general policy relating to employee share purchase schemes and any proposed schemes;
- the Directors' fees and the conditions for their award.

The Committee decides whether it will define, upon proposal of the Chief Executive Officer, the compensation and benefits of all or some of the members of the Executive Committee, including the principles and criteria used for their annual performance evaluation, in particular

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those for determining the variable part of their remuneration, or whether it will just be informed of these.

The Committee also develops and recommends to the Board for its approval, a formal process for evaluating the functioning of the Board and its Committees to be implemented at least every three years and, outside of the Directors concerned, prepares the annual performance evaluation of the Chairman of the Board and of the Company's Executive Directors based on the principles applied to other Senior Corporate Executives.

Once a year, the Committee dedicates one of the items on its agenda to a debate concerning its functioning.

The Committee performs any other related activities as the Committee or the Board deems necessary or appropriate.

ACTIVITY REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE FOR FISCAL YEAR 2010/11

The Nominations and Remuneration Committee met four times during fiscal year 2010/11 (four times during the previous fiscal year) and the members' attendance rate at these meetings was 100% (100% for fiscal year 2009/10).

Within the context of its corporate governance work, the Committee undertook its annual comprehensive review of the Company's practices and noted the strict compliance of such practices with the recommendations of the April 2010 version of the AFEP-MEDEF Code, in particular with respect to the compensation of corporate officers (*dirigeants mandataires sociaux*).

The Committee was responsible for designing and managing the annual review, undertaken since 2004, of the operation and performance of the Board of Directors and the Board Committees on the basis of comprehensive questionnaires prepared by the Committee. Based on the results of the returns compiled by an independent third party the Committee produced its report and in May 2010 the Board of Directors and the Committees debated the findings of the reports and defined the steps to be taken in order to improve the operation of the Board of Directors and the Committees over the course of the following fiscal year. The Committee also recommended retaining the services of an external consultant to the Board of Directors for the purpose of completing the assessment of the functioning of the Board over the course of the 2010/11 fiscal year, and selected such a consultant.

It also reviewed the status of independent Directors and the criteria of evaluation retained, reviewed and approved the Chairman's draft report on the functioning of the Board and compensation of corporate officers and recommended it for Board's approval as well as the Corporate Governance section of the 2009/10 Registration Document.

The Committee reviewed and endorsed the candidacy of two new members of the Board of Directors.

The Committee reviewed the duties and functioning of the new Ethics, Compliance and Sustainability Committee and recommended to the Board its composition and the adjustments regarding the Audit Committees' composition.

In May 2010, the Committee also reviewed the compensation of the Board of Directors on the basis of a study of the companies comprising the French "CAC 40" (French stock market index of the 40 most significant values).

While maintaining the current rules of distribution, the Committee recommended that the Board of Directors submit a proposal to the General Shareholders' Meeting regarding an increase in the maximum amount of Directors' fees (*jetons de présence*) that can be paid out, in order to account for the enlargement in the size of the Board of Directors and the additional work of the Directors.

The Nominations and Remuneration Committee discussed and proposed to the Board of Directors the Chairman and Chief Executive Officer's variable remuneration for 2009/10 pursuant to the principles agreed in May 2009 and the objectives which could be used to determine his variable remuneration for 2010/11 applying the same criteria and method as in preceding years. The Committee was informed of and approved the remunerations of the other members of the Executive Committee.

The Committee also reviewed, discussed and agreed the short-term profit-sharing plan and concluded that this plan, in its current form, operates at a satisfactory level and that it is possible to measure the variations resulting from the evolution in the Group's performance.

The Committee also examined and recommended to the Board held in December 2010, to allocate, within a new Long-Term Incentive Plan No. 13, a mix of conditional stock options and of performance shares and to decide that the number of exercisable options and the number of performance shares to be finally delivered will be entirely conditional upon the levels of the Group's operating margin for three consecutive fiscal years. It reviewed the characteristics of these grants as well as the list of beneficiaries. The Committee also reviewed and approved the proposed grants to the members of the Executive Committee and acknowledged that the Chairman and Chief Executive Officer will not receive any grant under this plan.

The Committee reviewed and recommended to the Board of Directors to allocate to the Chairman and Chief Executive Officer a long-term compensation plan subject to multi-year performances of the Company, aimed at aligning his interests with that of the shareholders. The Committee debated and recommended that the full amount of compensation that could ultimately be paid out be subject to performance criteria that are both internal and external to the Company (performance of the price of the Alstom share compared to the performance of the EURO STOXX Industrial Goods & Services Index, Group's operating margin levels achieved at year-end of each of the three 2010/2011, 2011/2012, and 2012/2013 fiscal years and Total Shareholder Return (TSR) calculated over the period preceding the payment of the remuneration). The Committee recommended to cap the full amount of this remuneration to two times the total compensation of the beneficiary (sum of his fixed salary plus the variable "at target").

In November 2010, the Committee re-examined the succession plans for all the Executive Committee members and for the 200 most important positions within the Group.

In March 2011, according to its previous practices, the Committee prepared the annual assessment of the Chairman and Chief Executive Officer's performance and discussed it with the Directors outside the Chairman and Chief Executive Officer's presence. The outcome of the Directors' review were then discussed with the Chairman and Chief Executive Officer.

The Nominations and Remuneration Committee reported to the Board on its work and recommendations, regarding all these matters.

THE ETHICS, COMPLIANCE AND SUSTAINABILITY COMMITTEE ("EC&S COMMITTEE")

The EC&S Committee, created on 28 September 2010, consists of three members: Mr Jean-Martin Folz, Chairman of the Committee, Mrs Katrina Landis and Mr Pascal Colombani who is also a member of the Audit Committee.

All the three members of the Committee are independent.

DUTIES

As stated in its Internal Rules amended on 3 May 2011, the Committee reviews and makes proposals or recommendations to the Board on the following subjects:

With respect to ethics and compliance, the Committee reviews and monitors the Company's policies on ethics and compliance matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views. The Committee is responsible for the following:

- to review the definition of the Group's core values and ethics and compliance policy;
- to review the organization of the Ethics and Compliance function and make recommendations if any;
- to review the Group's Code of Ethics, rules and procedures (including procedures with third parties); the Committee is informed of the plans for their promotion and implementation;
- to receive on an annual basis, the presentation of the Group's risk map concerning ethics and compliance; it reviews the risks thus identified and is kept informed of their evolution and of the characteristics of their management systems;
- to receive from the Head of Ethics & Compliance function the annual activity report on the Company's ethics and compliance policy and actions undertaken; to review and recommend the proposed compliance action plan for the following year and to monitor its development;
- the Committee is informed of any possible cases of non-compliance with respect to the ethics and compliance policy, and reviews the actions plans carried out as a result of such cases;
- to review the liaison with stakeholders over ethical issues.

With respect to the sustainable development, in fulfilling its role, the Committee is responsible for the following:

- to review the Group's environmental policies and management systems, the human resources policies, policies with respect to relationships with stakeholders (customers, suppliers, local communities);
- to receive on an annual basis, the presentation of the Group's risk map concerning social responsibility and sustainable development; it reviews the risks thus identified and is kept informed of their evolution and of the characteristics of their management systems;
- to review and assess the reporting and control procedures on non-financial indicators (environmental, health and safety, social reporting and indicators);
- to review the main lines of the Company's communication on corporate responsibility and sustainable development; the Committee also reviews the annual Board of Directors' draft report on the social and environmental impact of the Company's operations and provides the Board with its views on such report;
- to review and monitor the ratings received by the Group from non-financial rating agencies.

The Committee provides an opinion to the Audit Committee on the risk map for ethics, compliance, social responsibility, and sustainable development, and on the procedures for preventing such risks from occurring.

ACTIVITY REPORT OF THE EC&S COMMITTEE FOR FISCAL YEAR 2010/11

Created on 28 September 2010, the EC&S Committee met only once during fiscal year 2010/11. All the members were in attendance.

The EC&S Committee received the general presentation of the Ethics & Compliance Department and of the Alstom Integrity Programme and approved the various initiatives and next steps.

The EC&S Committee approved the reporting initiative for fiscal year 2011/12 that will include reporting on possible ethical misconducts and incidents and the contemplated harmonisation of the rules and procedures for dealing with sales & marketing consultants following Grid integration. The Committee approved the proposals aimed to keep strengthening the application of the rules.

The EC&S Committee also approved the three contemplated Certifications by Ethic Intelligence to be called:

- renewal of the certification for Power and Transport Sales Consultants; the new certificate was awarded in April 2011;
- certification of the procedure for Grid Sales Intermediaries; and
- certification of the Alstom Integrity Programme as a whole.

The EC&S Committee noted it will review the Ethics and Compliance Risk Mapping during its subsequent meeting.

The EC&S Committee also received a presentation of the Sustainable Development and Corporate Social Responsibility policy. It approved the Group aims to strengthen its vision on Sustainable Development, over and beyond those implemented at Sectors' level. It recommended that the main Sustainable Development risks be identified, the Alstom policies regarding local communities, diversity and relations with scientific communities be clarified and the use of Alstom management system for the environment be reinforced. The EC&S Committee asked to review the new versions of the annual activity and sustainable development reports.

The Committee reported to the Board on its work regarding these matters.

LIMITATIONS ON THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S POWERS

At its meeting dated 3 May 2011, the Board of Directors decided to keep the positions of Chairman and Chief Executive Officer combined as one and to renew the term of office of Mr Patrick Kron in his position as Chairman and Chief Executive Officer during its meeting to be held following the General Shareholders' Meeting dated 28 June 2011, subject to the renewal of his term of office as Director.

In reaching this conclusion, the Board of Directors did not consider it necessary or appropriate to opt for the separation of the duties of Chairman and Chief Executive Officer to improve the management of the Alstom Group or the operation of the Board. It considered that this mode of governance, which has proved to be highly effective since its implementation in 2003, is still appropriate and should be retained in order to maintain the reactive and efficient structure as it faces the competitive environment of today and tomorrow.

The Internal Rules of the Board indicate that the Board of Directors' prior approval is required for:

- any operation that is not part of the Group's announced strategy or that could significantly affect it;
- any operation that could materially modify the financial structure or results of the Group;
- any acquisition or divestiture insofar as the amount exceeds €250 million, any decision to set up partnership or joint company where the contribution of the Group exceeds €250 million, as well as any financing operation which exceeds €1 billion;
- organic growth investments in an amount higher than €250 million and the significant internal restructuring undertakings in particular at the time of the annual review of the Group's budget and strategy.

It also indicates that the Board of Directors examines and approves the annual budget and the medium-term plan.

COMPENSATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS (*MANDATAIRES SOCIAUX*)

ALSTOM's Executive and Non-Executive Directors are the fourteen members of the Board. The Chairman and Chief Executive Officer, is the only Executive Director of ALSTOM.

The information presented below also constitute the elements of the Board of Directors' report to the Shareholders' Meeting referred to in Article L. 225-102-1 (related to remuneration of Executive and Non-Executive Directors) and in Article L. 225-185 of the French Commercial Code (related to retention obligations applicable to stock options and performance shares).

The principles and rules set by the Board of Directors for the determination of Executive and Non-Executive Directors' compensation and benefits of any kind are as set out below.

REMUNERATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The remuneration of the Chairman and Chief Executive Officer is fixed by the Board of Directors upon the Nominations and Remuneration Committee's proposal and comprised of a fixed part and of a variable part linked to the performance of the Company. The remuneration policy and all the components of the Chairman and Chief Executive Officer's remuneration including supplemental retirement scheme, are reviewed annually by the Nominations and Remuneration Committee and the Board of Directors on the basis of an analysis prepared by an external consultant.

ANNUAL REMUNERATION

Upon the Nominations and Remuneration Committee's proposal, the Board of Directors in May 2009 fixed the Chairman and Chief Executive Officer's fixed salary over the three-year period 2009-2012 and decided a 3% increase per year, resulting in €1,100,000 in respect of fiscal year 2010/11 and €1,130,000 in respect of fiscal year 2011/12.

The variable part of the remuneration varies along with the achievement of objectives for the fiscal year predetermined by the Board of Directors upon proposal of the Nominations and Remuneration Committee. These objectives are comprised of Group's performance objectives and specific qualitative objectives linked to the achievement of personal objectives. The achievement of these objectives and the amount of the variable part of the remuneration are then determined by the Board of Directors which approves the accounts for the fiscal year, upon the Nominations and Remuneration Committee's proposal after the evaluation of the Chairman and Chief Executive Officer's performance.

In case the set objectives are met, the variable remuneration represents 100% of the annual base salary, with the amount of the variable part linked to financial objectives representing 60% of the annual base salary and the variable part linked to the specific objectives representing 40% of the annual base salary.

The amount of the variable part linked to financial objectives can vary between 0% and 120% and the amount of the variable part linked to specific objectives between 0% and 40%, depending on results achieved. Hence, the variable salary's range is between 0% and 160% of the annual base salary. However, the Board reserves the right to adjust upwards or downwards the results of the calculation of this variable part within the above mentioned range, based on its global evaluation of the performance achieved.

For 2010/11, the Group's financial objectives covered free cash flow, operational margin, and gross margin (both in absolute value and as a percentage) on orders received. As for all the beneficiaries of the short term incentive plan, these objectives were subsequently adjusted by the Board of Directors to take into account the change in Alstom Group's scope of consolidation following the integration of Grid. The qualitative objectives corresponded to the successful integration of the activities of Grid recently acquired, the implementation of strategic and operational priorities agreed to with the Board of Directors and the general management initiatives of the Company.

The Chairman and Chief Executive Officer benefits from a Company's car representing a benefit in kind of €5,794 per year and, as other employees in France beyond a certain level of compensation, from supplemental medical, death and disability coverage, which costs are partly borne by the Company.

ANNUAL FIXED AND VARIABLE REMUNERATION IN RESPECT OF FISCAL YEAR 2010/11

For fiscal year 2010/11, the fixed gross salary paid to the Chairman and Chief Executive Officer amounted to €1,100,000.

His variable gross salary was €1,075,000 that is 97.7% of his fixed gross salary compared to a variable remuneration "target" of 100% (remuneration paid when the results are strictly in line with the objectives set). The variable part linked to the financial objectives was fixed at 59.8% by the Board of Directors within the range 0-120% (compared to 60% if the results achieved have been strictly in line with the objectives set). The part corresponding to the specific objectives was fixed at 37.9% in the 0-40% range.

For the previous fiscal year, his variable gross salary was €1,000,000 corresponding to 94% of his fixed gross salary for the said fiscal year. The variable part linked to the financial objectives was fixed at 54% within the range 0-120% and the part corresponding to the specific objectives was fixed at 40%.

LONG-TERM COMPENSATION PLAN LINKED TO THE GROUP'S PERFORMANCE

Upon the Nominations and Remuneration Committee's proposal, the Board of Directors held on 13 December 2010 decided to implement to the benefit of ALSTOM's Chairman and Chief Executive Officer, a long term compensation plan conditional upon the achievement of Group's performance conditions over several years.

This plan aims to link his interests with those of the shareholders and takes into account all the components of the Chairman and Chief Executive Officer's remuneration. The full amount of the remuneration that could potentially be paid out in the future is subject to performance criteria that are both internal and external to the Company.

The par value amount of the remuneration, set at EUR 2,200,000 (which corresponds to the sum of the fixed salary and the variable "target" remuneration for the 2010/11 fiscal year), will increase or decrease based on the successive application of the following criteria:

- performance of the price of the Alstom share compared to the performance of the EURO STOXX Industrial Goods & Services Index measured by end December 2013.

  The par value amount that can be acquired increases or decreases based on whether the performance of the share price is in the second, third, or fourth quartile of the share price performance of the securities in the index. No remuneration will be paid out under the plan if the performance of the share price of the Company is in the first quartile.
- Group's operating margin levels achieved at year-end of each of the three 2010/2011, 2011/2012, and 2012/2013 fiscal years.

  The amount calculated after applying the first criterion will be adjusted based on the achievement of predetermined operating margin levels for the Group corresponding to the performance criteria applied to the LTI No. 13 stock option and performance share plan granted to the managers of the Group.
- Total Shareholder Return (TSR) calculated over the period preceding the payment of the remuneration.

  The amount resulting from the application of aforementioned criteria will be subject to upward or downward adjustment based on the yield recorded for shareholders since the grant date of the plan.

The remuneration that could ultimately be paid out cannot exceed an amount equal to twice the par value amount of the plan. It can be paid out in 2014, 2015, or 2016, subject to the manager's continued employment with the Company.

ALLOCATION OF CONDITIONAL STOCK OPTIONS AND/OR PERFORMANCE SHARES

The Chairman and Chief Executive Officer did not receive any option or performance share under the plan implemented during fiscal year 2010/11(Plan LTI No. 13).

The main characteristics of the allocation policy applied to the Chairman and Chief Executive Officer during the previous fiscal years comply with the recommendations of the AFEP-MEDEF Code and are the following:

- Frequency: Annual allocation usually carried out in September.
- No discount: Yes (stock options).
- Performance requirements: Yes (since fiscal year 2006/07, all of the options or shares are allocated subject to the satisfaction of Group performance conditions as of the third fiscal year following the grant date).
- Limits applicable to the allocation/purchase requirement: Yes, since fiscal year 2009/10 (see hereafter).
- Holding requirement: Yes (see below).
- Use of hedging instruments prohibited: Yes.
- Periods during which the exercise of options with sale of shares is prohibited: Yes.

The general characteristics of the conditional stock options and performance shares allocated to the Chairman and Chief Executive Officer are identical to those offered in all other allocations made by the plan. To these general characteristics shall be added, the specific limitations or obligations fixed by the Board of Directors in compliance with the applicable regulations and recommendations of the AFEP-MEDEF Code on the remuneration of Executive Directors. These general characteristics appear on pages 194 to 200 of the Registration Document for the 2010/11 fiscal year filed with the AMF.

Pursuant to the recommendations of the AFEP-MEDEF Code, the Board of Directors on 4 May 2009 decided to apply the following principles to allocations for the Chairman and Chief Executive Officer granted as from fiscal year 2009/10:

- the IFRS 2 value of the allocation shall be capped at one year of fixed and targeted variable remuneration, the latter of which corresponds to the remuneration obtained when accomplishments are strictly compliant with set objectives;
- the allocation shall not exceed neither 1% of the overall amount authorised by the Shareholders' Meeting, nor 5% of the total amount allocated under an annual plan (calculated, as the case may be, according to a stock options equivalency in the event of a combined allocation of stock options and performance shares);
- in consideration of any new allocation of performance shares, the Chairman and Chief Executive Officer must undertake the acquisition of a number of shares equivalent to 25% of the performance shares delivered.

In accordance with the law and the AFEP-MEDEF Code, since 2007 the Board of Directors sets, for each allocation, the number of shares that the Chairman and Chief Executive Officer must hold until he no longer exercises his duties. The Board of Directors has, in addition, extended this holding requirement by making it applicable to all of the members of the Executive Committee.

With respect to his allocations under the plans granted to him since 2007 (LTI plans No. 10, 11 and 12), the Chairman and Chief Executive Officer shall comply with a requirement to hold shares resulting from the exercise of stock options and/or final allocation of free shares until the expiry of his duties. Such requirement bears on a number of shares corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of stock options and on the effective date of allocation of the free shares. This requirement is not capped based on a certain level of shareholding being reached.

Moreover, rules of conduct applicable within the Group in case inside information is held, prevent any sale of shares, during 30 calendar days before Alstom's first six-months and annual results are disclosed to the public (the period being reduced to 15 calendar days with respect to quarterly results) and up to the second trading day included after the date when this information has been disclosed to the public, and, in any case, when inside information is held until the second trading day after the date when this information has been disclosed to the public. During period where trading is not prohibited, these Internal Rules prescribed to consult the Group's legal counsel and the Chief Financial Officer in case of doubt on the ability to trade prior to any such transaction. It has not been considered appropriate to prohibit during these periods, the sole exercise of stock options as the acquisition of the shares is made at a price which has been predetermined on the grant date and the shares are not sold.

In accordance with the AFEP-MEDEF Code, the Chairman and Chief Executive Officer has committed himself to refraining from using hedging instruments, for his entire term in office, to cover the risks associated with the stock options or performance shares allocated to him. To the Company's knowledge, no hedging instrument is in place.

SUPPLEMENTAL RETIREMENT SCHEME

The Chairman and Chief Executive Officer also benefits from the supplemental collective retirement scheme implemented in 2004, and taken into account in the determination of his overall compensation. This scheme is composed of a defined contribution plan and a defined benefit plan.

The defined benefit plan covers all persons exercising functions within the Group in France whose base annual remuneration exceeds eight times the annual French social security ceiling. The rights under the plan are vested only if the beneficiary retires from the Company and after claiming his or her retirement rights. Even though the plan does not set any minimum seniority requirement to be met in order to benefit from it, the plan remains compliant with the intention behind the AFEP-MEDEF recommendation insofar as entitlements are acquired progressively per year of seniority, and only represent each year a limited percentage of the compensation corresponding at maximum to a rate of 1.2% per year on a capped amount. The pension is determined by multiplying the replacement ratio based on the seniority by the fraction of the annual reference remuneration (*i.e.* the average of the last three fixed and variable annual remunerations) that exceeds eight times the annual French social security ceiling (€282,816 for the 2011 calendar year). The annual reference remuneration is capped at €2 million. Since 1 January 2008, this cap is subject to an annual revaluation in accordance with the evolution of the reference salary used to determine the AGIRC supplemental retirement scheme. As such, given his seniority within the Group, the Chairman and Chief Executive Officer could, when he retires, claim a replacement ratio of between 13% and 20% of this salary portion.

The defined benefit obligation for the defined benefits plan is equal to €4,403,546 as at 31 March 2011, including statutory retirement indemnities for retirement and the taxes applicable to supplemental retirement schemes as increased since 1 January 2010.

The defined contribution plan complements the defined benefit plan. The rights are acquired annually and cannot exceed 16% of four times the annual ceiling of French social security. The amount of contributions paid by Alstom within the defined contribution plan, was €22,274 for fiscal year 2010/11.

SEVERANCE PAYMENT AND OTHER BENEFITS ARISING UPON THE TERMINATION OF THE MANDATE

At its meeting dated 4 May 2009, the Board of Directors acknowledged and approved the proposition made by the Chairman and Chief Executive Officer to waive all rights, in the event that his mandate is terminated for any reason, to the receipt of any severance payment as well as to stock options and performance shares, the vesting rights of which, with respect to the stock options, or the rights to delivery of which, with respect to the shares, are not yet acquired as of the end of his term of office.

Consequently, the commitments discussed in Article L. 225-42-1 of the French Commercial Code, undertaken with regard to Mr Patrick Kron, Chairman and Chief Executive Officer, concern (i) the entitlement to the additional collective retirement pension scheme composed of a defined contribution plan and a defined benefit plan from which benefit all persons exercising functions within the Group in France, the base annual remuneration of which exceeds eight times the French Social Security cap, above mentioned, as well as (ii) the upholding, in the event of termination of his mandate as initiated by either the Company or himself, of only the rights to exercise the stock options and the rights to the delivery of the performance shares, that will have been definitively vested as of the end of his term of office following the fulfilment of the conditions set forth by the plans.

These commitments have been approved by the Shareholders' Meeting held on 23 June 2009.

TABLE FOR MONITORING THE IMPLEMENTATION OF THE AFEP-MEDEF CODE WITH RESPECT TO THE REMUNERATION OF EXECUTIVE DIRECTORS

	Employment contract		Additional retirement pension scheme		Indemnities or benefits owed or that could be owed due to termination or a change in work duties		Indemnities associated with a non compete clause	
Executive Directors	Yes	No	Yes	No	Yes	No	Yes	No
Patrick Kron **Chairman and Chief Executive Officer** Term of office began in: 2003 Term of office ends in: 2011		X	X (see above)			X (see above)		X

DIRECTORS' FEES PAID TO THE DIRECTORS

The Directors do not receive any compensation other than an attendance allowance ("Directors' fees"). Since 1 April 2005, the Chairman of the Board of Directors waived his Directors' fees.

The Ordinary and Extraordinary Shareholders' Meeting of 22 June 2010 increased from €650,000 to €900,000 the maximum annual amount of Directors' fees, which can be distributed among the members of the Board of Directors to take into account the increase in the number of Board and Committees' meetings and the increase in the number of Directors comprising the Board (see Composition of the Board).

The Board of Directors sets the terms of granting the Directors' fees upon the Nominations and Remuneration Committee's proposal. The principles set in the Internal Rules of the Board is that the Directors' fees are made of a fixed part and of a variable part for attending the meetings of the Board or of the Committees and that the Chairmen of the Committees are paid an additional fixed fee. Half of the fixed and variable parts are paid in the fiscal year concerned, while the balance is paid the following fiscal year.

According to the current terms of granting, the Directors' fees were made of a fixed part worth €22,500 paid to each Director. The Chairman of the Audit Committee and each Chairman of the

Nominations and Remuneration Committee and of the Ethics, Compliance and Sustainability Committee receive an additional amount of respectively €15,000 and €10,000 per year. In addition, each Director is paid €3,000 for attending the meetings of the Board or of the Committees of which she or he is a member.

Based on these terms, the total Directors' fees in respect of fiscal year 2010/11 are €641,500 (€629,500 for the last fiscal year), representing approximately 71% of the maximum annual amount authorised. Half of the fixed and variable parts were paid in fiscal year 2010/11, while the balance was paid in fiscal year 2011/12.

SUMMARY TABLES OF THE REMUNERATIONS OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS PURSUANT TO AFEP-MEDEF RECOMMENDATIONS AND TO THE AMF RECOMMENDATIONS DATED 22 DECEMBER 2008

The whole gross compensation and benefits of any kind paid (or due) by the Company and the companies controlled by the Company to the Executive and Non-Executive Directors pursuant to Article L. 233-16 of the French Commercial Code as requested by Article L. 225-102-1 of the French Commercial Code are contained in the tables 2 and 3 below:

Table 1
Summary table of the compensation, conditional stock options and performance shares accruing to each Executive Director

Patrick Kron Chairman and Chief Executive Officer	Fiscal year 2008/09 (in €)	Fiscal year 2009/10 (in €)	Fiscal year 2010/11 (in €)
Compensation due in respect of the fiscal year *(detailed in table 2)*	2,340,794	2,070,794	2,180,794
Valuation of the conditional stock options awarded during the fiscal year (1) *(detailed in table 4)*	1,220,000	822,400	-
Valuation of the performance shares awarded during the fiscal year (1) *(detailed in table 6)*	343,860	-	-
TOTAL	3,904,654	2,893,194	2,180,794

(1) The stock options and performance shares are valued according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge (see Note 21 to the consolidated financial statements as of 31 March 2011).

This table offers a summary of the elements of remuneration of Mr Patrick Kron, who is the only Executive Director, as exposed in the following tables.

Table 2
Summary table of the compensation of each Executive Director

	Amounts for fiscal year 2008/09 (in €)		Amounts for fiscal year 2009/10 (in €)		Amounts for fiscal year 2010/11 (in €)	
Patrick Kron Chairman and Chief Executive Officer	Due in respect of the fiscal year	Paid in during the fiscal year	Due in respect of the fiscal year	Paid in during the fiscal year	Due in respect of the fiscal year	Paid in during the fiscal year
• Fixed gross compensation	1,035,000	1,035,000	1,065,000	1,065,000	1,100,000	1,100,000
• Variable gross compensation (1)	1,300,000	1,500,000	1,000,000	1,300,000	1,075,000	1,000,000
• Extraordinary gross compensation	-	-	-	-	-	-
• Directors' fees (2)	-	-	-	-	-	-
• Fringe benefits (3)	5,794	5,794	5,794	5,794	5,794	5,794
TOTAL	2,340,794	2,540,794	2,070,794	2,370,794	2,180,794	2,105,794

(1) The variable salary in respect of a fiscal year is paid on the following fiscal year. The criteria according to which the variable remuneration was calculated and the terms and conditions for setting the amount are described on page 174 above.
(2) Since 1 April 2005, the Chairman and Chief Executive Officer waived his Directors' fees.
(3) Company car.

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Table 3
Non-Executive Director's fees table (1)

Non-Executive Directors	Fiscal year 2009/10 Amounts due in respect of the fiscal year (in €)	Fiscal year 2009/10 Amounts paid during the fiscal year (in €)	Fiscal year 20010/11 Amounts due in respect of the fiscal year (in €)	Fiscal year 20010/11 Amounts paid during the fiscal year (in €)
Jean-Paul Béchat	73,500	67,500	67,500	70,500
Candace Beinecke	52,500	49,500	52,500	52,500
Olivier Bouygues	55,500	49,500	52,500	55,500
Georges Chodron de Courcel	52,500	46,500	52,500	52,500
Pascal Colombani	55,500	49,500	55,500	55,500
Lalita D. Gupte (2)	-	-	33,000	10,500
Jean-Martin Folz	55,500	49,500	51,500	52,500
Gérard Hauser	55,500	49,500	52,500	55,500
Katrina Landis (2)	-	-	30,000	10,500
James W. Leng	65,500	62,000	62,500	65,500
Klaus Mangold (3)	52,500	43,500	46,500	52,500
Alan Thomson	58,500	52,500	52,500	55,500
Bouygues (4)	52,500	49,500	52,500	52,500
TOTAL	629,500	569,000	661,500	641,500

(1) The Non-Executive Directors do not receive any other compensation from the Company or companies of the Group, with the exception of Mr. Klaus Mangold (see (3) above).
(2) Appointed by the Shareholders' Meeting of 22 June 2010.
(3) Mr Klaus Mangold as Chairman of the Supervisory Board of a Group's German subsidiary since December 2010, is entitled to a gross annual remuneration set at €50,000. An amount of €16,667 has be allocated to him in respect of fiscal year 2010/11.
(4) Director whose permanent representative is Mr Philippe Marien.

Half of the Director's fees distributed among the Non-Executive Directors are paid during the fiscal year (fees in respect of the first half of the fiscal year) and the remaining part during the following fiscal year (fees in respect of the second half of the fiscal year).

Table 4
Stock options awarded during the fiscal year 2010/11 to each Executive Director by the Company and by the Group

Options awarded to each Executive Director by the issuer or by the Group (nominative list)	Number and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements (in €)	Number of options awarded during the fiscal year	Exercise price (in €)	Exercise period
Patrick Kron Chairman and Chief Executive Officer	-	None	-	-	-	-

Table 5
Stock options exercised during fiscal year 2010/11 by each Executive Director

Options exercised by the Executive Directors (nominative list)	Number and date of the plan	Number of options exercised during the fiscal year	Exercise price (in €)	Award year
Patrick Kron Chairman and Chief Executive Officer	None	-	-	-

The summary of the total number of stock options held by Mr Patrick Kron as of the end of the fiscal year 2010/11 is the following:

	Number of options	Unit exercise price (in €)	Maturity date of options
Plan 2006 No. 9 (1)	240,000 (2)	37.33	27 September 2016
Plan 2007 No. 10 (LTI No. 10) (1)	115,000 (4)	67.50	24 September 2017
Plan 2008 No. 11 (LTI No. 11) (which became null and void) (3)	80,000 (4) (3)	66.47	22 September 2018
Plan 2009 No. 12 (LTI No. 12)	80,000 (4)	49.98	20 September 2017

(1) Figures adjusted to take into account the two-for-one stock split completed on 7 July 2008.
(2) 144,000 options were conditional (condition completed as of 31 March 2008).
(3) Subsequently to the end of the fiscal year, plan LTI No. 11 became null and void as a result of the non achievement of the performance conditions linked to the accounts of fiscal year 2010/11 approved by the Board on 3 May 2011 (see Note 21 to the consolidated financial statements as of 31 March 2011). These options are cancelled.
(4) 100% of the options are subject to Group's performance conditions and a portion of the shares subscribed as a result of these options are subject to a holding requirement until the expiry of Mr Patrick Kron's duties.

The summary of all stock options plans appears on pages 196 and 197 of the Registration Document for the 2010/11 fiscal year filed with the AMF.

Table 6
Performance shares awarded during the fiscal year 2010/11 to each Executive Director by the Company or the Group

Performance shares awarded during the fiscal year to each Executive Director by the Company or the Group (nominative list)	Number and date of the plan	Number of shares awarded during the fiscal year	Valuation of the shares according to the method used for the consolidated financial statements (in €)	Acquisition date	Availability date
Patrick Kron Chairman and Chief Executive Officer	-	None	-	-	-

Moreover, during fiscal year 2010/11, 2,000 performance shares were finally awarded to Mr Patrick Kron under Plan 2007 (LTI No. 10) on 11 May 2010 at the end of the acquisition period as the performance conditions were reached. These shares cannot be sold before the end of a two-year period. At the end of such period, Mr Patrick Kron undertook to held a portion of these shares (290 shares) until the expiry of his duties.

The summary of the number of rights held by Mr Patrick Kron as of the end of the fiscal year 2010/11 entitling him to a free allocation of performance shares was the following (2):

Plans	Number of performance shares	Unit valuation (in €) (3)	Final attribution date of the shares
2008 Plan (LTI No. 11) (1) (2) (which became null and void)	6,000 (2)	57.31	On the fifth business day following the date of publication of the consolidated accounts for fiscal year 2010/11

(1) Entirely conditional allocation for which a portion of the shares delivered is subject to a holding requirement until the expiry of Mr Patrick Kron's duties.
(2) Subsequent to the end of the fiscal year, Plan LTI No. 11 became null and void as a result of the non achievement of the performance conditions linked to the accounts of fiscal year 2010/11 approved by the Board on 3 May 2011 (see Note 21 to the consolidated financial statements as of 31 March 2011). These rights are cancelled.
(3) Valuation made at the attribution date, according to IFRS 2, after taking into account a discount associated with the probability of presence within the Company and before taking into account the spread-out effect of the charge.

The summary of all performance shares plans appears on pages 198 and 200 of the Registration Document for the 2010/11 fiscal year filed with the AMF.

Table 7
Performance shares that have become available during the fiscal year for each Executive Director

Performance shares that have become available for the Executive Directors (nominative list)	Number and date of the plan	Number of shares that have become available during the financial year	Acquisition terms	Delivery date
Patrick Kron Chairman and Chief Executive Officer	-	None	-	-

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PARTICIPATION AT SHAREHOLDERS' MEETINGS

Any shareholder has the right to participate at Shareholders' Meetings under the conditions set forth by law and in Article 15 of the Company's By-laws. The provisions of Article 15 of the By-laws appear on pages 249 and 250 of the Registration Document for the 2010/11 fiscal year filed with the AMF and posted online on the Company's website.

Generally speaking, the members of the Board of Directors are present at Shareholders' Meetings.

ELEMENTS THAT COULD HAVE AN IMPACT IN THE EVENT OF A TENDER OFFER

These elements of the Board of Directors' report to the Shareholders' Meeting set forth by Article L. 225-100-3 of the French Commercial Code appear on page 263 of the Registration Document for the 2010/11 fiscal year filed with the AMF.

Internal Control and Risk Management procedures' report

As part of its operational activities, the ALSTOM Group is confronted by a number of risks both external and internal, as stated in the Risks Factors section of the Registration Document 2010/11 (see page 143) filed with the *Autorité des marchés financiers* ("AMF").

It has therefore put in place an organisation, procedures and processes with the objective of identifying, quantifying and mitigating risks, and allocating resources to control risks in accordance with its business objectives both strategic and operational.

The present part of the report was prepared with the contributions from the Internal Audit and Internal Control Department, the Finance function including the Tenders & Projects Control Department, the Information Systems Department, the Human Resources Department, the Legal Department, the Ethics & Compliance Department, the Environmental, Health & Safety Department and the Sector Research & Development Departments.

PERIMETER OF INTERNAL CONTROL

The internal control system described herein covers the parent company ALSTOM and all its consolidated companies (the "Group" or "Alstom").

INTERNAL CONTROL REFERENCE FRAMEWORK AND OBJECTIVES

REFERENCE FRAMEWORK

The Group has put in place a system of internal control procedures and evaluations initially based on control guidelines prepared by a recognised body, COSO (Committee of Sponsoring Organisations of the Treadway Commission). An analysis reconciling Alstom internal control and risk management framework policies contained in particular in Corporate Instructions, the Internal Control Manual, the Internal Control Questionnaire, the Reporting and Accounting Manual and the reference framework recommended by the AMF was performed in fiscal year 2007/08. This reconciliation was updated this year following the AMF modifications to its framework in 2010.

The analysis included both the reference framework and the "Application guide for internal control procedures related to the accounting and financial information published by the issuers".

The analysis outcome shows that Alstom applies the "Reference framework" on internal control recommended by the AMF.

OBJECTIVES

The system of internal control put in place provides reasonable assurance that:

- the Group's internal rules and instructions including applicable laws and regulations are complied with at all times;
- information is complete, accurate and to the required quality, particularly financial information;
- operations are completed in an optimal manner and internal control processes are effective, particularly those concerning the safeguard of assets;
- achievement of business objectives are reached with identification and control of risk;
- the risk of fraud is minimised;
- controls, including controls over risks, are widely understood at all levels within the Group and appropriate actions are taken to mitigate and minimise these risks.

Internal control consists of five inter-related components, which have been implemented within the Group:

- control environment covering integrity, ethics, competencies, authorities, responsibilities and staff development;
- risk assessment including the identification, analysis and minimisation of relevant risks;
- control activities, namely policies and procedures that ensure that Management's instructions are applied;
- information and reporting: information must be identified, captured and communicated in a format and timeframe to enable the relevant persons to carry out their responsibilities; and
- monitoring, including internal check and internal control procedures as well as internal audit: a process that assesses the quality of the systems performance over time.

By essence, an internal control system cannot provide a guarantee that such risks have been totally eliminated. It must bring them down to an acceptable level.

COMPONENTS OF INTERNAL CONTROL

CONTROL ENVIRONMENT

ORGANISATION

The Group has put in place a structured organisation which is responsible for defining the internal control requirements, writing the Internal Control Manual, producing and updating as required the Internal Control Questionnaire and monitoring globally the results. Where internal control weaknesses are identified, detailed action plans to correct the weaknesses in a timely manner are put in place with the support of the Sector Internal Control teams, and overseen by the central Internal Control team under the responsibility of the Senior Vice President Internal Control.

A community of experts in internal control composed of the central and Sector Internal Control teams with relays in the reporting units ("unit") has been developed. This group communicates regularly to share good practices and drive the required change management.

Moreover, each Sector President defines the internal organisation of his Sector in a way that ensures efficiency and performance of the businesses. Businesses are themselves composed of a certain number of units each headed by a Managing and Finance Director responsible and accountable for their affairs including the control environment.

In addition, a continuous improvement approach is taken with internal control regularly monitored at business review meetings.

CORPORATE INSTRUCTIONS AND CODES

The Group's control environment is governed by a series of Corporate Instructions that constitute the body of Internal Rules (the "Corporate Instructions") and are posted on the Group's intranet website.

The Corporate Instructions deal with issues of importance throughout the Company and are mandatory for the whole Group, including Sectors, businesses, units, countries and functions. Once a Corporate instruction is issued, all units must ensure that any pre-existing procedures, policies, directives or other communications at any level are revised to comply with the said Corporate Instruction.

These Corporate Instructions define detailed rules and procedures regarding various topics, including but not limited to implementation of delegations of authority, appointment of Directors within the Group, principles regarding litigation, other forms of dispute resolution, gifts and hospitality, political contributions, charitable contributions, sponsorship, communication with the media, issuance of press releases, Environment Health & Safety policy, security, crisis management, selection and payments to agents, consultants and representatives for business transactions, and prevention of insider trading. The Corporate Instructions define the Group's management organisation as well as the responsibilities and organisation of the various functions within the Group. They also require compliance with the Group's Code of Ethics, Internal Control Manual and Reporting and Accounting Manual.

Since its listing on stock exchange, the Group has implemented a Corporate Instruction which includes a Code of Conduct for preventing insider dealing. This code defines the situations where concerned persons must refrain from making any transactions on the Company's securities. In its appendix, this Code includes a reminder of the legal provisions and sanctions. The Code, which is regularly updated (most recently in May 2011), is applicable to all managers and employees of Alstom who have regular or occasional access to inside information (defined as "insiders"). It is available on the Group's intranet and sent to all new insiders of whom the Company keeps an updated list. These persons are kept informed and must confirm receipt of their registration on the list of insiders. This information includes the Corporate Instruction and Code of Conduct, along with the schedule of the general blackout periods during which the securities cannot be traded. The persons are also kept informed when they are removed from the list.

The Group has a **Code of Ethics** that applies to every employee within the Group.

The Code of Ethics was reviewed, updated and published in March 2010 and has been translated in 21 languages, English, French, Arabic, Chinese, Croatian, Czech, Dutch, Finnish, German, Greek, Hungarian, Indonesian, Italian, Japanese, Polish, Portuguese (Portugal and Brazil), Romanian, Russian, Spanish, Turkish. Additional languages can be added upon request. Its distribution targets each employee and the Group also promotes it to its external stakeholders.

Directly rooted in the core values of the Group, *i.e.* **Trust, Team and Action**, the Code of Ethics provides official and mandatory guidelines on key principles and commitments that must be met by managers, by employees and by the Group as a whole every day. It is designed to promote honest and ethical conduct with all stakeholders: customers, suppliers and sub-contractors, competitors, shareholders, governments, regulatory authorities and the public. Every employee within the Group is accountable for respecting the principles and rules of the Code of Ethics.

The Code of Ethics prescribes fundamental rules of conduct, relating in particular to:

- full compliance with laws, regulations and requirements in all countries where the Group operates;
- prevention of corruption and prohibition of all unlawful payments and practices;
- fair and open competition and prohibition of agreements with competitors;
- internal control and disclosure of information, to ensure the quality and reliability of financial information.

The Code of Ethics prescribes essential rules of conduct with regards to the relationships with business partners, Alstom commitments as a socially responsible company, human resources policies and commitment in protecting the Group's assets.

Topics addressed include the way Alstom deals with customers, suppliers, sales consultants, governments, export and trade controls, money laundering, conflicts of interest, gifts and hospitality, political contributions, charitable contributions, sponsorship, protection of the environment, health and safety, security of employees, social relations, equal opportunity and diversity, career management of employees, data privacy, confidential information, intellectual property, use of communication resources, insider dealing and communication with the media and investors.

In addition, the Code of Ethics details the Alert Procedure which allows any employee to report violations of prevention of corruption, competition and securities and accounting laws and regulations.

The Code of Ethics introduces the Alstom Integrity Programme, implemented and monitored throughout the Group under the responsibility of the SVP Ethics & Compliance.

The Code of Ethics refers to the Group Instructions, which treat in more detail the defined rules and procedures put in place to ensure the compliance with its fundamental principles and values.

The Code of Ethics is available on Alstom's website (www.alstom.com, section "About us").

INTERNAL CONTROL MANUAL & REPORTING AND ACCOUNTING MANUAL

The Internal Control Manual defines the requirements, instructions and practices necessary to create and maintain a satisfactory control environment and covers internal controls including those over financial reporting. The Internal Control Manual summarises the elements of internal control covering most of the business processes within the Group, is posted on Alstom's intranet site and is regularly updated.

The Internal Control Manual contains a number of principles that are mandatory and to be complied with at all times by all business units. These principles include notably:

- segregation of duties: internal check should be practiced at all times with one person required to check and approve the work of another. Separate people are required, where possible, to be responsible for initiating, authorising, recording, processing and reporting transactions, and are responsible for ensuring that recording is undertaken promptly and information is processed and reported in a timely manner. Documentation must exist to describe business processes and must be retained to confirm that amounts are promptly recorded at the correct amount in the appropriate accounts and in the proper accounting period;
- delegation of authorities, as the foundation of any system of internal control is to make sure, including at unit level, that responsibilities and authorities are defined and understood.

The management of the respective entity, unit, business, Sector, country or Corporate is responsible for developing, implementing, operating and monitoring systems of internal control in compliance with the Internal Control Manual and for providing assurance that it has done so.

The Reporting and Accounting Manual defines the Group's policies and procedures regarding accounting and consolidation, definition of main financial indicators, reporting process and three-year plan, budget and forecasting processes.

TRAINING

As part of the Internal Control project initiated in 2005, 1,200 persons were trained on internal control. An extensive communication exercise has been undertaken to ensure that the requirements and basics of internal control are widely understood.

A detailed training programme continues now with 130 finance professionals and managers trained in the past two years and more than 3,400 people participated in the last Internal Control Self-Assessment exercise.

The training sessions on internal control are part of a continuous improvement initiative which involves Sectors, including the International Network and Corporate personnel. While the training programme on internal control has concentrated mainly on the finance community, an e-learning module specifically targeting the non finance community has been developed.

RISK ASSESSMENT & RISK MANAGEMENT PROCESS

RISK ASSESSMENT

Since fiscal year 2006/07, a yearly risk assessment review is undertaken, as part of the annual budget and three-year plan process, to deepen the knowledge of risks of every nature within the Group and update a cartography of risks. A Sector-based approach has been defined and structured around a common methodology, allowing consistent risk assessment and allocation of resources to manage and monitor those risks.

The update of the cartography of risks and the main characteristics of the risk management system are presented every year to both the Audit Committee and the Board of Directors.

The risk assessment process allows the Group to take into consideration the impact that potential events may have on the achievement of business objectives. Such events are considered from two perspectives, likelihood and impact. Likelihood represents the possibility that a given event will occur and impact represents its effect. A combination of qualitative and quantitative methods is used in making the assessment.

Data from past events are used in making risk assessments as they provide a more objective basis than entirely subjective assessments. Detailed information on potential impact and likelihood of occurrence is checked and assessed. Potential events are assessed both individually and as part of a sequence or combination of events.

The interrelationship of likelihood and impact is integrated into the risk assessment process. Risk is also considered from a Group, Sector, or risk portfolio perspective.

Taken together, risks in different businesses may exceed the sum of the individual risks or conversely risks may be offset across the Group or a Sector.

The time horizon used to assess the impact of risk is three years, which ensures that identified mitigation actions are embedded in the budget and three-year plan. Any major risks assessed outside the three-year period are kept under review.

The risk mapping exercise also allows to confirm that the appropriate insurance amounts have been subscribed with regards to the insurable risks (see "Insurance" in the Risks section of the Registration Document 2010/11 filed with the AMF).

RISK MANAGEMENT

Under the coordination of the Strategy Department, Sectors and Corporate functions update this assessment as part of the budget and three-year plan process. Detailed documentation for each risk category is produced, highlighting the causes of the risks, potential consequences and the actions taken to mitigate them. Risk owners appropriately designated by the Sector and Corporate Management are responsible for monitoring the timely implementation of the action plans. Action plan status and results are reviewed and presented at each risk assessment exercise.

For each Sector, the risk assessment is approved by the management team under the control of the Sector President. Risk assessment for transverse Corporate activities is made by the relevant Senior Corporate officer. Group, Sector and Corporate risk maps are reviewed and approved by the Risk Committee under the chairmanship of the Chairman and Chief Executive Officer.

Each Sector President is responsible for the effective management of risks within his Sector. In addition, functional Vice Presidents (within finance, legal, human resources…) are responsible for managing risks pertaining to their own processes.

CONTROL ACTIVITIES

Control activities are the range of activities that are undertaken at every level of the Group to ensure that the Group's rules, policies and procedures are effectively carried out.

These control activities may embrace a variety of controls including checking the accuracy, completeness, authorisation, validation and recording of transactions or to ensure the duties are segregated among different people to reduce the risk of error or fraud.

INFORMATION AND REPORTING

Information accuracy and completeness is essential both to achieve business objectives and to report to all interested parties including external parties, in compliance with applicable securities laws and regulations. Internal control over financial reporting deals with internal control procedures in respect of the preparation and the processing of financial information. For financial information and reporting see section "Procedures for the production of the Group financial statements and other accounting and financial information".

MONITORING OF INTERNAL CONTROL

Unit Management has the responsibility of maintaining internal control at all times.

An internal control questionnaire (or "self-assessment questionnaire") has been developed which differentiates requirements to units based on their contribution to the Group's financial statements, using a risk-based approach and covering the complete Group perimeter. Units with the most contribution and/or risk must provide more information and answer more questions in the self-assessment questionnaire than those with less contribution or risk.

The self-assessment questionnaire also includes the key information system applications used in the production of financial information to help ensure the integrity of the process.

The self-assessment questionnaire is based on 13 cycles which include the general control environment, revenues, purchasing, human resources, capital expenditure, inventories, manufacturing, treasury, financial reporting, information systems & technologies, tax, legal, Environment Health & Safety (EHS).

The owner of each control activity within the cycle is required to answer questions relating to the relevant activity. Each answer is assessed and rated based on a maturity model which takes into account the levels of control and the completeness of the documentation. Detailed evidence is required to support answers given.

Where the results of the self-assessment questionnaire indicate that controls are not at the required level either in design, operation or documentation, corrective action plans are required to be put in place. Each action plan should have an owner and a detailed timetable to complete the action and update the required control, which may include ensuring documentation is updated. The progress of action plans is regularly followed up. The self-assessment questionnaire results are approved by unit Management (Finance and Managing Directors) and are subject to review both by quality reviewers at Sector level and by Internal Audit. They are presented annually to the Audit Committee. Good practices identified during this self-assessment process are promoted.

MAIN ACTORS OF INTERNAL CONTROL AND RISK MANAGEMENT

MAIN ACTORS OF INTERNAL CONTROL

SENIOR MANAGEMENT

The Chairman and Chief Executive Officer is responsible for the internal control and risk management systems and for ensuring that internal control and risk management procedures are designed and operated effectively within the Group. Management at all levels is responsible for developing, operating and monitoring the systems of internal control and for providing necessary assurance that it has done so.

AUDIT COMMITTEE

The Audit Committee reviews and evaluates twice a year the internal control procedures including those relating to financial information, contributing to the preparation of the financial statements of the Group. A review and evaluation of the risk map, including risk assessment and risk management is also made.

Within the Audit Committee, the scope of planned internal audit activities is reviewed in advance and the Internal Audit Department develops a four-year plan and determines the allocation of resources taking account of the perceived risks.

The Audit Committee then provides a detailed report to the Board of Directors.

For more information regarding the Audit Committee, see the first part Corporate Governance report.

DISCLOSURE COMMITTEES

The Chairman and Chief Executive Officer and the Chief Financial Officer have established Disclosure Committees at Corporate and Sector levels in order to assist them in evaluating the effectiveness of the Group's disclosure controls and procedures that are designed to ensure that material financial and other information required to be disclosed is recorded, processed, summarised and reported on a timely basis and that appropriate information is communicated to Management including the Chairman and Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding such disclosure.

The Corporate Disclosure Committee is composed of the Chief Financial Officer, the General Counsel, the Senior Vice President Internal Control, the Group Controller, the Vice President Tenders & Projects Control, and a member of each of the Sector Managements.

Each Sector has established its own Disclosure Committee, which reports to the Corporate Disclosure Committee as to the results of its review of the disclosure controls and procedures, and on its evaluation of the effectiveness within its Sector.

The Group Corporate Disclosure Committee met twice during fiscal year 2010/11 under the Chairmanship of the Chief Financial Officer. The consolidated financial statements for the fiscal year ended 31 March 2010 and the Management discussion and analysis and other financial information disclosed in the Annual Report were reviewed. The interim consolidated financial statements for the 6 months period to 30 September 2010 were reviewed. Reports from the Sector Disclosure Committees were received at each meeting.

In the reviews of the consolidated financial statements the Committee considered the disclosures made to determine and confirm their relevance, accuracy, completeness and presentations.

FINANCE FUNCTION

The Finance function controls business, operations and projects to optimise the Group's profitability and cash generation whilst providing internal and external stakeholders with reliable information including financial information.

The Finance function defines the Group's principles and financial policies in terms of tenders and projects control, funding, treasury, internal control, accounting, tax and management control, designs and leads key financial processes (three-year plan, budget, business reviews), as well as reporting tools to determine and appraise Sectors' performance and analyses the Group's performance and produces the consolidated financial statements.

More specifically, the Accounting and Management Control Department:

- defines the formats, indicators, processes and timing for three-year plans, budgets and forecasts, analyses the Group's actual and forecasted performance and manages the Corporate budget;
- is responsible for designing and issuing the relevant accounting procedures, ensuring that they are in compliance with accounting principles and policies, and producing consolidated and parent company financial statements, as well as financial information for external stakeholders.

In particular, the Department:

- specifies the Group's accounting principles and procedures in compliance with IFRS;
- provides Sectors with instructions on accounting principles;
- controls and investigates data consistency and compliance with the Group's accounting principles.

The Tax Department defines the overall tax policy and planning for the Group and ensures proper compliance with regard to tax returns and payments.

INTERNAL AUDIT DEPARTMENT

The Senior Vice President Internal Audit, who is in charge of a 27-member department, reports to the Chairman and Chief Executive Officer and works in close cooperation with the Chief Financial Officer and the General Counsel. In 2009, competencies in information systems have been developed, and since 2009 the headcount of the second office in Kuala Lumpur (Malaysia) has been reinforced. Since 2008, the Internal Control function is under the supervision of the Senior Vice President Internal Audit to increase synergies between internal control and internal audit.

The main role of the Internal Audit Department is to advise the Chairman and Chief Executive Officer and the Audit Committee on the adequacy and effectiveness of the internal control system in all phases of the Group's business.

The Internal Audit Department operates in accordance with the terms of an Internal Audit Charter approved by the Audit Committee and has authority to examine any and all aspects of operations.

In particular, the Internal Audit Department evaluates controls that promote:

- compliance with applicable laws and with internal policies and procedures;
- physical safeguarding of assets including risk identification;
- availability, reliability, integrity, confidentiality of information and reporting;
- efficiency of business processes, functions, and activities.

Internal Audit may participate in specific assignments such as acquisition and disposal operations, information system implementation, assistance mission or investigations.

An additional role is to recommend improvement in Group's procedures and whenever possible promote good practices.

The Internal Audit Department takes into account the risks map and risk profiles in assessing its audit programmes.

The effectiveness and adequacy of internal controls and compliance with accounting policies and procedures are reviewed regularly by the Internal Audit Department. After each internal audit assignement, a report is issued setting out the audit findings and recommendations. The Internal Audit Department reviews on each mission the results of the self-assessment questionnaire and supporting evidential files and includes comments on the status in its report. Copies of the report are given to the Managing Director and the Finance Director of the audited units and to the Group Management.

The results are also summarised in the bi-annual internal audit reports, which are presented to the Audit Committee on the overall results of the internal audits as well as on any other matter which affects internal control. These reports provide the basis for the Audit Committee to review the effectiveness of the Internal Audit Department work.

Management must take adequate actions within a reasonable timeframe to correct deficiencies reported by the Internal Audit Department and to respond in a timely and appropriate manner to findings and recommendations of both Internal Audit Department and of the Independent Auditors regarding internal control and policies and procedures within the Group.

Internal Audit holds bi-annual working sessions with the Independent Auditors in order to share on their respective audit results and audit plannings.

ALSTOM Internal Audit was awarded IFACI certification in October 2007 which was successfully renewed in December 2010 for a 3-year period. IFACI is the French branch of the international Institute of Internal Auditors (IIA). This is the result of a long process launched at the end of 2005 with an external review of Internal Audit performance. The certification demonstrates that ALSTOM Internal Audit is compliant with the IIA standards, including independence and objectivity, proficiency and due professional care, quality assurance and improvement programme, nature of work, communication of results.

INTERNAL CONTROL DEPARTMENT

The Internal Control function at Group level is responsible for promoting and coordinating all actions and projects aiming at defining the Group's requirements in terms of internal control, and updating the Internal Control Manual and Internal Control Questionnaire. It is also in charge of following the global results of the self-assessment campaigns, the main deficiencies identified in the Group's internal control and their respective action plans.

The Group Internal Control Department is relayed in each Sector by a team of professionals in internal control under the responsibility of a Sector Internal Control Director who reports to the Senior Vice President Finance of his/her Sector. These Sector teams have also their own relays in countries or units.

The Sector Internal Control teams assist unit and business management in implementing internal control rules and instructions, remediating deficiencies, and improving in general the internal control level. They closely follow the results of the self-assessment campaigns, participate to the major projects of their respective Sector (such as the implementation of a new information system) in order to bring in their expertise, and propose various initiatives to address internal control challenges specific to their Sector.

The Group and Sector Internal Control Directors formally meet every month and an agenda is predefined to discuss the internal control issues identified, follow the on-going actions, share good practices, define areas for improvement, and maintain in general a high level of communication and collaboration between the Sectors. These meetings are systematically minuted.

In December 2010, the Internal Control Department was awarded on behalf of Alstom the "Great Prize of Internal Control" by IFACI.

ETHICS & COMPLIANCE DEPARTMENT

Ethics and Compliance stands as a top priority for Alstom, and the Department has the responsibility of the Alstom Integrity Programme aiming at implementing the culture of integrity as well as the application of all the rules in relation to Business Ethics and Personal Integrity.

In September 2010, the Board of Directors created the Ethics, Compliance and Sustainability Committee ("EC&S Committee"). It is currently composed of three Independent Directors. The EC&S Committee reviews and monitors Alstom's policies on ethics and compliance matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views. Alstom SVP Ethics & Compliance is secretary for the Ethics and Compliance part.

The main role of Ethics & Compliance at Group and Sector level is to:

- promote and explain Alstom's culture of integrity ensuring that the highest standards of integrity and ethics are applied throughout the Group;
- ensure compliance with international and national laws and regulations, and with Alstom policies;
- prevent all illegal activities and unlawful payments;
- control the process of qualification of sales and marketing consultants proposed by the Sectors in relation to the development of business and sales, and monitor the corresponding due diligence;
- implement all necessary policies. In particular, the Ethics & Compliance Department regularly issues detailed Group instructions on specific topics;
- monitor the performance of the Alstom Integrity Programme and related activities on a continuous basis.

The Ethics & Compliance Department comprises about 20 people. Ethics & Compliance has full authority and independence through its double reporting to the SVP International Network and to the General Counsel to define and control the rules, procedures and guidelines in terms of ethics and compliance applicable in business transactions and operations. Moreover, the SVP Ethics & Compliance has a direct link with the Chairman of the Board ECS Committee. The SVP Ethics & Compliance is then fully independent and has an unfiltered access to the governing authorities of Alstom.

In particular, the reporting to International Network gives the opportunity to benefit from the support of the 50 Country Presidents in charge of Governance in their respective countries.

In addition to the SVP Ethics & Compliance, the Ethics & Compliance Department comprises a Compliance Officer in charge of the Alstom Integrity Programme Development, a Compliance Officer in charge of the Due Diligence and a Compliance Officer in charge of Checking & Control.

The Sector Compliance Officers in charge of the application of the Ethics & Compliance policy in their Sectors report directly to the SVP

Ethics & Compliance with a functional reporting to the respective Sector General Counsel. In February 2011, the Compliance Officer for Grid was appointed. A Compliance Officer is also appointed in Brazil, China, India and the USA.

The Sector Compliance Process Managers, dealing with the process in relation to the qualification of sales and marketing consultants and sales intermediaries, report operationally to the Sectors with a functional reporting to their respective Sector Compliance Officer.

To reinforce the resources of Ethics & Compliance, approximately 200 Ethics & Compliance Ambassadors, all volunteers to promote the integrity culture of the Group, were appointed in May 2010.

The Ethics & Compliance Ambassadors are:

- if they agree, the Country Presidents in charge of the governance in their country;
- volunteers coming exclusively from the Legal, Finance and Human Resources functions at all levels of the organisation.

The mission of the Ethics & Compliance Ambassadors consists in:

- being a key contact on all the Ethics & Compliance topics in their organisation;
- helping to disseminate the keys Ethics & Compliance messages, instructions and procedures;
- being able to direct the persons towards the appropriate experts;
- supporting people in behaving ethically and in taking ethical decisions;
- participating to the risk assessment in terms of Ethics & Compliance;
- promoting Ethics & Compliance e-learning modules;
- organising awareness sessions;
- providing feedback to the Ethics & Compliance team on issues and concerns.

The Ethics & Compliance Ambassadors have a direct contact to Ethics & Compliance through the Compliance Officer for the Development of the Alstom Integrity Programme, who provides them with the appropriate support and tools in their mission. At country level a co-ordination by the Country President is necessary to properly manage this initiative. All the E&C Ambassadors were trained and in 2010/11, they have animated their first E&C Awareness sessions, gathering more than 350 people.

Ethics & Compliance liaises regularly with Alstom Corporate functions in particular Legal, Finance, Internal Audit, Human Resources and Communication to better determine and promote Alstom ethical principles throughout the whole organisation.

In February 2010, Alstom issued 4 E&C Instructions relating to Gifts & Hospitality, Political Contributions, Charitable Contributions and Sponsorship. Additional E&C Group Instructions were published: for dealing with Consulting companies (other than Sales and Marketing Consultants) in December 2010 and for managing Conflicts of Interest in March 2011.

During fiscal year 2010/11, approximately 1,750 employees in position to deal with sales matters have been trained on ethics and compliance, bringing the total population trained worldwide to approximately 5,000 people since 2006. In addition, 250 employees selected by the Sectors and Corporate have also completed the e-learning modules on both Prevention of Corruption and Competition Law during the past fiscal year.

To ensure that all Managers and Professionals in the Group understand and adhere to the principles expressed in the Code of Ethics, the e-learning module called e-Ethics launched on 8 March 2010, in all countries and in eight languages was completed by more than 32,000 employees. The completion of the module is mandatory for all Managers & Professionals.

In addition, meetings with small groups of people animated by the SVP E&C and the Sector Compliance Officers have been developed to discuss the ethical challenges they face, share ideas to solve them and thus reinforce the integrity culture of Alstom.

To ensure that all our stakeholders are well informed about the Alstom Integrity Programme, the E&C Department works in close relationship with the Communications and a variety of communication methods are employed.

For employees:

- a dedicated, visible and regularly updated section on Altair, Alstom's intranet, called "Ethics";
- regular news in Alstom's weekly newspaper, Newsflash and articles in local internal newspaper, whether at country or site levels;
- poster displayed in all locations.

For external stakeholders:

- a dedicated section, entitled "Ethics" on Alstom's internet web site, www.alstom.com. In this section, all the versions of the Code of Ethics are available and can be downloaded, and the E&C Instructions relating to Gifts & Hospitality, Political Contributions, Charitable Contributions and Sponsorship.

INFORMATION SYSTEMS FUNCTION

The organisation of the Group's Information Systems significantly changed during the 2009/10 fiscal year. A global organisation has been set up focusing on standardisation and rationalisation of solutions and services, and an optimisation of Information Technology costs.

The new Shared Services Centre, IT SSC, is today fully operational. It is based on three distinct structures:

- "Global Information Technology Operations" is in charge of the management of the world wide Information Technology infrastructure, workplaces, data centers and telephony;
- "Application Solutions Centre" is responsible of the supply, support and maintenance of the Corporate and Sectors applications, cost optimisation by application, and standardisation of services related to the management of these applications;
- "Information Security" is responsible for managing the security of the Alstom Information System worldwide.

The Shared Services Centre covers now more than 60 countries.

The Information Systems organisation of the Transport and Power Sectors has been also changed in order to better fit the business expectations and reinforce collaboration with the Information Technology Shared Services Centre.

The Information Systems & Technology community pools now Information Systems functions of Sectors, Corporate and the Information Technology Shared Services Centre. The action plans which are based on priorities defined for the fiscal year have released concrete returns:

- a reinforcement of governance by the re-definition of principles, processes and Group rules in terms of Information Systems, and communication of these rules in the Information Systems & Technology e-book section;
- a reduction in Information Systems complexity within the Group (transversal applications deployment, networks migration to a worldwide unique supplier, tools standardisation, etc.);
- a worldwide coverage of Information Technology Solution and Service delivery;
- cost optimisation (objective achieved and in line with the transformation programme initiated three years ago, which defined a running cost reduction by user of 20% on three years);
- a reinforcement of the Group's capacity to manage risks linked to Information Systems, due to:
  - a global and coordinated management of the Information Systems & Technology function,
  - the contribution within the Information Systems Central team, of specific functions to better coordinate risk management and project management,
  - a team dedicated to the control of the compliance of information systems in the Sectors and at Group's level, follow up remediation plans, integrate internal controls in the new systems and new applications and to reinforce Information Systems control and security.

Important projects are in progress, like the implementation of a single integrated system (SAP) in most of the Power sites, solutions implementation (still SAP) in Transport Sector, actions to improve Information Systems security, and a plan to reinforce the compliance of informations systems with internal control standards.

MANAGEMENT OF SPECIFIC RISKS

RISKS IN RELATION TO CONTRACTS

Corporate Risk Committee

The Corporate Risk Committee is chaired by the Chairman and Chief Executive Officer and aims to report on the main project risks both at tender stage and during execution, as well as internal audit results and other specific matters.

The Corporate Risk Committee is composed of the Chairman and Chief Executive Officer, the Sectors' Presidents, the Chief Financial Officer, the General Counsel, the Senior Vice President Internal Audit, the Senior Vice President International Network, the Senior Vice President Project and Export Finance and the Vice President Tenders and Projects Control, and meets on a monthly basis in order to:

- highlight risks essentially from major tenders reviewed in the preceding month and exceeding €50 million or deviating from defined criteria. The tenders reviewed by the Tenders and Projects Control Department are required to be approved by the Chairman and Chief Executive Officer or the Chief Financial Officer before the bid date;
- be briefed on the project reviews particularly those attended by the Tenders and Projects Control Department during the preceding month;
- review matters reported by Internal Audit and/or the International Network Department; and
- be briefed on specific concerns and topics (*e.g.* risk mapping) which may arise from time to time and have an impact on the Sectors activities.

Sector procedures

In a similar way, each Sector has established risk review procedures, which are consistent with the Group's principles. In particular, the relevant Sector's Management must be advised:

- of important changes occurring after tender submission regarding tender assumptions and of the related impact on the assessment of relevant risks;
- of material changes within project execution which could impinge significantly on the project result.

The Sector risk review procedures on tenders include a checklist of major risk elements to be systematically addressed. These elements include in particular, but are no limited to: customer profile, project contractual organisation and partnership, supplier/subcontracting risk, technical & technology risk, costs solidity, project schedule, contract terms & conditions, payment security, bank guarantees, foreign exchange exposure, country risk, tax aspects, bid financials (selling price, margins, risks & opportunities, provisions, project cash profile, etc.). Any deviation to the Group's principles is highlighted and challenged. The implementation of the procedures and the formalisation of the review and approvals are supported in each Sector by a specific reporting and validation tool.

In addition, the Internal Control Manual specifies that project reviews held within the Sectors must be minuted and held every three months for contracts which could have a major effect on the relevant unit's financial performance, or every six months in other circumstances.

RISKS IN RELATION TO SALES AND MARKETING CONSULTANTS

Ethics & Compliance Department

To be in a position to control the relationship between sales and marketing consultants and an operational Sector, instructions have been established and are controlled at key milestones by Ethics and Compliance, using external investigation tools and means to check the integrity and competence of those consultants. Ethics & Compliance acts as a quality control department and depending on the milestones gives either a green light or a non-objection ruling. The procedures are regularly strengthened to take into account past experience or proactive initiatives to reduce as much as possible potential risks.

Such a large and diversified company as Alstom, serving complex worldwide markets, cannot only rely on its own sales resources. Depending on the circumstances, the Sectors may need to complement their knowledge, their expertise and/or their sales resources by hiring reputed lobbyists or consultants who are committed to act with integrity and to comply with Alstom rules as well as the international and local laws. These requirements are essential as risks exist for the Company, should such a consultant behaves unethically and uses illegal practices.

In order to meet these objectives, Alstom has deployed all its efforts to strengthen its internal procedures, increasing centralisation of control pertaining to consultancy agreements.

The rules and procedure to manage the relationship with sales and marketing consultants was granted a certification in March 2009 by the company Ethic Intelligence International after an audit conducted by the Swiss company SGS.

As a next step, three certifications have been undertaken in 2011 by Ethic Intelligence International:

- the renewal of the certification of the "Procedures, rules and guidelines for dealing with sales and marketing consultants" for Power and Transport, granted for 2 years in March 2009.

  The certificate was awarded in April 2011.
- the certification of the "sales intermediaries" policy for Grid;
- the certification of the Alstom Integrity Programme as a whole, which will start in June 2011;

An updated Group Instruction will be issued in 2011 to have a comprehensive and harmonised policy to deal with sales and marketing consultants and intermediaries for the three Sectors, Power, Transport and Grid.

RISKS IN RELATION TO FINANCIAL MARKETS

Corporate funding & treasury

The Funding and Treasury Department defines rules and procedures regarding cash management, currency risk hedging, as well as bonds and guarantees. In addition, it manages the related risks (market, liquidity, foreign exchange and interest rate), the relationships with subsidiaries, the cash pooling structure and the netting process.

The central organisation facilitates the financial risk management as all financial transactions are performed or at least supervised by the Corporate front-office, reported in a dedicated reporting tool, and under the control of a strictly independent middle office. The Funding and Treasury Department is solely entitled to raise loans and invest cash surplus except when local regulations do not permit it. In such cases, the involvement and approval from the Funding and Treasury Department remain mandatory before any commitment. It has also defined a detailed list of authorised banks which the units are allowed to deal with. For further information regarding the management of financial risk, see Note 25 to the consolidated financial statements for the fiscal year ended 31 March 2011.

Corporate Pension Committee

Pensions and other employee benefits are governed and monitored by the Corporate Pension Committee which is composed of the Corporate Treasury, Consolidation and Compensation & Benefits functions, according to the following principles:

- participation of a Corporate officer to the Board of Trustees and/or Investment Committees;
- assets/liabilities management approach so that only risks necessary to cover Alstom's liabilities are taken;
- simplicity in the investment strategy to ensure visibility on the portfolio risk;
- systematic support from an external investment advisor in main countries;
- a global policy on employee benefits to address principles for pension plan design, funding & investment, administration and governance;
- a responsibility chart whereby changes to plan design, funding & investment and administration must be authorised by designated Corporate officers;
- quarterly meetings of the Corporate Pension Committee to monitor the schemes' evolution.

LEGAL RISKS

Legal function

The Legal Function is responsible for monitoring and mitigating risks arising out of the activities of the Group, as well participating in the Group's efforts to ensure full compliance with applicable laws and the Alstom Code of Ethics. Legal is comprised of Sector Legal Departments, Country Counsels and the Corporate Legal Department.

Sector Legal Departments are headed by a Sector General Counsel, who reports functionally to the Group General Counsel and operationally to his Sector President. The Sector Legal Departments are responsible for handling legal matters for their Sector. They are in particular involved in the negotiation of contracts, from tendering to signature. They also participate in contract management, including legal training for contract managers, management of legal risks and legal support throughout the project execution. Legal support during execution involves preparing and negotiating contract modifications, preparing and negotiating customer, co-contractor and subcontractor claims, such as for extra time and costs, providing legal support in disputes resolution and negotiations with insurers. Contract management manuals have been implemented in the Sectors. The main risks in relation to contract performance are presented in the Risks Factors section of the Annual Report/Registration Document 2010/11 filed with the AMF.

The Country Counsels, appointed in several countries where the Group is present, provide legal support to one or more Sectors and are responsible for corporate law matters in their country. The Country Counsels report functionally to the Group General Counsel, operationally to their Country President, and as appropriate to the Sector General Counsels.

The Corporate Legal Department is headed by the Group General Counsel, reporting to the Chief Executive Officer. The Corporate Legal Department provides legal assistance to the Board of Directors and senior management, to other corporate functions, Sectors and Countries, as appropriate, in dispute resolution, acquisitions and disposals of businesses, finance and stock market law, insurance, intellectual property, competition law, sourcing and criminal law.

The Corporate Legal Department handles major disputes affecting the whole Group, compliance matters involving criminal investigations and legal issues arising out of disposals not connected to a Sector (*e.g.* former Marine division). It monitors the Group exposure reporting relating to disputes. All Group legal entities must submit a report on being notified of a dispute or the commencement of a litigation and on becoming aware that a third party is likely to commence a dispute or claim. In addition, the Sector General Counsels and Country Counsels submit an annual report concerning the status of all potential or pending law suits. The Corporate Legal Department is responsible for analysing and compiling the Group Annual Litigation Report, which is submitted annually to the Corporate Disclosure Committee, the Audit Committee and the Group Statutory Auditors every year. The major legal risks and disputes are presented respectively in the Risks Factors section and Note 28.2 to the Consolidated Financial Statements of the Annual Report/Registration Document 2010/11 filed with the AMF.

Legal provides at all levels of the Group (Sector, Country, Corporate) training on the management of legal risks to a wide and varied group of communities within the Group, such as Project Managers, Contract Managers, operational and functional Managers and Directors and Officers of the Group subsidiaries.

RISKS IN RELATION TO ENVIRONMENT, HEALTH AND SAFETY (EHS)

EHS Department

The Corporate EHS Department is responsible for defining the global risk management policy regarding EHS, coordinating and following EHS actions and programmes through the Group. It is supported in its mission by a network of EHS managers at country, business and Sector levels.

A global policy covering the management of EHS risks at an individual operating unit level has been put in place, to achieve a high level of performance including strict compliance of local norms and regulations. This global policy is designed and co-ordinated at Corporate level and is adapted and implemented locally. Independent specialists on risk analysis carry out the annual audit programme of Alstom manufacturing sites around the world. In addition to this, and in order to spread the Group EHS risk control system, an internal assessors accreditation programme is in place since 2008 with 85 assessors as of end of March 2011. Both internal and External Auditors support the operating units in the creation of specific action and improvement plans.

The completion of the action plans is measured and followed up through a monthly Corporate reporting process.

Through the programme, the Group seeks primarily to:

- develop products and services that have an acceptable impact on the environment along the product life cycle from manufacturing, product use to end of useful life;
- evaluate the environmental impact of new industrial processes prior to their implementation, as well as the discontinuation of existing processes or the disposal of existing sites;
- improve technology in order to reduce the consumption of energy and natural resources and to minimise waste and pollution; and
- promote the application of the Group environmental management principles to its sub-contractors and suppliers.

Additional EHS programmes are implemented at each of the operating units. Such programmes cover health and safety issues, both at the design stage of the workplace and product equipment through to their implementation and use, as well as Accident & Occupational Illness Prevention programmes.

The Assets & Business Interruption Management programmes are designed to minimise exposure to loss or damage to the Group's assets and to ensure business continuity. This includes exposure to fire, breakdown, and natural catastrophes, as well as theft or deliberate damage.

The EHS coordination guarantees the consistency of the prevention programmes at a central level. The EHS performance indicators are gathered on a monthly basis by a reporting system covering all the business and operational centres in order to guide the risk management approach.

During fiscal year 2010/11, 131 EHS audits were carried out, 64% by the accredited internal assessors and 36% by External Auditors. All these evaluations have been reviewed by the local Managing Directors in order to validate the suggested areas of improvement.

RISKS IN RELATION TO THE DESIGN AND USE OF COMPLEX TECHNOLOGY

Corporate procedure

The management of risks related to the design and use of complex technology is governed by the Corporate instruction "Design for Quality" (DFQ). This instruction defines how ALSTOM manages development of goods and services, especially the mandatory gate reviews to be held along each development phase from technology to product development and contract execution.

Each Sector has developed and implemented its own procedures and organisation to manage the R&D process in compliance with the Corporate instruction.

Sector procedures

Transport Design for Quality Procedure, completed with a set of checklists, define the detailed process, control milestones, actors' responsibilities, indicators and records to be implemented by each Product Line for technology development, product development and contracts.

Power Technology Development Quality manual (TDQ) and Product Development Quality manual (PDQ) derive from the Design for Quality procedure and define similarly the processes, control milestones, roles and responsibilities, tools and practices to be implemented by each business. A dedicated tool supports the review and approval of technology risks included in offers and contracts.

Grid Design for Quality Instruction, in accordance with the Corporate Procedure, enacts the rules applying to the R&D process, including key steps and control milestones, roles and responsibilities, which are to be set up and followed by each Business. The Grid R&D White Book provides Business with supporting checklists, tools and best practices.

Sector organisations

The different development processes are all stage-gated with gate reviews starting at the initiation of the developments until the feedback of the customer.

In Transport Sector, the Technology Approval Board (TAB) validates new technologies to be employed in the development of a product/system. The Technology Approval Board is chaired by the Transport Technical Advisor and is composed of the Transport R&D Controller, The Transport Marketing & Products Strategy Vice President and the Transport R&D Director. It is attended by the R&D Program Manager and Platform Director involved. The closing of the technology phase by the Technology Approval Board is mandatory before entering the product development phase.

The Development Review Board (DRB) governs up-stream product development for Platforms and Subsystems, ensuring that product/system developments meet quality/cost/delivery performances. It also ensures that product/system development is in line with the Design for Quality process. The Development Review Board is chaired by the Product Line Vice President involved, and is composed of the Finance Controller, the Marketing & Products Strategy representative, and the Transport R&D Director. It is attended by the R&D Program Manager and Platform Director involved.

All gate reviews of the technology and product phases are validated by the Technology Approval Board and the Development Review Board. Gate reviews during contract development are validated by "Quality/Safety/Reliability/Warranty", the Transport Quality organisation. A Gate Review Dashboard allows to monitor the progress of the gate reviews through a centralized tool.

In Power Sector, gate reviews for technology, product and contract developments are the responsibility of Steering Committees under the chairmanship of the Business and Product Line management responsible for the product and involving the relevant functions. The transfer of a new technology into a product development is subject to a formal Release Gate Review (RGR) that must occur before the Product Concept Gate Review. The completion of the stages of development that could make a new product available for offer in the market is also controlled by a formal RGR.

Gate reviews during contract execution are organised at business and Sector level. The review process is ruled by a directive which specifies the minimum requirements. The Power Technology function is responsible for deploying and implementing processes to make sure that R&D programs are executed timely and within budget and that appropriate reporting is done. This is measured on the Technology Balanced Score Card. The Technology function has launched in 2009 a standardisation of the technical risk management and reporting, allowing an aggregation of the technical risks for the Power Sector.

An R&D Investment Board is in charge to ensure that Power development portfolio is reviewed and controlled. This Board is chaired by the Sector President, co-chaired by the Power Technology SVP and composed of the Business Heads.

In Grid Sector, each Business is responsible for identifying the risks associated with the projects, as well as defining the means used to mitigate and eliminate these risks, in respect of Grid Quality processes.

Technology Development Quality process, which applies to new technologies, is supervised by Steering Committees involving R&D and Marketing management at the Sector, Business and Product Line levels. Gate Reviews are approved by Grid R&D Vice-President when implying emerging technologies and common projects, or by Business Unit R&D Vice-President for other projects.

For Product Development, Product Line Sales and Quality Directors are part of the Steering Committees. The decision to develop a new product must be previously approved by the Business Executive Vice-President, and further Gate Reviews are validated by the relevant functions at the Business and Product Line levels. The release of a new product offering must be supported by a Product Launch Plan performed by the Product Line management.

Enforcement and monitoring of the Design for Quality Process are under the responsibility of the Grid R&D Vice-President, the Business R&D Vice-President and the concerned Product Line R&D Directors. Product Line R&D Directors are also accountable for establishing a Technology and Product development strategic plan every second year, which is reviewed and approved by the Sector R&D Vice-President and the Business R&D Vice-President.

PROCEDURES FOR THE PRODUCTION OF THE GROUP FINANCIAL STATEMENTS AND OTHER ACCOUNTING AND FINANCIAL INFORMATION

The accounts of reporting units are prepared in accordance with the Group's accounting policies.

The data is then adjusted, where necessary, to produce the local statutory and tax accounts. An integrated consolidation software is used for both management reporting purposes and also to produce the Group financial statements. The 2008 release of the consolidation software further facilitates the reconciliation between contract data and financial reporting.

The main reporting processes facilitate consolidation of financial data to produce the consolidated financial statements and forecast data, as well as regular management information.

ACCOUNTING STANDARDS

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements comply with accounting policies as detailed in Note 2 of the consolidated financial statements at 31 March 2011.

ACCOUNTS CLOSING PROCESS

The reporting units produce monthly statements which are used to determine the Group's monthly operating income, cash flow and balance sheet.

ROLE OF THE GROUP'S ACCOUNTING AND MANAGEMENT CONTROL DEPARTMENT

The list of entities to be accounted for by the equity or proportionate methods or fully consolidated is drawn up by the Group's Accounting and Management Control Department. This Department also checks the quality of the reporting packages submitted by the units, focusing primarily on inter-company eliminations, and the accounting treatment of non-recurring transactions for the period, and movements between the opening and closing balance sheet used to prepare the statement of cash flows and reconciliations between legal entities and reporting entities.

The Department also checks the results of procedures, including foreign exchange, inter-company eliminations, transfers to minority interests and recognition of the effects of changes in scope of consolidation.

The Group's consolidated financial statements are also analysed in detail, to understand and check the main contributions by Sectors, businesses or subsidiaries, as well as the transactions reflected in the accounts.

Key control points include the preparation and validation of the statement of changes in shareholder's equity and the statement of cash flows.

FINANCIAL INFORMATION AND REPORTING

The Group's rules and procedures in relation to financial reporting and accounting are set out in the Internal Control Manual and the Reporting and Accounting Manual.

Application and compliance with these principles, rules and procedures are under the direct responsibility of each unit Finance Director. All Finance Directors report directly to the financial officers of the relevant business and Sector and ultimately to the Group Chief Financial Officer.

Unit Finance Directors must ensure that information provided *via* the Group accounting and reporting information system covering the complete Group perimeter fully reflects required disclosures, the results of the period and the financial position at the end of the period in question and they must send a written confirmation thereof.

More precisely, each reporting unit must send to the Group Consolidation Department an annual self-assessment return, along with a checklist, which must be individually signed off by the responsible Finance Director and Managing Director. This checklist covers in particular, but is not limited to, cash and bank reconciliations, project reviews, provision movements, inter-company balances, hedging instruments, bonds and guarantees and significant accounting estimates and entries.

In addition, a checklist must also be signed off by each Sector Senior Vice President Finance.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make various estimates and use assumptions regarded as realistic and reasonable. These estimates or assumptions could affect the value of the Group's assets, liabilities, equity, net profit and contingent assets and liabilities at the date of the financial statements. Management reviews estimates on an ongoing basis using currently available information. Actual results may differ from those estimates, due to changes in facts and circumstances.

For more information regarding the use of estimates and critical accounting policies, see Note 2.2 to the consolidated financial statements for the fiscal year ended 31 March 2011.

Estimates of future cash flows reflect Management's current best estimate of the probable outflow of financial resources that will be required to settle contractual obligations. The estimates are therefore subject to change, due to changes in circumstances surrounding the execution of contracts.

Management regularly reviews the effectiveness of internal control over financial reporting, in particular to ensure the timeliness and accuracy of accounting for transactions and assets in circulation, it verifies that transactions have been recorded consistently, in accordance with IFRS as applied by the Group and as set out in the Reporting and Accounting Manual.

Paris, 3 May 2011

The Chairman of the Board of Directors

EXECUTIVE COMMITTEE

Composition as of 3 May 2011

The Executive Committee is composed of the following persons:

PATRICK KRON

Chairman and Chief Executive Officer

PHILIPPE JOUBERT

Executive Vice President; President, Power Sector

PHILIPPE MELLIER

Executive Vice President; President, Transport Sector

HENRI POUPART-LAFARGE

Executive Vice President; President, Grid Sector

PATRICK DUBERT

Chief Human Resources Officer

NICOLAS TISSOT

Chief Financial Officer

The Executive Committee met 11 times during the fiscal year.

Compensation of Members of the Executive Committee

The compensation of the Executive Committee members, excluding the Chairman and Chief Executive Officer, is decided annually by the Chairman and Chief Executive Officer and reviewed by the Nominations and Remuneration Committee. It consists of a fixed component and a variable component tied to the realization of performance objectives determined at the beginning of the fiscal year.

For fiscal year 2010/11, the variable compensation is tied on the one hand, to the realization of Group objectives related to free cash flow, operational margin and the level of margin in the backlog and also to the same objectives related to their only Sector for Sectors' Presidents, and on the other hand, to the realization of specific objectives for each Sector or function. These specific objectives refer to the programmes of priority actions included in the budgets and strategic plans, and are evaluated by the Nominations and Remuneration Committee. If the set objectives are met, the financial objectives represent 30% or 36% depending on the members concerned and the specific objectives 20% or 24% of the annual base salary. The financial objectives can vary in a 0-60% or 0-72% range, and the specific objectives can vary in a 0-20% or 0-24% range, depending on performance. Therefore, the variable salary varies in a 0-80% or 0-96% range of the annual fixed salary depending on the members of the Executive Committee.

Total compensation packages are tied to both the Company's financial performance and individual and team contributions. They are based on best practices within the industry, compensation surveys and advice from specialised international counsels.

The overall amount of the gross compensation due to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer's remuneration detailed on page 174, by the Company and the companies controlled by the Company within the meaning of Article L. 233-16 of the French Commercial Code in respect of fiscal year 2010/11 amounted to €4,671,000.The fixed component represents €2,846,000 (five members of the Executive Committee concerned as of 31 March 2011, excluding the Chairman and Chief Executive Officer) and the variable component linked to the results of fiscal year 2010/11 represents €1,825,000 (five members of the Executive Committee concerned as of 31 March 2011, excluding the Chairman and Chief Executive Officer).

The total corresponding amount paid in respect of fiscal year 2009/10 to the members of the Executive Committee (four members of the Executive Committee concerned as of 31 March 2010, excluding the Chairman and Chief Executive Officer) was €3,890,000. The members of the Executive Committee benefit from supplementary retirement schemes (defined contribution plan and defined benefit plan).

The total amount of the defined benefit obligation as of 31 March 2011 for the members of the Executive Committee (except for the Chairman and Chief Executive Officer) is €5,196,097 including the legal retirement indemnities plus the taxes applicable to supplemental retirement schemes as increased since 1 January 2010.

The total amount of contributions paid by the Group, within the defined contribution plan, was €108,214 for the fiscal year 2010/11 (excluding the Chairman and Chief Executive Officer).

There are no amounts set aside or accrued to provide specifics benefits to members of the Executive Committee (including the Chairman and Chief Executive Officer) other than amounts to provide pension or similar benefits.

INDEPENDENT AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF ALSTOM

Year ended 31 March 2011

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Alstom

To the Shareholders,

In our capacity as Statutory Auditors of Alstom, and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 March 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION CONCERNING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

OTHER INFORMATION

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, 4 May 2011

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Olivier Lotz	Thierry Colin

INTERESTS OF THE OFFICERS AND EMPLOYEES IN THE SHARE CAPITAL

Stock options and performance share plans

GRANTING POLICY

Generally every year, the Company sets up a stock options plan in France and outside France within the framework of the authorisation granted by the General Shareholders' Meeting.

The Board of Directors grants stock options plans upon the proposal of the Nominations and Remuneration Committee, which reviews all terms of these plans, including the granting criteria. The awards are made with a regular frequency, at the end of September each year. Exceptionally, the award of the 2010 Plan (LTI plan No. 13) was postponed to December 2010 due to the matters on the agenda of the September 2010 Board meeting.

Through the Long-term Incentive Plans that were put in place starting in the 2007/08 fiscal year, the Board of Directors wanted to combine the allocation of stock options with the free allocation of shares and subject the exercise of all stock options and the delivery of all shares to identical performance conditions and attendance requirements (please refer to the characteristics of these plans, as set forth in subsequent pages).

The respective proportions of stock options and performance shares allocated vary according to beneficiaries' level of responsibility, it being specified that the proportion of stock options increases as responsibility levels increase. With respect to the lowest hierarchical positions, only performance shares were allocated in this way within the framework of the LTI plans offered since fiscal year 2008/09.

Beneficiaries of stock options and performance shares are generally selected among the executives of profit centres, functional executives, country presidents, managers of large projects and, more generally, holders of key salaried positions in the Company and its subsidiaries, which have made a significant contribution to the Company's results.

During fiscal year 2010/11, these beneficiaries represent approximately 1,700 people (approximately 1,360 people in 2009/10) corresponding to 2% of total Group's employees (same rate since 2004).

Apart from the members of the Executive Committee, the choice of beneficiaries and the number of options and performance shares granted are based on the level of responsibilities and job performance of each person. Individual grants of members of the Executive Committee are based on the level of responsibilities and are in line with market practice. Their grants are made within the plan put in place annually; the characteristics of the options and/or performance shares granted to members of the Executive Committee are similar to those of all the other grants.

As such, the long term incentive plan of 13 December 2010 (LTI No. 13) granted during fiscal year 2010/11 bears on a total amount of conditional stock options (1,235,120 stock options granted) and free performance shares (740,860 allocation rights granted) corresponding to 0.42% and 0.25%, respectively, of the share capital as of the grant date totalling 0.67% of the share capital.

The long term incentive plan (LTI No. 12) of 21 September 2009 bears on a total amount of conditional stock options (871,350 stock options granted) and free performance shares (522,220 allocation rights granted) corresponding to 0.30% and 0.18%, respectively, of the share capital as of the grant date and a total of 0.48% of the share capital.

The policy followed by the Company consists in defining the allocations in term of percentage of capital granted rather than in number of shares, which leads to a decrease in the number of options and performance shares granted when the share price is increasing and conversely. The increase in the percentage of the share capital granted under the plan set up over the course of the fiscal year is the result of both this policy and the expansion in the number of beneficiaries following the acquisition of the electricity transmission activities and the creation of Grid Sector.

Executive Committee's members (excluding the Chairman and Chief Executive Officer) received in 2010, 245,000 conditional stock options and 20,000 free performance shares representing 13.4% of the total number of options and free performance shares granted. In 2010, the Chairman and Chief Executive Officer received no allocation.

The Company reserves the right to set up new plans in the future combining allotment of stock options and free shares, for amounts based on the level of responsibilities and job performance of the beneficiaries. As done in the past, the Company may continue to make the exercise of all or part of the future grants conditional to the achievement of performance conditions linked to the Group's financial objectives.

MAIN CHARACTERISTICS OF THE STOCK OPTIONS

- Frequency: Annual allocation in September of each year. In 2010, the allocation has been exceptionally completed in December 2010.
- No discount: Yes.
- Term of the options: 8 years (since the LTI plan No. 12).
- Exercise deferral: 3 years.
- Shares can be sold: At expiration of a 4-year period for French residents (3-year period for non French residents).

- Performance conditions: Yes (since fiscal year 2006/07, all options are granted subject to Group performance conditions to be met as of the end of the third fiscal year or of each of the three fiscal years -the latter applies to the last plan – ended following the grant date).
- Holding requirement: Yes, for the members of the Executive Committee since fiscal year 2007/08 (see below).

For each plan, the options' subscription price, determined by the Board when the Board of Directors grants the options, has no discount. It corresponds to the average price of the shares during the twenty trading days preceding the day when the Board of Directors grants the options.

The option life of the plans was ten years and has been reduced to eight years as from the LTI plan No. 12 granted on 21 September 2009. The options are generally exercisable at the expiry of a vesting period of three years as from the grant date. In France, as per current tax law, beneficiaries shall also keep the shares subscribed up until the expiry of a four-year period following the grant date of the plan.

Since 2004, over the seven plans set up, six plans make the exercise of all or part of the options conditional to the achievements of Group's financial objectives (plans No. 7, 9, 10, 11, 12 and 13). Since 2006, all the options granted are conditional (plans No. 9, 10, 11, 12 and 13). These internal performance conditions are set forth in the table below. The performance condition retained since 2006 is the future operating margin level of the Group, which is the same criterion used for performance shares and the objectives of the Group.

As of today, it was not considered appropriate to add to this internal performance criteria, an external criteria based on the performance of the Group compared to those of competitors whose scopes are not directly comparable.

Under the plan granted during fiscal year 2010/11 (LTI plan No. 13 of 13 December 2010), the percentage of options exercisable will be subject to the achievement of pre-determined Group's operating margin levels for the fiscal years 2010/11, 2011/12 and 2012/13 (see Note 21 to the consolidated financial statements for fiscal year 2010/11).

The exercise of options is also subject to the beneficiary's presence within the Group, with some exceptions. Plans No. 7, 8 and 9 allowed an early exercise before the expiry of the three-year vesting period in certain circumstances of change of control, among which in case of a public offering to buy and/or exchange the Company's shares.

MAIN CHARACTERISTICS OF THE PERFORMANCE SHARES

- Frequency: Annual allocation in September of each year.
- Performance requirement: Yes, the final allocation of all shares is contingent upon the satisfaction of Group performance requirements as of the end of the third fiscal year or of each of the three fiscal years - the latter applies to the last plan – ended following the grant date.
- Final allocation: Once in full at expiration of a 3-year term for French residents and of a 4-year term for non French residents.
- Holding requirement: 2 years for French residents.
- Specific holding requirement for members of the Executive Committee: Yes since fiscal year 2007/08 (see below).

Generally speaking, the shares are allocated following an acquisition period of three years following the date upon which the Board of Directors allocated the shares in France or four years outside of France, subject to satisfying performance requirements linked to the Company.

The definitive allocation of the performance shares to beneficiaries within the LTI plans granted since 2007, is subject to the same conditions associated with the Group's performance at the end of or over a three-year period as the exercise of the conditional stock options. The definitive allocation is also subject to conditions associated with the executive's presence within the Group, save in exceptional cases as provided for in the plan.

The LTI plan No. 13 granted on 13 December 2010 renders the percentage of effective allocation of the shares subject to the achievement of pre-determined Group's operating margin levels for the fiscal years 2010/11, 2011/12 and 2012/13 (see Note 21 to the consolidated financial statements for fiscal year 2010/11).

These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

While subject to these set conditions being satisfied, the definitive allocation of shares under the LTI plan No. 13 can occur (with the exception of the occurrence of an early definitive allocation) following an acquisition period ending, for beneficiaries residing in France, on the day the Group's consolidated financial results for the 2012/13 fiscal year are published and, for the beneficiaries who do not reside in France, four years following the date upon which the Board of Directors allocated the shares, subject to the beneficiaries' presence within the Group, save in exceptional cases as provided for in the plan.

REQUIREMENT TO HOLD THE SHARES APPLICABLE TO MEMBERS OF THE EXECUTIVE COMMITTEE – RULES OF CONDUCT

The Board of Directors set the rules for holding shares applicable to the beneficiaries who are members of the Executive Committee within the framework of the 2007, 2008, 2009 and 2010 plans (LTI No. 10, LTI No. 11, LTI No. 12 and LTI No. 13).

Therefore, for the entire period of time during which they perform their duties, such beneficiaries must hold, in registered form, a number of shares resulting from the exercise of options and the free allocation granted within these plans and corresponding to 25% of the theoretical net gain (after taxes and social security withholdings) calculated on each date of exercise of options and on the effective date of allocation of the performance shares.

Moreover, rules of conduct applicable within the Group in case inside information is held, prevent any sale of shares during periods preceding the approval of the Group's results and more generally when inside information is held. Any request to exercise stock options or sell performance shares is subject to prior authorisation of the Human Resources Department in order to monitor compliance with the blackout trading periods by beneficiaries registered on the Group's insiders lists (see also page 166).

SUMMARY OF THE MAIN CHARACTERISTICS OF THE STOCK OPTIONS PLANS GRANTED OUTSTANDING AT THE END OF FISCAL YEAR 2010/11

The total number of options that could be exercised according to the outstanding plans corresponds to 2.67% of the share capital as of 31 March 2011 (subject to achievement of the performance conditions – see Note 21 to the consolidated financial statements as of 31 March 2011).

The main characteristics of all stocks option plans implemented by the Company and outstanding as of 31 March 2011 are summarised below. No other company of the Group has implemented stocks option plans giving right to the Company's shares.

	Plan No. 7 (conditional options)	Plan No. 8	Plan No. 9 (conditional options)	Plan No. 10 included in plan LTI No. 10 (conditional options)	Plan No. 11 included in plan LTI No. 11 (conditional options) (4)	Plan No. 12 included in plan LTI No. 12 (conditional options)	Plan No. 13 included in plan LTI No. 13 (conditional options)
Date of Shareholders' Meeting	9 July 2004	9 July 2004	9 July 2004	26 June 2007	26 June 2007	26 June 2007	22 June 2010
Date of Board meeting	17 Sept. 2004	27 Sept. 2005	28 Sept. 2006	25 Sept. 2007	23 Sept. 2008	21 Sept. 2009	13 Dec. 2010
Initial exercise price (1)	€17.20	€35.75	€74.66	€135	€66.47	€49.98	€33.14
Adjusted exercise price (2)	€8.60	€17.88	€37.33	€67.50	-	-	-
Beginning of stock options exercise period	17 Sept. 2007	27 Sept. 2008	28 Sept. 2009	25 Sept. 2010	23 Sept. 2011	21 Sept. 2012	13 Dec. 2013
Expiry date	16 Sept. 2014	26 Sept. 2015	27 Sept. 2016	24 Sept. 2017	22 Sept. 2018	20 Sept. 2017	12 Dec. 2018
Number of beneficiaries	1,007	1,030	1,053	1,196	411	436	528
Total number of options (adjusted if any) (2)	5,566,000	2,803,000	3,367,500	1,697,200	754,300	871,350	1,235,120
Total number of exercised options	4,445,828	1,520,831	497,767	1,000	0	0	0
Total number of cancelled options (2)	438,500	255,232	341,000	98,900	754,300 (4)	30,550	54,630
Number of remaining options to be exercised as of 31 March 2011 (2)	681,672	1,026,937	2,528,733	1,597,300	0 (4)	840,800	1,180,490
Percentage of capital as of 31 March 2011 that may be created	0.232%	0.349%	0.859%	0.543%	-	0.286%	0.401%
Number of shares that may be subscribed by members of the Executive Committee (2)(3)	125,000	130,000	525,000	298,000	-	217,000	245,000
of which number of shares that may be subscribed by Mr Patrick Kron as of 31 March 2011	-	-	240,000	115,000	-	80,000	-

(1) Subscription price without discount corresponding to the average opening price of the shares during the 20 trading days preceding the day on which the options were granted by the Board. For plans No. 6 and 7, the initial exercise prices have been multiplied by 40 to take account of the Company's share consolidation of 3 August 2005.

(2) Option plan No. 7 have been adjusted to consider the Company's share consolidation of 3 August 2005: a new share with a nominal value of €14 for 40 old shares with a nominal value of €0.35. Then option plans No. 7, 8, 9 and 10 have been adjusted to take into account the two-for-one split in the par value from €14 to €7 as of 7 July 2008.

(3) Refers to members of the Executive Committee as of 31 March 2011 and not to members as of the grand date.

(4) Plan LTI No. 11 became null and void as a result of the non achievement of the performance conditions linked to the accounts of fiscal year 2010/11 approved by the Board of Directors on 3 May 2011 (see Note 21 to the consolidated financial statements as of 31 March 2011).

	Plan No. 7 (conditional options)	Plan No. 8	Plan No. 9 (conditional options)	Plan No. 10 included in plan LTI No. 10 (conditional options)	Plan No. 11 included in plan LTI No. 11 (conditional options) [4]	Plan No. 12 included in plan LTI No. 12 (conditional options)	Plan No. 13 included in plan LTI No. 13 (conditional options)
Terms of exercise/ Performance conditions [5] [6]	• 100% of options can be exercised from 17/09/2007, upon the following conditions being met: the exercise of 50% of options granted was conditional to 2 targets being met at the 2005/06 financial year closing; the targets have been met: a positive free cash flow of the Group and a Group operating margin above or equal to 5% as per IFRS rules.	• 100% of options can be exercised from 27/09/2008.	• 100% of options can be exercised from 28/09/2009 if the 2007/08 Group operating margin (the "2007/08 Margin") is equal or above 7.5%. • 80% of options can be exercised if the 2007/08 Margin is between 7% (included) and 7.5% (excluded). • 40% of options can be exercised if the 2007/08 Margin is below 7%. Performance condition met: 100% of the options exercisable as from 28/09/2009.	• 100% of options can be exercised from 25/09/2010 if the 2009/10 Group operating margin (the "2009/10 Margin") is equal or above 8.5%. • 80% of options can be exercised if the 2009/10 Margin is between 8% (included) and 8.5% (excluded). • 40% of options can be exercised if the 2009/10 Margin is between 7.5% (included) and 8% (excluded). • No option can be exercised if the 2009/10 Margin is below 7.5%. Performance condition met: 100% of the options exercisable as from 25/09/2010.	• 100% of options can be exercised from 23/09/2011 if the 2010/11 Group operating margin (the "2010/11 Margin") is equal or above 10%. • 80% of options can be exercised if the 2010/11 Margin is between 9.5% (included) and 10% (excluded). • 40% of options can be exercised if the 2010/11 Margin is between 9% (included) and 9.5% (excluded). • No option can be exercised if the 2010/11 Margin is below 9%. Performance conditions not met: No option can be exercised.	• 100% of options can be exercised from 21/09/2012 if the 2011/12 Group operating margin (the "2011/12 Margin") is equal or above 8.7%. • 80% of options can be exercised if the 2011/12 Margin is between 8.2% (included) and 8.7% (excluded). • 60% of options can be exercised if the 2011/12 Margin is between 7.2% (included) and 8.2% (excluded). • 40% of options can be exercised if the 2011/12 Margin is between 6.5% (included) and 7.2% (excluded). • No option can be exercised if the 2011/12 Margin is below 6.5%.	• The percentage of options which can be exercised from 13/12/2013 will vary according to pre-determined levels of the Group's operating margin for the 2010/11, 2011/12 and 2012/13 fiscal years (the "Margins"). • 100% of options can be exercised if the Margins are equal or above 7.5%. • No option can be exercised if the Margins are below 6.5%. For more details, refer to Note 21 to the consolidated financial statements as of 31 March 2011.

(5) The exercise is also subject to employment condition within the Group unless exception.
(6) The thresholds of the operating margin for fiscal year 2011/12 referred to in LTI No. 12 have been adjusted by the Board of Directors to take into account the temporary dilutive impact of the integration of Grid. (see Note 21 to the financial statements as of 31 March 2011).

Plans No. 3 and 5, granted in 2001 and 2005 respectively, expired during fiscal year 2009/10. No option was exercised under these plans. Plan No. 6 granted in 2003 expired during fiscal year 2010/11. As the performance conditions of plan LTI No. 11 were not reached, such plan became null and void (see Note 21 to the consolidated financial statements as of 31 March 2011). No option has been exercised under this plan.

CONDITIONAL STOCK OPTIONS GRANTED TO ALSTOM'S EXECUTIVE AND NON-EXECUTIVE DIRECTORS (MANDATAIRES SOCIAUX) DURING FISCAL YEAR 2010/11 AND OPTIONS EXERCISED BY THEM

No option was granted during fiscal year 2010/11 under plan LTI No. 13 to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the only Executive Director (*dirigeant mandataire social*) of the Company. No options were exercised by him during such fiscal year.

The Company has granted no options to any other Directors during fiscal year 2010/11 or under plans previously implemented by the Company.

CONDITIONAL STOCK OPTIONS GRANTED DURING FISCAL YEAR 2010/11 TO THE TEN EMPLOYEES WHO ARE NOT ALSTOM'S EXECUTIVE OR NON-EXECUTIVE DIRECTORS AND WHO RECEIVED THE LARGEST NUMBER OF OPTIONS

A total of 320,160 conditional options was granted to the ten employees who received the greatest numbers of options (other than *mandataires sociaux*) under plan LTI No. 13.

STOCK OPTIONS EXERCISED DURING FISCAL YEAR 2010/11 BY THE TEN EMPLOYEES WHO ARE NOT ALSTOM'S EXECUTIVE OR NON-EXECUTIVE DIRECTORS AND WHO EXERCISED THE LARGEST NUMBER OF OPTIONS

	Number of shares subscribed (1)	Average share price (1) (in €)
Total number of options exercised during the fiscal year by the ten first employees who are not Executive or Non-Executive Directors and who exercised the largest number of options	118,100	20,63

(1) Relates to exercise of options of plan No. 7, No. 8 and No. 9. Figures have been adjusted to consider the two-for-one stock split as of 7 July 2008.

SUMMARY OF THE MAIN CHARACTERISTICS OF THE FREE PERFORMANCE SHARE ALLOCATION PLANS OUTSTANDING AS OF THE END OF FISCAL YEAR 2010/11

The total number of performance shares that could be delivered according to the performance share plans during fiscal year 2010/11 and not already finally delivered corresponds to 0.45% of the share capital as of 31 March 2011 (subject to achievement of the performance conditions – see Note 21 to the consolidated financial statements as of 31 March 2011).

	2007 Plan (LTI No. 10) (performance shares)	2008 Plan (LTI No. 11) (performance shares) (6)	2009 Plan (LTI No. 12) (performance shares)	2010 Plan (LTI No. 13) (performance shares)
Date of Shareholders' Meeting	26 June 2007	26 June 2007	26 June 2007	22 June 2010
Date of Board meeting	26 September 2007	23 September 2008	21 September 2009	13 December 2010
Initial number of beneficiaries	1,289 beneficiaries	1,431 beneficiaries	1,360 beneficiaries	1,716 beneficiaries
Initial number of rights entitling their holders to an allocation of shares (1)	252,000 shares	445,655 shares	522,220 shares	740,860 shares
Number of remaining rights as of 31 March 2011 entitling their holders to an allocation of shares (1)	122,000 shares	0 (6)	488,520 shares	719,880 shares
Final delivery of the shares (subject to performance conditions) (1)	• On 11 May 2010, 101,760 shares were finally allocated to beneficiaries of French companies. • For beneficiaries of companies outside France: 26 September 2011.	• For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2010/11 (e.g. May 2011). • For beneficiaries of companies outside France: 24 September 2012.	• For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2011/12 (e.g. May 2012). • For beneficiaries of companies outside France: 23 September 2013.	• For beneficiaries of French companies: the fifth business day following the day of publication of the consolidated accounts for fiscal year 2012/13 (e.g. May 2013). • For beneficiaries of companies outside France: 15 December 2014.
Percentage of capital that may be created (calculated on the capital as of 31 March 2010)	0.04%	-	0.16%	0.24%

	2007 Plan (LTI No. 10) (performance shares)	2008 Plan (LTI No. 11) (performance shares) [6]	2009 Plan (LTI No. 12) (performance shares)	2010 Plan (LTI No. 13) (performance shares)
Number of shares delivered or that may be delivered to members of the Executive Committee [1] [2]	10,000 shares [3]	-	16,000 shares	20,000 shares
Performance conditions [4] [7]	• 100% of the shares delivered if the 2009/10 Group operating margin (the "2009/10 Margin") is equal to or above 8.5%. • 80% of the shares delivered if the 2009/10 Margin is between 8% (included) and 8.5% (excluded). • 40% of the shares delivered if the 2009/10 Margin is between 7.5% (included) and 8% (excluded). • No shares delivered if the 2009/10 Margin is below 7.5%. Performance condition met: 100% of the shares to be delivered.	• 100% of the shares delivered if the 2010/11 Group operating margin (the "2010/11 Margin") is equal to or above 10%. • 80% of the shares delivered if the 2010/11 Margin is between 9.5% (included) and 10% (excluded). • 40% of the shares delivered if the 2010/11 Margin is between 9% (included) and 9.5% (excluded). • No shares delivered if the 2010/11 Margin is below 9%. Performance conditions not met: All rights cancelled.	• 100% of the shares delivered if the 2011/12 Group operating margin (the "2011/12 Margin") is equal or above 8.7%. • 80% of the shares delivered if the 2011/12 Margin is between 8.2% (included) and 8.7% (excluded). • 60% of the shares delivered if the 2011/12 Margin is between 7.2% (included) and 8.2% (excluded). • 40% of the shares delivered if the 2011/12 Margin is between 6.5% (included) and 7.2% (excluded). • No shares delivered if the 2011/12 Margin is below 6.5%.	• The percentage of shares to be delivered will vary according to the levels of the Group's operating margin for the 2010/11, 2011/12 and 2012/13 fiscal years (the "Margins"). • 100% of the shares can be delivered if the Margins are equal or above 7.5%. • No share can be delivered if the Margins are below 6.5%. For more details, refer to Note 21 to the consolidated financial statements as of 31 March 2011.
Shares retention period	2 years, except for shares to be delivered on 26 September 2011 unless exception set forth by the plan [5].	2 years, except for shares to be delivered on 24 September 2012 unless exception set forth by the plan [5].	2 years, except for shares to be delivered on 23 September 2013 unless exception set forth by the plan [5].	2 years, except for shares to be delivered on 15 December 2014 unless exception set forth by the plan [5].

(1) Plan 2007 has been adjusted to consider the two-for-one stock split as of 7 July 2008.
(2) Refers to the Executive Committee as of 31 March 2011.
(3) These shares were delivered in May 2010.
(4) Final allocations are also contingent upon attendance requirements within the Group unless an exception is made within the plan.
(5) A specific holding requirement applies to the beneficiaries who are members of the Executive Committee (see page 195).
(6) Plan LTI No. 11 became null and void as a result of the non achievement of the performance conditions linked to the accounts of fiscal year 2010/11 approved by the Board of Directors on 3 May 2011 (see Note 21 to the consolidated financial statements as of 31 March 2011). All rights have been cancelled.
(7) The thresholds of the operating margin for fiscal year 2011/12 referred to in LTI No. 12 have been adjusted by the Board of Directors to take into account the temporary dilutive impact of the integration of Grid. (see Note 21 to the consolidated financial statements as of 31 March 2011).

The free performance shares plan granted in 2006 ("Awards for All") was fully and finally delivered during the fiscal year 2010/11 with the final allocation on 20 May 2010 of the balance of shares that were subject to a vesting period of 4 years (with no holding period).

The Plan LTI No. 11 became null and void as the performance conditions linked to the results of the fiscal year 2010/11 approved by the Board on 3 May 2011, were not reached (see Note 21 to the consolidated financial statements as of 31 March 2011). No performance shares will be finally delivered under this plan.

FREE ALLOCATION OF SHARES TO ALSTOM'S EXECUTIVE AND NON-EXECUTIVE DIRECTORS (MANDATAIRES SOCIAUX) DURING FISCAL YEAR 2010/11

No performance share was allocated to Mr Patrick Kron, Chairman and Chief Executive Officer of the Company and the sole Executive Director (*dirigeant mandataire social*) of the Company under Plan LTI No. 13.

The Company has granted no performance share to any other Non-Executive Directors during fiscal year 2010/11 or under Plans previously implemented by the Company.

Moreover, during fiscal year 2010/11, 2,000 performance shares were finally awarded to Mr Patrick Kron under Plan 2007 (LTI No. 10) on 11 May 2010 at the end of the acquisition period as the performance conditions were reached. (see page 179).

FREE SHARES ALLOCATED DURING FISCAL YEAR 2010/11 TO THE TEN EMPLOYEES WHO ARE NOT ALSTOM'S EXECUTIVE OR NON-EXECUTIVE DIRECTORS AND WHO RECEIVED THE LARGEST NUMBER OF FREE SHARES

A total of 27,350 performance shares was granted to the ten employees who received the greatest numbers of conditional free shares (other than *mandataires sociaux*) under Plan LTI No. 13.

Free shares plans for the subscribers outside France to "Alstom Sharing" offers

Within the employee share purchase schemes called "Alstom Sharing 2007" and "Alstom Sharing 2009" reserved for Group employees and former employees participating in the Group's savings plan in 19 and 22 countries respectively including France, implemented during the fiscal years 2007/08 and 2008/09, the Board of Directors decided that the employees outside France subscribing to the "structured" formula will receive, instead of the employer company match offered to the subscribers to this formula in France, shares allocated for free by ALSTOM. These are new shares to be issued at the moment of their final allocation by deduction from the reserves.

ALSTOM SHARING 2007

After having acknowledged the completion of the capital increase reserved for members of the *plan d'épargne Groupe* Alstom (the "Alstom Group Savings Plan", or "PEG") and of the capital increase reserved for the Company "Sharing Plus" proposed within the framework of the Alstom Sharing 2007 offering, the Board of Directors, acting pursuant to the powers granted to it by the Shareholders' Meeting held on 26 June 2007, decided on 18 March 2008 to carry out this free allocation, the principle of which was agreed to on 25 September 2007. The Board consequently, decided that a maximum number of 51,336 new shares of par value €14 each to be issued by the Company (or 102,672 shares of par value €7 each following the two-for-one split in the par value of the share dated 7 July 2008), would be allocated for free to subscribers of the "leverage" formula of the Alstom Sharing Plus 2007 offering in Australia, Belgium, Brazil, Canada, China, Germany, India, Italy, Malaysia, Mexico, The Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States, on the basis of one free share for each FCPE unit or share subscribed (depending on the case) by a given participant under the "leverage" formula, up to a maximum of four free shares per participant.

These free shares will be issued and delivered in one time to the participants on 1 July 2013, after the acquisition period ending on 30 June 2013 (unless early delivery events) provided that the employee is still part of the Alstom Group, save in exceptional cases as provided for in the plan. At that time, participants may sell the free shares freely, except for beneficiaries residing in France or subject to a French social security regime as of the date the shares are delivered. Indeed, following the acquisition period, these latter beneficiaries will be subject to a two-year period during which the shares cannot be sold.

ALSTOM SHARING 2009

Within the framework of the Alstom Sharing 2009 offering, after having acknowledged the completion of the capital increase reserved for members of the Alstom Group Savings Plan (*plan d'épargne Groupe*) and of the capital increase reserved for Sharing Plus, the Board of Directors, acting pursuant to the powers granted to it by the Shareholders' Meeting dated 26 June 2007, decided on 4 May 2009 to carry out the free allocation, the principle of which had been decided on 23 September 2008. Consequently, the Board of Directors decided that a maximum amount of 137,817 new shares to be issued by the Company of par value €7 each would be allocated for free to subscribers of the offering known as Two for One 2009 residing outside of France in Australia, Belgium, Brazil, Canada, the Czech Republic, China, Germany, India, Indonesia, Italy, Malaysia, Mexico, the Netherlands, Poland, Portugal, Romania, Spain, Sweden, Switzerland, the United Kingdom, and the United States within the proportions set by the terms of the offering and up to the limit of a maximum amount of 15 free shares per participant.

These free shares will be issued and delivered to the participants in one time on 1 July 2014, after the acquisition period ending on 30 June 2014 (unless early delivery events) provided that the employee is still part of the Alstom Group, save in exceptional cases as provided for in the plan. At that time, participants may sell the free shares freely, except for beneficiaries residing in France or subject to a French social security regime as of the date the shares are delivered. Indeed, following the acquisition period, these latter beneficiaries will be subject to a two-year period during which the shares cannot be sold.

SUMMARY OF THE CHARACTERISTICS OF THE OUTSTANDING FREE SHARE ALLOCATION PLANS CARRIED OUT WITHIN THE FRAMEWORK OF THE "ALSTOM SHARING" OFFERINGS

	Alstom Sharing 2007 Plan	Alstom Sharing 2009 Plan
Date of Shareholders' Meeting	26 June 2007	26 June 2007
Date of Board meeting	26 September 2007 – 18 March 2008	23 September 2008 – 4 May 2009
Initial number of beneficiaries	13,400 beneficiaries exclusively outside France	11,068 beneficiaries exclusively outside France
Initial number of rights entitling their holders to an allocation of shares (1)	102,672 shares	137,817 shares
Number of remaining rights as of 31 March 2011 entitling their holders to an allocation of shares	95,500 shares	134,589 shares
Issue and final delivery of the shares	1 July 2013	1 July 2014
Percentage of capital as of 31 March 2011 that may be created	0.03%	0.04%
Number of shares that may be delivered to members of the Executive Committee (1) (2)	8 shares	-
Performance conditions	N/A	N/A
Shares retention period	N/A (unless exception set forth by the plan)	N/A (unless exception set forth by the plan)

(1) Alstom Sharing 2007 Plan has been adjusted to consider the two-for-one stock split as of 7 July 2008.
(2) Refers to members of the Executive Committee as of 31 March 2011.

The total maximum number of shares that can be delivered according to the two outstanding "Alstom Sharing" share plans corresponds to 0.07% of the share capital as of 31 March 2011.

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Employee profit-sharing

PROFIT SHARING

All the French subsidiaries of the Group to which the French law of 7 November 1990 applies have entered into employee profit sharing agreements. The amounts paid in respect of the French statutory employee profit sharing agreements over the last three years are as follows:

Fiscal year ended 31 March (in € million)	2008	2009	2010
Statutory employee profit sharing agreements	17.5	15.5	22.6

SPECIFIC PROFIT SHARING

As of today, more than 98% of employees in the Group's French subsidiaries benefit from a specific profit sharing plan (accord d'intéressement). The amounts paid in respect of fiscal year 2010/11 are not yet known to date, because they depend on a series of criteria defined in profit sharing plans applicable for each subsidiary, the final result of which are known within six months as from the end of fiscal year, *i.e.* 30 September of each year. The amounts paid in respect of specific profit sharing plans for the past three fiscal years are as follows:

Fiscal year ended 31 March (in € million)	2008	2009	2010
Specific employee profit sharing plans	36.9	30.4	29.2

EMPLOYEE SAVINGS PLAN AND RETIREMENT SAVINGS PLAN

Today, Alstom's French employees can invest their savings resulting from profit-sharing, specific profit-sharing, or voluntary savings in the Group Savings Plan not invested in the Company securities or in a "PERCO" collective savings and retirement plan. This latter plan receives an employer matching contribution from the Company in the maximum amount of €500 for €1,500 contributed over the year. In 2010, the French employees contributed €14.2 million in the Group Savings Plan and €6.8 million in the PERCO savings plan. These contributions to the PERCO triggered an employer matching contribution of €1.2 million paid by Alstom.

EMPLOYEE SHAREHOLDINGS WITHIN THE GROUP SAVINGS PLAN

Within the Group Savings Plan, employee savings can also be invested in the Company securities.

Since its initial public offering and first listing, the Company implemented five share capital increases reserved for the employees participating in the Group Savings Plan. For the first one realised concurrently with the first listing in 1998, a total of 2,941,869 shares were issued at a price of FRF167 per share (corresponding, after the share consolidation of 3 August 2005, to the equivalent of 73,546 new shares issued at the price of €1,018.36 per share).

In August 2000, a capital increase reserved for employees of the Company and its subsidiaries participating in the Group Savings Plan was approved for fiscal year 2000/01. As a result of this share capital increase, 1,689,056 new shares, with a nominal value of €6 per share, were issued at €24 per share (*i.e.*, after stock split, 84,452 new shares at €480 per share). These two operations have been directly subscribed by the employees.

In November 2004, a new capital increase was offered to the Company's employees (as well as to its former employees) in eight countries including France. Around 13,000 employees have subscribed this capital increase through a mutual fund in France and directly in the other countries. The capital increase brought in the subscription of 49,814,644 shares at a nominal value of €0.35 each and issued at €0.35 per share (equivalent to, after the par value split, 2,490,732 new shares at a price of €7 per share); the shares were offered with an employer matching contribution (for employees only) of €0.135 per old share with a maximum amount of €810 per subscriber.

ALSTOM SHARING 2007

During fiscal year 2007/08, an employee share purchase scheme called "Alstom Sharing 2007" reserved for Group employees (and former employees) with three months' seniority was offered in 19 countries including France. A total of 1 million shares were offered under both a formula known as "leverage" formula and a "classic" formula and this offering for the subscription of shares was conducted within the framework of the Group Savings Plan (hereinafter referred to as the "PEG").

Approximately 32% of the Group's eligible permanent employees (or approximately 18,800 employees) have subscribed to this capital increase, either through direct shareholding or *via* a *fonds commun de placement d'entreprise* (French employee shareholding vehicle, or "FCPE"), depending on the countries. The capital increase brought in the subscription of 350,012 shares with a par value of €14 each (or 700,024 shares of par value €7 each following the two-for-one par value split), corresponding to a capital increase par value amount of €4,900,168 and issued at a price of €113.93 per share (or €56.97 following the par value split) which includes a 20% discount relative to the average of the first prices of the ALSTOM share during the twenty trading days preceding the fixing of the price.

The shares or FCPE units subscribed will remain locked up to 30 June 2013, with the exception of the occurrence of early exit events.

In France, the employees subscribing to the "leverage" formula benefited from an employer matching contribution in an amount corresponding to the amount of their own personal contribution, which was limited to the subscription of four shares at the subscription price (or eight shares of par value €7 each following the split).

Outside of France, this employer matching contribution has been replaced by shares allocated for free by the Board of Directors in its meeting of 18 March 2008 (see page 200 on this free allocation of shares).

Within the framework of the "leverage" formula, the leverage mechanism offered by the partner bank in certain cases took the form of an allocation of Stock Appreciation Rights (SARs) by the employer. Consequently, the transaction gave rise to a capital increase reserved for Sharing Plus, a company held by the credit institution participating in the offering, at the Company's request, for the implementation of the "leverage" formula in certain countries outside of France. This capital increase bears on the subscription of 256,808 shares of a par value of €14 each, issued at the unit price of €113.93, and representing a par value capital increase amount of €3,595,312 (corresponding to an amount of 513,616 shares at a price of €56.97 each following the par value split).

ALSTOM SHARING 2009

During fiscal year 2008/09, an employee share purchase scheme called "Alstom Sharing 2009" reserved for Group employees (and former employees) with three months' seniority was offered within the PEG in 22 countries including France through an offer called "Two for One 2009" and a "classic" offer. Approximately 28% of the Group's eligible permanent employees (or approximately 18,400 employees) have subscribed to this capital increase.

On 30 April 2009, the capital increase brought in the subscription of 743,606 shares with a par value of €7 each, corresponding to a capital increase par value amount of €5,205,242 (*i.e.* 0.26% of the share capital as of 31 March 2009) and issued at a price of €30.84 per share, which includes a 20% discount relative to the average of the first prices of the ALSTOM share during the twenty trading days preceding the fixing of the price. The shares or FCPE units subscribed will remain locked up to 30 June 2014, with the exception of the occurrence of early exit events.

In addition, outside of France, the employer matching contribution offered within the framework of the "Two for One 2009" offering was replaced by a free allocation of shares implemented by the Board of Directors held on 4 May 2009 (see page 200 for information on this free allocation).

The transaction also gave rise, on 30 April 2009, to a capital increase reserved for Sharing Plus, a company held by the credit institution participating in the offering at the Company's request for the implementation of the protection of the subscriber's personal contribution in the "Two for One 2009" offer, in certain countries outside of France which took the form of an allocation of Stock Protection Rights by the employer. This capital increase bears on the subscription of 348,505 shares of a par value of €7 each, issued at the unit price of €30.84, and representing a par value capital increase amount of €2,439,535.

As of 31 March 2011, the Group's employees and former employees hold approximately 1,32% of the Company's share capital, either directly or through a fund ("FCPE") (see page 259).

Summary of the operations of Executive and Non-Executive Directors or people mentioned in Article L. 621-18-2 of the French Monetary and Financial Code on the securities of the Company performed during fiscal year 2010/11

The following transactions have been declared to the AMF by the persons concerned:

Notifying person	Financial instrument	Type of operation	Number of operations	Amount of operations
Henri Poupart-Lafarge, Member of the Executive Committee, President of Grid Sector	Shares	Subscription	2	€2,820,500.00
Gérard Hauser, Director	Shares	Acquisition	1	€11,100.00
Lalita D. Gupte, Director	Shares	Acquisition	1	€18,787.50
Katrina Landis, Director	Shares	Acquisition	1	€19,285.00

RELATED-PARTY AGREEMENTS AND **COMMITMENTS**

See the Independent Auditors' special report to the Shareholders' Meeting convened on 28 June 2011 (page 140).

No related-party agreement has been entered into during fiscal year ended 31 March 2011.

INDEPENDENT AUDITORS

Independent Auditors

PRICEWATERHOUSECOOPERS AUDIT
represented by Mr Olivier Lotz
63, rue de Villiers
92200 Neuilly-sur-Seine

MAZARS SA
represented by Mr Thierry Colin
61, rue Henri Regnault
92400 Courbevoie

The Independent Auditors were appointed by the Ordinary General Meeting held on 23 June 2009 for six fiscal years expiring when the Ordinary General Meeting will be called to review the accounts for fiscal year 2014/15.

Deputy Independent Auditors

Mr Yves Nicolas
Deputy Auditor of PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine

Mr Patrick de Cambourg
Deputy Auditor of Mazars SA
61, rue Henri Regnault
92400 Courbevoie

The Independent Auditors were appointed by the Ordinary General Meeting held on 23 June 2009 for six fiscal years expiring when the Ordinary General Meeting will be called to review the accounts for fiscal year 2014/15.

Independent Auditors' fees for fiscal year 2010/11

The Independent Auditors' fees for fiscal year 2010/11 are included under Note 30 to the consolidated financial statements for fiscal year 2010/11.

External Audit Charter

In March 2010, ALSTOM and its new Independent Auditors formalized, following the Audit Committee's approval, the new Audit Charter applicable until 31 March 2015 when the current Independent Auditors' engagement comes to an end.

This charter defines the Group's external audit process under the various applicable laws and rules. By formalizing it, the parties officially commit themselves to respecting the said charter and to aiming for more transparency and efficiency.

The main rules defined apply to the following topics:

- principles on fee and assignment split between both auditing firms;
- work process between the two audit firms and relationship with ALSTOM, notably with the Internal Audit function;
- relationship between the Independent Auditors and the Audit Committee;
- defining the allocation principles of assignments accessory to the audit mandate;
- reminder of pre-approval procedure of these assignments and of pre-approved assignements;
- reminder of prohibited assignments.

6

SUSTAINABLE DEVELOPMENT

The content of the Annual Financial Report is identified in the summary table with the help of a pictogram AFR

SUSTAINABLE DEVELOPMENT AND ALSTOM CORPORATE RESPONSIBILITY

The section includes information as per Article L. 225-102-1 of the French Commercial Code and the decree and order of 20 February and 30 April 2002 respectively.

Alstom's contribution to Sustainable Development: Corporate Social Responsibility and objectives

AN ANSWER TO MEET TODAY'S NEEDS WITHOUT COMPROMISING THE FUTURE

Tomorrow, there will be approximately 9 billion inhabitants in the world, living mainly in cities. They will need clean and affordable energy and efficient transportation means. Fossil-based energy sources, which represent 75% of today's energy consumption, will not be enough and means of transportation will have to be reviewed. In addition, their usage entails the major disadvantage of generating CO_2, a greenhouse gas (GHG), and pollutants which have a long-term impact on the environment, health and climate change.

All parties involved in economic development are aware of this fact. There will not be one solution, but a combination of solutions made possible by the implementation of innovative technologies. Their development will require that governments be involved *via* a coordinated action plan, with special attention given to developing countries. 60% of the infrastructures which will supply the world's electricity in 2030 are yet to be built. It is essential that they benefit from environmental-friendly technologies as quickly as possible.

GROUP CORPORATE SOCIAL RESPONSIBILITY (CSR)

Alstom's primary responsibility is to provide relevant solutions addressing society's expectations. These solutions optimise the use of natural resources and limit the emissions of greenhouse gases and airborne pollutants with long-term effects on the environment, health and climate.

The Group's responsibility is also to manage its day-to-day activities whilst taking into account its stakeholders' expectations.

The main axes of the Group's policy are:

1 Environment
- provide planet-conscious products, systems and solutions,
- reduce the environmental footprint of its products and solutions,
- mitigate the impact of its operations (factories and construction sites);

2 Stakeholders
- commit to customer satisfaction,
- develop an active partnership with suppliers,
- increase involvement in the life of surrounding communities;

3 Employees
- offer the best working conditions,
- give everyone the opportunity to be at his/her best,
- leave no employee alone to cope with an employment problem.

This policy is outlined in subsections "Environmental information", "Relationships with stakeholders" and "Social Information".

The environmental performance is measured against 5 objectives: ISO 14001 certification in all manufacturing sites over 200 people, energy and GHG intensities reduction, water consumption reduction in water-stressed areas, volatile organic component (VOC) reduction and waste recycled.

Regarding social aspects, 5 programmes have been defined: adapt the workforce to the activities and markets *via* appropriat measures, maintain high motivation, develop competencies and manage careers, promoting equal opportunities and offering the best working conditions.

The Group commits to implement its policy and ensure compliance with its Internal Rules across the full range of its operations.

GROUP PARTICIPATION IN SUSTAINABLE DEVELOPMENT ORGANISATIONS AND THINK-TANKS

Convinced that the Sustainable Development goal will be reached only if all parties are involved, Alstom participates in a number of leading bodies.

- in 2008, Alstom joined the Global Compact, designed to encourage companies to commit to a set of key values spanning human rights, labour standards, environmental protection and ethical business practices. Alstom is actively involved in this network and promotes the ten principles that summarise its key values.
- in 2009, Alstom joined the World Business Council for Sustainable Development (WBCSD), which comprises 190 international firms campaigning to promote the three pillars of Sustainable Development: economic growth, environmental balance and social progress.

- Alstom is part of the Alliance for Clean Technology Innovation, advocating clean technology innovation and dissemination;
- Alstom has signed the Sustainable Development Charter drawn up by the International Association of Public Transport (UITP).
- Alstom is a founding member of the Australia-based Global Carbon Capture and Storage Institute.
- in 2009, Alstom joined the International Emission Trading Association (IETA), created in 1999 to establish a functional international framework for trading in greenhouse gas emission reductions. In 2010, Joan MacNaughton, Alstom's Senior Vice President for Power and Environmental Policies, was elected to IETA's Board.
- in 2010, Alstom joined The Prince of Wales's Corporate Leaders Group on Climate Change and the European Union Corporate Leaders Group on Climate Change (CLGCC) which bring together business leaders from major European and international companies who believe that there is an urgent need to develop new and long-term policies for tackling climate change.
- Alstom is also a member of The Climate Group, an independent, not-for-profit organisation that works internationally to bring together governments and businesses to reduce emissions and accelerate the implementation of clean technologies.

Within these bodies, Alstom supports and advocates for:

- the importance of a portfolio of clean power technologies (including production efficiency technologies) that can deliver global power needs whilst reducing emissions;
- the development of supportive public policy frameworks that encourage innovation in clean technologies and support the deployment of low carbon technologies, on a global basis but especially in emerging and developing countries;
- the development of a global carbon market that sets an effective price for CO_2 emissions;
- the demonstration and deployment of key low carbon technologies such as carbon capture and storage (CCS) with targeted public support.

GROUP PARTICIPATION IN INTERNATIONAL PROGRAMMES

During the fiscal year, Alstom was involved in many programmes directly linked to Sustainable Development.

1. Low carbon technologies:
   - participation in Carbon Capture and Storage demonstrator projects at European level and in the launch of the large "NER300" technology demonstrator fund (using the New Entrant Reserve of Phase III of the Emission Trading Scheme). This programme worth approximately €4 billion will be shared between CO_2 Capture and Storage (CCS) demonstrators, Offshore Wind, Smart Grid etc. The participation paves the way for the full commercial and industrial deployment of these technologies,
   - several proposals with different partners were submitted by Alstom in Poland, Belgium, Germany, Romania, Spain and France in the framework of this NER300 programme. It is essential that different technologies be tested on an industrial scale in order to evaluate their respective contributions to greenhouse gas (GHG) reduction and to the deployment of renewable energies,
   - participation in the International Energy Agency (IEA) Programmes, including the GreenHouse Gas Programme and the Clean Coal Centre,
   - participation in the USA Department of Energy programmes.
2. Smart Grid:
   - Project "TWENTIES" in which the Grid Sector is developing key technologies in Direct Current (DC) transmission needed to deploy a new grid able to connect wind and solar power.
3. Energy storage:
   - Participation in a large number of conferences, workshops and programmes on energy storage; the Group's solutions combining hydro (pumped storage variable speed turbines), and smart energy management solutions using "virtual" power plants and network modelling are largely put forward.
4. Smart cities:
   - Contribution to eco-friendly cities. Many cities in Europe have committed through the "Covenant of Mayors" to improve their CO_2 footprint. The EU is committed to help develop eco-friendly cities through a combination of renewable energy, "smart" buildings, and eco-friendly mobility solutions. Alstom and its partners in 2011 will actively participate in the programme launched by the European Commission on demonstration for "Smart Cities".

A REINFORCED ORGANISATION TO STEER THE CSR POLICY

At Group level, the CSR policy is under the responsibility of the Senior Vice President Strategy and Development.

In September 2010, the Alstom Board decided to create a new committee in charge of Ethics, Compliance and Sustainability (ECS). The ECS committee is composed of three independent Directors, Mr Jean Martin Folz, Chairman, Ms Katrina Landis and Mr Pascal Colombani. The committee reviews and assesses the Company's strategy, policies and procedures on issues related to Corporate Responsibility and Sustainable Development. The Committee met in December 2010. (See Corporate governance – Board Committees – Activity report of the Ethics, Compliance and Sustainability Committee).

In each Sector, a dedicated team is in charge of implementing the Group policies and setting specific programmes related to the Sectors' activity. The objective is that all Group employees embed the values and objectives of Sustainable Development.

STEERING THE ENVIRONMENTAL POLICY

Alstom has set up an organisation with follow-up tools to implement its environmental policy:

- a 350 manager team (Alstom Grid excluded), coordinated and animated by the Environment Health and Safety (EHS) Department at Group level;

- a management system using a standard chart called "EHS Roadmap". The roadmap covers a range of areas including environmental management, water, ground and air pollution, waste production and recycling, and site security. It also deals with health and occupational injury prevention. The 198 units (Grid excluded) are requested to implement the chart. Alstom Grid will fully adopt it in 2011;

  a self-assessment using the EHS roadmap. At 31 March 2011, ★(1)143 EHS units had conducted a self-assessment. These evaluations are checked by either external assessors or by 85 in-house specialists. ★131 assessments took place over fiscal year 2010/11, of which 36% were completed by external assessors;
- a monthly reporting which covers the permanent facilities and 90-98% of employees (depending on the indicators). In 2010, Alstom set up a new tool, AlstomTrack, for planning the quality audits and the roadmap evaluations, and for managing the reported incidents until their resolution.

STEERING THE SOCIAL POLICY

- a 750-manager team, coordinated and animated by the Human Resources (HR) Department at Group level;
- a policy called "It's all about people" and mandatory HR processes summarised in a brochure updated in 2009 and issued to all Alstom managers;
- a single Human Resources Information System (HRIS). The HRIS will be extended to Grid as of 1 April 2011;
- a management system for occupational injury prevention, based on the "EHS roadmap", identical to the one used for the environment management;
- a dashboard with indicators.

STEERING THE POLICY REGARDING COMMUNITIES

Alstom's policy towards communities is based on the Group's approach to be a local player. It relies on a 50 Country President network covering 179 countries. Their role is to represent the Group and in particular to develop relations with local institutions, organisations and communities.

DEFINITION OF INDICATORS

The constitution of indicators comes from different sources according to their categories:

- regarding social aspects, the indicators come from the Group HRIS or from a survey conducted in the 22 countries in which Alstom employed over 500 people in calendar year 2010 (France, Germany, the UK, Switzerland, Spain, Italy, Croatia, Romania, Poland, Czech Republic, the USA, Mexico, Brazil, Canada, China, Indonesia, Malaysia, India, Belgium, Sweden, Algeria and Estonia), representing 92% of Alstom's workforce (without Grid).
- regarding Health and Safety aspects, 26 indicators are reported monthly through the information system named "Teranga" used by Finance.
- regarding Environmental aspects, 34 indicators are reported quarterly in the information system "Teranga".

These indicators refer to the "Global Reporting Initiative" (GRI). However, certain indicators are not yet available on a consolidated basis or have been considered irrelevant with regard to the Group's diversified operations or due to difficulties in adopting standard definitions for all sites worldwide. In such cases, they have not been mentioned or have been limited in scope, which is then specified.

The Grid Sector was created in June 2010. In this report, the Grid environmental and social data, when available, cover a seven-month period when indicators are related to the calendar year and ten months when related to the fiscal year and they are published in a separate table. If Grid data are included in the global data, this is clearly specified.

(1) This symbol is used for indicators reviewed by PricewaterhouseCoopers.

KEY INDICATORS

@ Significant Indicators used for monitoring the performance of the Group	GRI Reference	Pages
Social Indicators		
Total Headcount @	LA 1	228
Workforce by region	LA 1	228
Workforce by category (managers/non-managers)	LA 1	233
Workforce by Sector	LA 1	228
Percentage of women in the Group @	LA 13	228
Percentage of female managers or engineers @	LA 13	235
Turnover rate @	LA 2	232
Number of employees who have received training on ethics @	SO 3	231
Number of employees covered by a people review	LA 2	233
Number of annual performance interviews @	LA 2	233
Percentage of employee covered by a collective agreement	LA 4	237
Percentage of employees trained @	LA 11	234
Average training hours per employee @	LA 11	234
Injury frequency rate @	LA 7	226
Injury severity rates @	LA 7	227
OHSAS 18000 Certification		217
Percentage of employees covered by a scheme in the event of accidental death @	LA 12	228
Percentage of disabled people	LA 13	236
Number of employees covered by a profit-sharing agreement		231
Percentage of employees with a bonus remuneration		231
Relationships with suppliers and contractors (percentage of evaluation by the purchase volume) @	HR 2 - 6 - 7	239
Environmental Indicators		
Number of self-assessments on the “EHS roadmap”		208
ISO 9001 Certification		217
ISO 14001 Certification @		217
Percentage of plants of more than 200 employees certified ISO 14001 @		217
Energy intensity @	EN 1	218
Natural gas consumption	EN 1	218
Butane, propane and other gas consumption	EN 1	218
Heavy and fuel oil consumption	EN 1	218
Steam/heat consumption	EN 1	218
Electricity consumption	EN 1	218
Coal and other fuels consumption	EN 1	218
CO_2 emissions Intensity @	EN 16	219
CO_2 emissions @	EN 16	219
VOC emissions @	EN 16	221
SO_2 emissions	EN 16	222
NO_x emissions	EN 16	222
SF_6 emissions @	EN 16	219
Total waste production	EN 22	222
Waste production recycled	EN 22	222
Percentage of recycled wasted @	EN 22	222
Total water consumption	EN 8	221
Total water consumption in areas affected by water restrictions @	EN 8	220
Discharges of chemical oxygen demand in water	EN 21	221
Discharges of suspended matters in water	EN 21	221
Discharges of hydrocarbons in water	EN 21	221
Discharges of metals in water	EN 21	221

Power Sector Sustainable Development Strategy

The priority of the Power Sector Clean Power Today!™ strategy is to provide clean, affordable and reliable electricity. CO_2 is one of the main greenhouse gases responsible for climate change, and more than 40% of the world's CO_2 emissions generated by fossil combustion come from the energy sector. While current generations focus on providing power to over one billion people who do not yet have access to electricity today, future generations will need to deal with a booming population and the resulting demand for electricity. The Power Sector has defined a strategy: "Clean Power Today!™" focused on increasing efforts in technology development.

Launched in 2006, the Clean Power Today!™ strategy is now well established and provides encouraging and positive results. Therefore, it was decided to set up "Project Sustainability" in order to address other Sustainability topics.

Project Sustainability is also aligned with the Power Sector long-term strategic planning which each year starts with "Vision 2035", describing 5 scenarios of the energy sector. It is then translated into Power 2020, a 10-year view aimed at defining our portfolio offering.

Alstom Power has intensified its strategic approach along 3 steps:

- Balanced portfolio;
- Energy efficiency;
- Carbon Capture and Storage.

BALANCED PORTFOLIO: BALANCING THE ELECTRICITY GENERATION PORTFOLIO BY SIGNIFICANTLY INCREASING THE SHARE OF CO_2-FREE TECHNOLOGIES

No single form of electricity generation will address the dual challenge of securing the supply of reliable and affordable energy and making a rapid transformation to a low-carbon system of electricity supply. It will take all types of generation technologies including fossil fuels, but we must significantly increase the share of CO_2-free technologies. The Power Sector portfolio is continuously growing and diversifying itself. Today it comprises:

HYDROPOWER

To date, Alstom has provided around 25% of the world's total installed hydropower capacity. Alstom remains the number-one in hydropower for new plants and installed base for refurbishment and services, thanks to a full range of equipment (turbines, generators, control systems, hydro mechanical equipment), with an output of between 5 MW and 900 MW, either for new Hydro Power Plants or for servicing and refurbishment needs.

In addition, variable-speed pump turbines offer real potential to optimise the use of the renewable energy production regarding the demand variation, by storing the electricity produced during off-peak periods for use during peak periods. Alstom is the market leader for Pumped Storage Plants (PSP). The Variable Speed PSP is the technology chosen for two large PSP projects in Switzerland (Limmern and Nant de Drance) after having participated successfully in the Chinese program.

TIDAL STREAM POWER

Tidal stream power is one of the technologies under development in the Power Sector. It refers to extracting electrical energy from tidal currents, generated by the gravitational pulls of the moon and the sun.

Tidal stream turbines are governed by the same principles that apply to traditional wind turbines but take into account the fact that water is about 800 times denser than air. During its lifetime, a tidal turbine will generate electricity with zero greenhouse gas emissions, with a modest footprint on the bottom of the ocean and negligible impact on marine life. Another major advantage is the complete predictability of this source of renewable energy.

BELUGA 9, intended for very powerful currents, will be Alstom's first tidal turbine generator with a capacity of up to 1MW. Once mounted, it will have a diameter of 13 metres and a total height of 20 metres, the equivalent of a six-storey building. It will be suited to sites at depths of 30 metres or more, such as in the English Channel. It will undergo its first tests in 2012 in the Bay of Fundy, Canada.

WIND POWER ONSHORE

Alstom gained an major foothold in the wind-power market in 2007 with the acquisition of Ecotècnia (established in 1981). The current range of onshore products is based on two product platforms, the ECO 80 platform (1,67-2 MW) and the ECO 100 platform (3 MW).

The most advanced wind turbine of the Group is ECO 110, rated at 3 MW. It has a low-noise impact thanks to its design, its configuration is lighter than the competitors' and it can be installed in very different geographic areas thanks to 2 climate kits. The cold climate kit pack adds heaters to extend the operating temperature from – 10°C down to – 30°C. The hot climate kit offers special lubrication and bearings to extend the upper permissible ambient temperature from +40°C to +45°C. Through these climate kits, onshore wind energy is accessible to customers in numerous regions of the world.

WIND POWER OFFSHORE

Alstom is also developing a large (6 MW) offshore wind turbine, with advanced technologies required to meet offshore operating conditions. Aligned with this strategy, in January 2011, Alstom and EDF Énergies Nouvelles announced the signature of an exclusive agreement to respond jointly to a call for tender that the French government is planning to launch for offshore wind projects. This alliance is intended to help meet the French government's objectives of installing 6,000 MW in offshore wind electricity capacity by 2020.

The first prototype of the 6 MW turbine will be ready by the end of 2011.

GEOTHERMAL POWER

The Power Sector Geothermal activity aims to be the global preferred choice for geothermal plants and equipment, providing sustainable power solutions, with a focus on Mexico and Indonesia.

In January 2010, the Power Sector announced a turnkey geothermal power plant contract in the Puebla state of Mexico. The power plant of 50 MW (2 x 25 MW) will reduce Mexico's CO_2 emissions by 230,000 tons per year, comparable to a similar size conventionally fuelled power plant, and provide enough energy to power 100,000 homes.

CONCENTRATED SOLAR POWER

The Power Sector Solar activity aims to be the leading global provider of integrated solutions and components for Solar Power Plants.

Its missions are to adapt and develop suitable products for the current and future Solar Power market and to offer optimised state-of-the-art power blocks for all types of Solar Thermal power plants, including hybrid solutions.

The partnership with BrightSource Energy Inc. brings together Alstom's extensive experience in turnkey power plants and key power equipment (such as steam turbines) with BrightSource's Luz Powersolar Thermal technology. This technology produces electricity the same way as fossil fuel power plants – by creating high temperature steam to turn a conventional turbine. However, instead of using fossil fuel sources, the company uses thousands of small mirrors called heliostats to directly reflect sunlight onto a boiler at the top of a tower to produce the high temperature steam. Once the electricity is created, the steam is air-cooled and piped back into the system in a closed-loop, environmentally friendly process. The result is carbon-free power, but with many of the reliability characteristics found in traditional power plants.

NUCLEAR POWER

Alstom participates in the world nuclear energy market, one of the solutions for providing CO_2-free energy. Alstom designs, manufactures and delivers state-of-the-art products and systems for the conventional islands of nuclear power plants. Alstom's nuclear power conversion solutions are based on its ARABELLE™ steam turbine technology. Thanks to its single-flow steam expansion, the ARABELLE™ architecture ensures improved performance with, notably, higher levels of efficiency. Alstom's portfolio covers all plants, both existing and new ones.

BIOMASS

Alstom believes that biomass technology can be adopted as one of the key solutions in a country's strategy for renewable energy. The technology lends itself particularly well to existing coal-fired power plants, *via* conversion or co-firing. Alstom has been active in biomass power generation for over 18 years. Recent projects are in the Netherlands at Essent Energi's Amer plant and in the UK at Fidder's Ferry power station and at Drax Power Station. This station is the largest biomass co-firing project in the world. The 4,000 MW power station can now produce 400 MW from renewable biomass. The completed project is equivalent to saving some 2 million tons of CO_2 per year.

ENVIRONMENTAL CONTROL SYSTEMS

Alstom is a leading supplier of Air Quality Control Systems for electricity generation facilities and industrial applications. Alstom has developed a wide range of post-combustion solutions to address the capture of traditional pollutants such as SO_2, NO_x and particulates.

Alstom continuously improves its products to stay ahead of tightening regulations around the world: today, Alstom's AQCS technologies achieve the removal of up to 99% of SO_2, up to 93% of NO_x, and over 99.75% of particulates.

Mercury emissions are a growing concern, especially in the United States where strict federal emission limits on hazardous air pollutants, including acid gases, are being implemented. Alstom's portfolio of mercury control products achieves well over 90% removal and encompasses three technologies: KNX™, Filsorption™, and MerCure™. As required, these products can be deployed independently or jointly for higher performance, lower operating costs and better ash quality.

ENERGY EFFICIENCY: MAXIMIZING PRODUCTION EFFICIENCY AND FLEXIBILITY FOR BOTH EXISTING AND NEW PLANTS

ENERGY EFFICIENCY

The combustion of fossil fuels (coal, oil and gas) discharges more CO_2 than any other energy source. Nevertheless, it will continue to be a major source of electricity generation due to its wide availability, easy access and low cost. Efficiency is therefore key to emission reductions. The more efficient a plant is, the less fuel it consumes to produce the same electrical output. Estimates suggest that increasing efficiency from 30% to 50% would reduce CO_2 emissions by 40% on coal plants. On gas plants, increasing efficiency from 40% to 60% would reduce CO_2 emissions by 33%.

Alstom is continuously focusing its efforts on improving the efficiency of its power solutions: the ultra-supercritical hard coal power plant RDK 8 in Germany, which will be commissioned in 2012, will be one of the first in the world running on steam from 600°C to 620°C. It will deliver a net efficiency exceeding 46%.

Several advanced technologies such as lignite dryer or flue gas heat recovery are being developed and will further lead to the efficiency increase of Alstom's products.

POWER AUTOMATION AND CONTROLS

The Power Sector Automation and Controls business is also working towards the optimisation of power plants use, therefore leading to better efficiency and flexibility. Automation and controls solutions optimise the use of each type of power equipment (for example, the optimisation of the electricity quality produced by the generator) as well as the full regulation of all power plant assets (turbine, generator, boiler, and so on) including the balance of plant. With more than 120,000 control points on large coal plants and simulation tools, Automation & Controls enables the plant owner to reduce the CO_2 emissions and to increase the plant efficiency. Beyond the power plant, a new range of automation & controls solutions enable Power Utilities to manage their entire generation fleet and adapt their production more easily to the market needs and rules.

CCS - APPLYING CARBON CAPTURE & STORAGE TECHNOLOGIES TO FOSSIL FUEL POWER PRODUCTION

Acknowledging that fossil fuels will continue to account for about 60% of the installed base in 2030, the implementation of Carbon Capture & Storage (CCS) technologies is essential. The Sector focuses mainly on post-combustion and oxy-combustion technologies, as these applications cover both new power plants as well as the existing fleet.

The various pilot projects and industrial demonstrations already under way will enable to scale up the technology, validate their energy use and should confirm their economic advantages. Alstom has already signed several agreements with utilities and oil companies for pilot CO_2 capture plants, using both oxy-combustion and post-combustion methods, in Canada, France, Germany, Norway, Poland, Sweden and the USA, for both technologies. Alstom is ready to start the first large-scale (200 MW+) demonstration unit before the end of 2015.

PROJECT SUSTAINABILITY

To complement this Clean Power Today!™ strategy, the Power Sector is putting additional focus on sustainable development topics. The initiatives/actions consolidated in the project are organised within three scopes.

SCOPE 1: POWER SECTOR'S OWN FOOTPRINT

Actions around Power Sector's own footprint and the management of ecological, social and economic impacts of the offices and sites which the Power Sector owns and operates are in the focus of this scope.

A variety of projects are grouped under this scope. To give some examples, the Power Sector is closely supervising its suppliers and contractors relationships. It is working on the concept of green buildings (offices, engineering centres and factories). Today, investments in new buildings/ factories are only made if there is a plan aiming to reach zero CO_2 emissions. Several Power Sector sites are already working to minimize their impact on the environment: in the USA in Chattanooga or Amarillo, in China in Tianjin or Wuhan, in Brazil in Bahia or in France in Massy.

SCOPE 2: POWER SECTOR'S PRODUCTS FOOTPRINT (ECO-DESIGN)

Actions around the Power Sector products footprint and the management of the ecological, social and economic impacts of the products from "cradle to grave" are in the focus of this scope (the impact of the phase "use of the product" is not comparable to other phases and is therefore outside scope 2).

The impact of Alstom products during their entire life cycle is increasingly becoming a concern. For some products, the issue is to avoid the use of certain materials (for example, partnerships with silicon suppliers to replace the use of formaldehyde in the varnish of Hydro alternators). For other products, safe design is the priority (new wind mills are designed with a lift instead of a ladder to lower risks of falling and sore knees/back to the maintenance workers). For others, it is the whole life cycle impact on climate change that is being studied (life cycle assessment of gas turbines). With this growing interest, it was decided to address this on a common and homogeneous basis for the entire Power Sector. The consistency of the methodologies used, the calculation and the results are key to move towards a continuous improvement of the Power Sector products. A common Life Cycle Assessment tool is being tested to ensure its adaptability to the various products of the Power Sector.

SCOPE 3: THE OFFERING OUTPUT FOOTPRINT

Actions around the contribution of the Power Sector offering to our customers' efforts to produce Clean Power are the focus of this scope. The project launched under this scope focus on CO_2 emissions. More precisely, it is dedicated to the quantification of the Power Sector offering impact in terms of CO_2 emission reduction from the operation of its power generation projects commissioned between 2002 and 2008.

Last year was dedicated to the definition of a solid methodology to quantify the CO_2 reductions resulting from Alstom-supplied technologies.

The result of this study demonstrated that from a total of 944 plants supplied by the Power Sector commissioned between 2002 and 2008, plant owners were able to reduce their annual CO_2 emissions by more than 150 million tons. The methodology and results were verified by PriceWaterhouseCoopers.

71% of the reductions are seen in developing countries and 29% in developed countries. 53% of the reductions comes from fossil fuel-based plants using better efficiency and state-of-the-art technology and 47% from projects using other technologies.

The reductions achieved to date are of the magnitude necessary to meet the 2030 objectives (IEA target of globally reducing CO_2 emissions by 10 billion tons per year in 2030 for the Power Sector). It positions Alstom at the forefront of the providers of viable solutions.

Grid Sector Sustainable Development strategy

The Grid Sector is at the heart of Energy challenges, creating the electricity highways that interconnect regions and countries. More than ever, the Grid Sector is tasked with transmitting power safely, efficiently and intelligently, while integrating new sources of power generation such as wind, solar and biomass, in a necessary effort to reduce global CO_2 emissions.

Two important factors are driving growth in the electricity transportation industry: the need to modernise and renew grids in mature markets and the need to construct new infrastructures in emerging markets.

Throughout the world, growth is closely tied to a greater awareness of environmental issues. The search for higher yields from conventional power generation sources, the integration of more and more renewable energies and the growing use of distributed energy sources mean that huge investments must be made to improve grid evolution. These initiatives are a source of opportunities for the sale of products and systems integrating power electronics and the most advanced grid management innovations, which increasingly rely on digital technology. And very importantly, they parallel the emergence of the Smart Grid – intelligent infrastructures combining grid management with information technologies.

With more than 100 years of leading industry experience, the Grid Sector objective is to be the global reference in grid performance. This leadership imposes taking a competitive, pioneering role in sustainable development.

THE SMART GRID

Electrical networks worldwide are faced with evolving energy demands: the race for cleaner and sustainable energy; the need for a more stable and reliable grid to face growing electricity consumption; and the imperative to adapt the existing infrastructures to new technologies and an increased electricity flow. With operators managing deregulated energy markets, end-consumers managing their consumption in a more pro-active way, the integration of additional domestic or industrial micro-generation to the grid (or micro-grid) all combine to create the new generation of electricity grid – the Smart Grid

The key drivers for the Smart Grid market include, on the one hand, the need to reduce environmental impacts, in particular CO_2 emissions, while increasing the integration of renewable energy sources and the deployment of greener products and, on the other hand, the need to improve grid energy efficiency by enabling utilities to operate their assets closer to the limit, to significantly reduce losses and optimise generation portfolios.

The Grid Sector is already a key player in this energy evolution. The Grid Sector portfolio of solutions relies on the synergies between key transversal technologies: Power Electronics, Automation Solutions and Control Room Information Technology. Smart distribution solutions for energy-efficient eco-cities complete the offering, helping to transform the day-to-day management of energy.

The Smart Grid is the necessary complement of the future Supergrids, linking grids across countries and continents to connect electricity generated far away from renewable energy resources to the consumer. To reach these goals, operators are looking at the creation of a full Direct Current (DC) Grid, as the best way to transport electricity over long distances, interconnect asynchronous networks and integrate stochastic energy resources. The Supergrid would be more efficient (*i.e*: less power losses, maximum use of existing assets…) and more flexible (*i.e*: possibility to solve the problem of differences of frequencies between grids…). The Grid Sector is already involved in the Medgrid project, which aims to connect Europe and North Africa.

ECO-DESIGN AND SOLUTIONS TO LIMIT THE ENVIRONMENTAL IMPACT

Eco-design consists in integrating environmental concerns into the process of product design or re-design, to minimise the environmental impact at every stage of a product's lifecycle. From manufacture to utilisation and end-of-life dismantling, eco-design is an integral support function of R&D. It creates the link between design and development for future technologies and products.

Applying eco-design within the Grid Sector is based on IEC standard 62430 "Environmentally conscious design for electrical and electronic products", which specifies the norms and procedures destined to integrate environmental issues into the conception process and the development of products, including combinations of products as found in electrical sub-stations, as well as the materials and elements that compose each product.

To drive and deploy its eco-design policy, the Grid Sector has developed a "roadmap" to provide a detailed evaluation of annual performance across all eco-design initiatives and to fix new objectives. The roadmap is based on four levers: management, design process, manufacturing process and end-of-life product use.

In the development phase, the product's environmental impact and the means to reduce that impact are defined. Future products must respect the totality of international and local environmental regulations, as well as internal Environment Health & Safety rules, including the suppression and the replacement of dangerous substances, or if this is not possible, their identification.

The identification of advantages that can be developed for end-of-life products are listed in the End of Life product manual, notably the reduction of waste, the means to increase value through re-use, recycling and valorisation, and the reduction of risks and environmental impact associated with waste treatment and elimination processes. Finally, the proof of a product's environmental benefit is supported by the analysis of the product lifecycle. For this, the Grid Sector uses SIMAPRO, an environmental analysis tool that can quantify with precision the impact of products on the main environmental concerns such as global warming, ozone deterioration, water acidification, air pollution and dwindling natural resources.

Eco-design activities are coordinated within a working group that brings together the product line experts with representatives from other support functions such as Sustainable Development, Communications and Marketing. The role of this workgroup is to deploy the Grid Sector eco-design policy throughout the units, to publish eco-design documents and product environmental profiles and to follow environmental regulations in order to anticipate change.

Most importantly, the Eco-design workgroup will determine the main environmental impact of the different Grid Sector products and services. Actions have already been taken to minimise the environmental impact of the Grid Sector products. An important example is the potential impact of SF_6 gas – used to extinguish electric arcing and to insulate High Voltage circuit breakers and certain instrument transformers – on global warming. Reducing equipment size constraints allowed the amount of SF_6 used to be reduced. A better management of SF_6 in factories and on sites, as well as the air-tightness of equipment, allow emission reduction.

Environmentally friendly solutions are at the heart of the Grid Sector efforts. Solutions are assessed on seven criteria, covering the three phases of a product's lifecycle: manufacturing (reduced use of natural resources), use (energy efficiency, lower CO_2 emissions, limitation of environmental risks, noise reduction, space saving) and end of life (recyclability). New solutions must demonstrate significant environmental benefits over reference products (previous generation products or products without options) on at least one of the seven criteria with no worsening of any other criteria.

SERVICE SOLUTIONS FOR LIFELONG EFFICIENCY

The Grid Sector offers innovative, sustainable and high quality service to optimise electrical infrastructures, increase equipment return-on-investment and prolong asset lifecycles. Customer needs range from punctual interventions to long-term partnerships and include network design, asset maintenance and evolution, emergency support and predictive maintenance. The 52 local service centres in 33 countries are managed by strict quality management systems and fulfil the requirements of ISO 9001, environmental standards ISO 14001, and OHSAS 18001.

Long-term maintenance solutions provide lifetime support on high voltage equipment or entire networks, from annual inspections to minor or major maintenance work, to increase infrastructure reliability. Renovation, modernisation and extension services improve performance and resolve obsolescence issues. Equipment that is maintained throughout its lifecycle, replaced and/or updated as needed to keep pace with environmental standards, is equipment that is functioning efficiently with less waste. The Grid Sector offers a wide range of consulting solutions to proactively ensure better, more energy-efficient performance.

PREPARING THE FUTURE WITH A GREEN, HIGH PERFORMANCE TRANSFORMER

Already available is the Grid Sector green transformer. Instead of mineral oil, the coolant consists of natural and synthetic esters, which are biodegradable and enhance cooling performances. Esters are also safer thanks to low toxicity and a flash-point double that of mineral oil. Hermetically sealed for longer life, the transformer is equipped with vacuum switches and intelligent control systems. It also provides low noise levels. These characteristics can be completely or partially combined, depending on the customer's needs.

SUSTAINABLE DEVELOPMENT FOCUS

In 2008, the Sustainable Development (SD) Focus project was launched with the objective to support units, sites and functions in defining their SD ambitions. Ideas can then be translated into concrete actions covering the three SD pillars: economic performance, respect for the environment and social responsibility.

Today, nine SD Focus projects have been launched in France, China, India and England. More than 500 employees have been trained in how to make balanced decisions involving Sustainable Development. In China, where SD awareness is a relatively new topic, workshops were run at the Grid Sector Suzhou site and several SD Focus projects were launched, including internal communication campaigns on public transportation.

Transport Sector Sustainable Development strategy

By 2015, the number of cities in the world with a population of over one million inhabitants will have increased from 300 to more than 360. Nearly 350 million people will live in mega-cities of over 10 million inhabitants [(1)]. Passenger and freight rail traffic will accompany this growth.

The Transport Sector share in the world CO_2 emissions is 23% [(2)]. Rail transport is rightly seen as the most environment-friendly.

In Europe, for example, rail transport only accounts for 1% [(3)] of the emissions generated by transport whereas it represents 7% of passenger transport and 10% of goods transport. It therefore becomes a strategic tool to transport more people and more goods further and faster, whilst reducing road congestion and urban pollution.

Alstom's offer combines economic performance and technological innovation to serve passengers and meet the challenges of Sustainable Development. This strategy expresses the Group's desire to prepare the future while preserving the planet.

DESIGNING TRAINS TO REDUCE ENVIRONMENTAL IMPACTS

To improve the environmental performance of its products, Alstom works on:

- energy savings;
- non-pollutant raw materials;
- noise and vibrations reduction;
- fluids and particulate emissions control;
- landscape integration.

In order to better identify the impacts of products, life-cycle assessments are conducted in many projects like the Tram in Rouen, the new generation of Tram-Train or the DT5 Metro of Hamburg.

In France, the Transport Sector participates in the competitiveness cluster "I-Trans" which works on the conception of new materials and has a partnership with Ecole Centrale de Lille to integrate environmental parameters in traction drive design and optimise efficiency while minimising environmental impacts.

Alstom is also actively participating in professional organisations (UNIFE, FIF, VDB, FIEEC, ZVEI) to support the harmonisation of standards regarding life-cycle assessment, hazardous substances, recyclability, energy efficiency, and noise reduction.

REDUCING ENERGY CONSUMPTION

The pressure on energy costs is pushing for a dramatic reduction in the consumption of energy. Trains are the most competitive means of motorised transport in this field.

For example, the high-speed train AGV™ developed by the Transport Sector consumes, per passenger, the equivalent of only 0.4 litre of fuel per 100 km, three times less than a bus (1.2 litre per 100 km), six times less than a car (2-3 litres per 100 km) and fifteen times less than an airplane (5-7 litres per 100 km) [(4)]. Similarly, the CITADIS™ DUALIS™ tram-train consumes 4 times less than a bus and 10 times less than a car in kWh per seated passenger.

Innovative improvements are:

- lighter trains through composite materials;
- more efficient traction systems;
- energy recovery braking;
- eco-driving supported by electronic management of the need of power.

These solutions are already in place for the AGV™, with a carriage design with lighter metal parts, an exterior skin only 2.5 mm thick and composite materials in the transoms linking the bogies to the carriages. Regarding the braking, up to 8 MW can be fed back to the grid, equivalent to the power produced by four windmills.

Solutions allow on-board storage of the recovered braking energy (supercapacitators, fly wheels, batteries). Supercapacitators that enable tramways to run autonomously between two stations are currently being tested in partnership with the Régie Autonome des Transports Parisiens (RATP) with the CITADIS™ train set in Paris (STEEM project). The long-term objective is to allow tramways to run autonomously with a 15% reduction in energy consumption.

Thanks to the development of the HESOP™ reversible substation, almost all electrical energy recoverable from trains with regenerative braking systems can be fed back to the grid.

Alstom is also carrying out series of validations on hybrid-mode rail solutions (combined use of a heat engine and a battery to provide energy) or bi-mode (use of different sources of energy). The Mitteldeutsche Eisenbahngesellschaft (MEG), a DB Schenker Rail's subsidiary, is currently operating five hybrid shunting locomotives for long-term testing. Hybrid technology, which can be used in all heavy shunting services, reduces fuel consumption by approximately 50% compared to a conventional solution.

Energy-efficient technologies can also be adapted to existing products through modernisation operations. Such a programme has been completed for Sistema de Transporte Colectivo in Mexico on a fleet of 25 MP82 metrotrains that had been in service for 25 years. The upgrade of the traction drive is resulting in savings of up to 35%.

6

(1) Source : UNFPA, The United Nations Population Fund.

(2) Source : International Energy Agency.

(3) Source : Eurostat – Panorama of Transport – 2009.

(4) Source : ADEME.

INTEGRATING BIO-MATERIALS AND IMPROVING RECYCLABILITY

In 2008, the Transport Sector issued its first Eco-Design policy.

In Eco-design, Alstom reviews several themes:

- eliminating certain substances and materials that are harmful to the environment, such as hexavalent chromium;
- using biomaterials from renewable resources such as wood, hemp and wool as thermal and/or sound insulation in trains. For instance, a bamboo floor was developed and is being tested;
- creating innovative thermosetting composite materials with limited environmental impacts in the frame of Finather, an ambitious research project run jointly with other industrial partners.
- recycling materials: METROPOLIS™ and CITADIS™ trams are now at least 85% recyclable, with levels of 95% achieved in the Hamburg metro. Stockholm's suburban CORADIA™ Lirex™ train holds the record for recyclability at 98% thanks to easily-recycled materials such as aluminium, steel and copper. Riveting and bolting are favoured when assembling parts to facilitate end-of-life recycling.

TRAINS DESIGNED TO PRESERVE THEIR SURROUNDINGS

Concerns about preserving heritage, including landscape and nature, for the long term have led to two noteworthy innovations:

- a range of "wireless" solutions enabling CITADIS™ tramways to be integrated harmoniously into their urban environment with APS (Alimentation par le Sol), an exclusive and revolutionary electricity supply system, or *via* on-board batteries. First used on the Bordeaux tramway, APS was selected by the cities of Angers, Brasilia, Orleans, Reims, Dubai and recently Tours. On-board batteries are used on the Nice tramway;
- the very first diesel particulate filter for trains. The CORADIA™ Lint regional train in use in the Frankfurt area in Germany has a fine particulate emission rate of under 0.025 g/KWh and is the first diesel train in the world to be fitted with a filter reducing soot particulate emissions by 95%.

IMPROVING THE ACOUSTIC COMFORT OF TRAINS

The reduction of inside and outside noise pollution is another environmental aspect which Alstom takes into consideration.

Increased speeds, use of lighter materials and open space designs are the main reasons for increased noise for passengers.

Several research topics have been developed to optimise the acoustic radiation of the wheel-track interface, either through the use of low-noise wheels or by modifying the noise transfer path with absorbent skirts allowing a reduction of up to 2 decibels for exterior pass-by noise. Transport Sector products like AGV™, PENDOLINO™, CITADIS™ Dualis™ and PRIMA™ II locomotive have benefited from these improvements.

Aeroacoustic modelling allows to define the ideal compromise between aerodynamics and acoustic impact: the easier it is for a train to penetrate the air, the less turbulence and noise pollution there will be.

In the field of very high-speed, acoustic comfort has been substantially improved. This performance has been achieved by using models, but also through work carried out on the frontal aspect of the train-set to improve its penetration through the air and by streamlining the leading bogies. As a result, within 30 years, high-speed trains have doubled their speed while keeping external noise emissions at the same levels.

Apart from noise, research is being carried out to reduce vibration levels. The work focuses on ballast, which reduces the vibrations thanks to its "rheological" properties, that is to say its effects on the dissipation of vibratory energy. Elastomer base plates have already been placed under the crossties of the new line built by Alstom between Paris and London to diminish the vibrations due to train movement.

MAKING TRAINS ACCESSIBLE TO ALL

More attractive passenger vehicles and improved interoperability will largely participate in the shift towards the rail sector. The Transport Sector considers accessibility of high importance, for example, in the context of an ageing population with reduced mobility, but also in the view of increasing demand for connexions with other modes.

Alstom engineers work on interior design to meet the needs of future generations. In line with Alstom's vision of sustainability, the engineers design products to suit the users of tomorrow, particularly those who will be using Alstom trains in 30 years' time. They have already taken into account changes in the morphology of future generation passengers and on-board personnel such as the increased height and the growing demand for comfort. AGV™ bodies have been widened to provide space for more comfortable seats.

Accessibility is one of the key levers in increasing the modal shift towards the rail transport sector. It is also a tool of social integration. For the Transport Sector, the global target is to provide each person with proper access to any type of train in any configuration of the platforms.

Alstom has always focused on ensuring accessibility for the disabled and has integrated this concept into the core design of all its products. In 1987, the Grenoble tramway, designed in conjunction with associations for the disabled and with government bodies, was the first vehicle to feature a low floor over 70% of its length. Alstom was also one of the signatories of France's National Accessibility Charter in December 2003. The Transport Sector aims to develop all sorts of devices such as passenger information systems that facilitate mobility for disabled people. In addition, Alstom has recently designed and developed a specific kit which can be adapted onto existing regional trains in order to facilitate accessibility for people with limited mobility.

ENVIRONMENTAL PERFORMANCE

The report presents the results for the five objectives the Group set in 2008 and 2009 in order to reduce the environmental impacts of its operations. It also presents the other environmental indicators and general actions taken in favour of the environment, including the application of the REACH directive.

In this part of the report, the environmental data for the Grid Sector, when available, cover 7 months of calendar year 2010 and are published separately. If the data for the Grid Sector are included in the global figures, this is clearly specified.

In 2010, the Group was in line with the ISO 14001 certification objectives for production sites with over 200 employees, with the energy intensity reduction and the GHG emissions, with the water consumption reduction in the water-stressed areas and with waste recycling. However, the non-methanous volatile organic compounds (VOCs) have slightly increased.

PricewaterhouseCoopers has reviewed 31 environmental indicators and the processes for ISO 14001 certification and EHS assessments. A sample of 29 units, of which 5 units from the Grid Sector, has been examined. The reviewed indicators are specified with the ★symbol. The review report is available at the end of this section.

Certification of Units

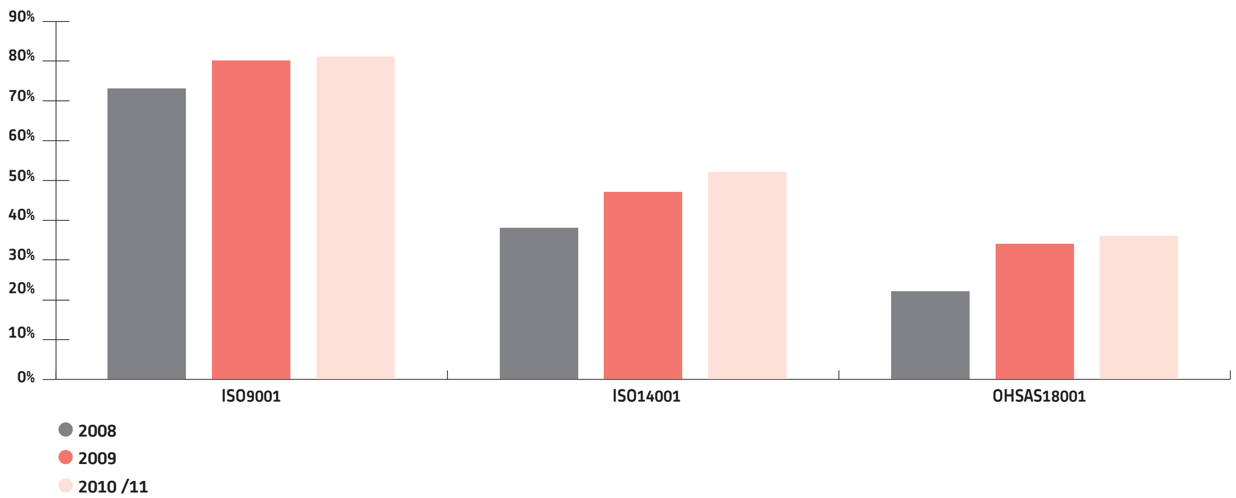
OBJECTIVE: ALL MANUFACTURING SITES OVER 200 EMPLOYEES CERTIFIED ISO 14001 BY 2012

Result: 69% of the manufacturing sites over 200 employees are certified ISO 14001 at 31 March 2011.

DETAILS ON CERTIFICATIONS IN THE GROUP

At 31 March 2011, 160 of the 198 Alstom EHS units, excluding the Grid Sector, are qualified for ISO 9001 certification (quality), ★103 for ISO 14001 certification (environment) and 71 for OHSAS 18001 certification (safety).

% certified units (all types of units)



Source: Alstom

The certified units on the above graph are related to calendar years 2008 and 2009 and fiscal year 2010/11.

The Grid Sector has 65% units certified ISO 14001 (85% for manufacturing units over 200 employees) and 64% certified OHSAS 18001.

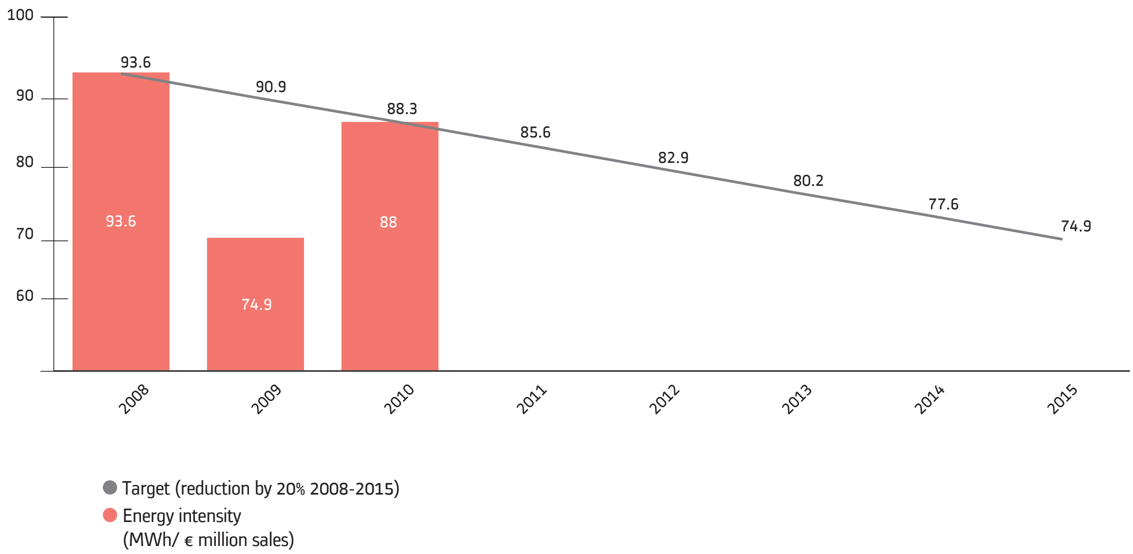
In addition to the ISO and OHSAS certifications, some sites in Germany are also certified under EMAS (EU Eco-Management and Audit Scheme).

Energy consumption

OBJECTIVE: REDUCTION OF THE ENERGY AND GREENHOUSE GAS EMISSIONS INTENSITY (GHG) BY 20% IN PERMANENT FACILITIES BETWEEN 2008 AND 2015

ENERGY INTENSITY REDUCTION BY 20% BETWEEN 2008 AND 2015

Result: end of 2010, a reduction of the energy intensity (★88) by 6% compared to the base year. The intensity is measured in terms of the amount of energy used in relation to sales. As in Europe, the sales have decreased faster than the energy consumption of the buildings, and as the turbines test centre in Birr (Switzerland) had a strong activity (so the energy consumption increased too), the result is lower than expected regarding the actions set up but in line with the objectives.



Source: Alstom

DETAILS OF ENERGY CONSUMPTION

ENERGY CONSUMPTION IN PERMANENT FACILITIES

	Calendar year 2007	Calendar year 2008	Calendar year 2009	Calendar year 2010	Grid Sector 06-12/2010
GWh of natural gas	579	780	653	★783	★67
GWh of butane, propane and other gases	22	23	28	★31	★6
GWh of heavy and fuel oil	53	88	31	★68	★17
GWh of steam/heat	123	138	133	★136	★15
GWh of electricity	574	612	615	★579	★90
GWh of Coal & other fuels	-	71	23	★8	★0
Total energy consumption (GWh)	1,351	1,712	1,483	★1,605	★195

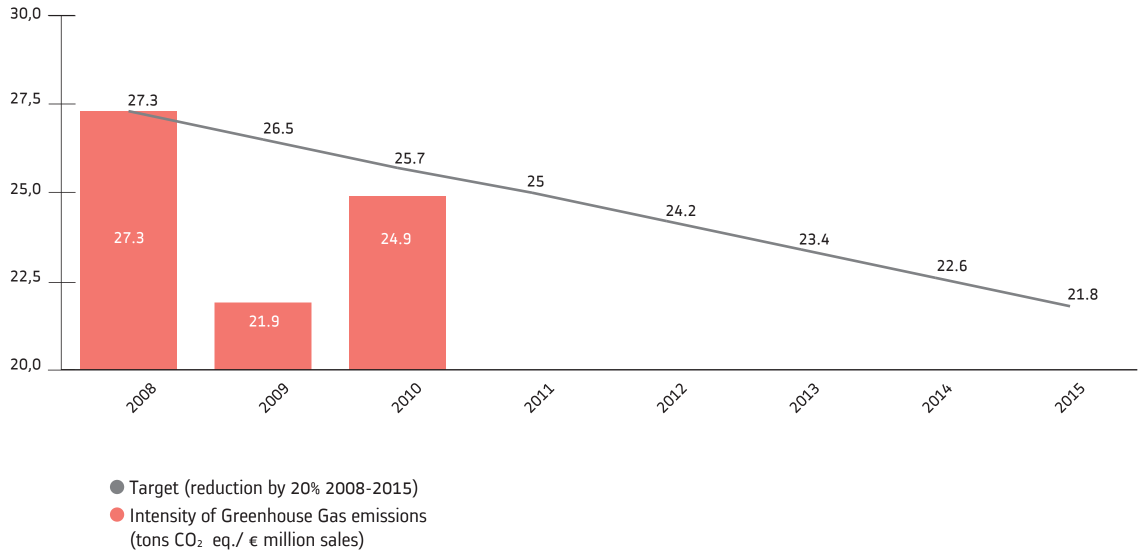
Source: Alstom
★ These indicators have been reviewed by PricewaterhouseCoopers.

The increase of the energy consumption between 2009 and 2010 is due to the increase in natural gas and fuels. This evolution is linked in particular to the test centre activity in Birr and to the weather conditions. The Birr test centre tests turbines in real operating conditions, so electricity is produced and sent to the Swiss distribution network. The site activity depends on the number of turbines delivered and thus is difficult to control. In addition, very low temperatures were recorded in Europe at the beginning and the end of year 2010.

As a result of the deployment of the energy reduction campaign, electricity consumption has decreased by 6%.

GHG EMISSION INTENSITY REDUCTION BY 20% BETWEEN 2008 AND 2015

Result: end of 2010, a reduction of the GHG emissions intensity (★24,9) by 9% compared to the base year. The intensity is measured in terms of tons of CO_2 equivalent produced in relation to sales. The reduction comes from the switch from coal to lower carbon energies, despite the significant increase at the Birr test centre.



Source: Alstom

GHG EMISSIONS DETAIL

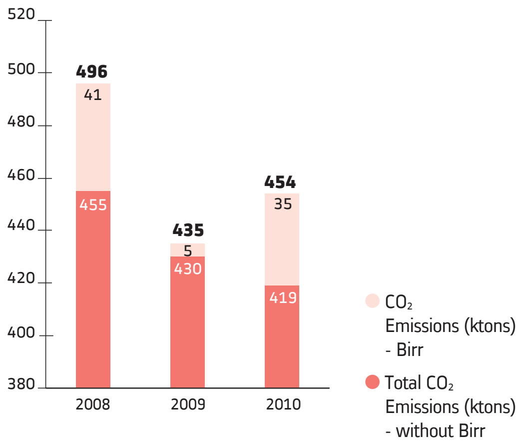
GHG EMISSIONS FROM ENERGY USAGE IN PERMANENT FACILITIES

	Calendar year 2007	Calendar year 2008	Calendar year 2009	Calendar year 2010	Grid Sector 06-12 2010
Direct CO_2 emissions from natural gas, butane, propane, coal and oil consumption **(ktons)**	136	211	153	★185	★20
Indirect CO_2 emissions from steam, heat and electricity consumption **(ktons)**	263	280	280	★267	★42
Total CO_2 from energy consumption	399	491	433	★452	★62
CO_2 emissions from SF_6, PFC et HFC **(ktons eq CO_2)**	-	5	2	★2	★70
Total CO_2 emissions **(ktons)**	399	496	435	★454	★132

Source: Alstom
★ These indicators have been reviewed by PricewaterhouseCoopers.

The emissions evolved in the same way as the energy consumption. A slight increase in CO_2 emissions occurred between 2009 and 2010, mainly due to the Birr test centre, whilst the indirect emissions from electricity consumption and steam decreased.

CO_2 EMISSIONS IN PERMANENT FACILITIES AND IN THE BIRR FACILITY



Source: Alstom

The GHG emissions decreased by almost 3% in the permanent facilities, excluding the Birr site, compared to 2009.

DEFINITION OF THE INTENSITY OF ENERGY AND GREENHOUSE GAS EMISSIONS

- The intensity of energy and greenhouse gas emissions (GHG) is measured in terms of the amount of energy used and tons of CO_2 equivalent produced in relation to sales.
- The indicators are calculated with the total calendar year sales, including the financial units with no CO_2 emissions report.
- The GHG intensity indicator includes other gases (SF_6, PFC and HFC) concerned by the Kyoto protocol and very significant for the Grid Sector.
- The base year is 2008 for energy consumption, CO_2 emissions and sales.

OTHER INFORMATION RELATED TO CO_2 EMISSIONS

- Emissions from Company vehicles are stable and amount to less than ★20 Ktons of CO_2 per year.
- The Group can report on the emissions related to air business travels managed by its main contractor, calculated according to the methodology validated by the French Environment and Energy Management Agency (ADEME). In 2010, the emissions are estimated at approximately 108 Ktons of CO_2.

Alstom publishes emissions data in the Carbon Disclosure Project survey, an initiative launched by a group of investors. The data cover both direct and indirect emissions, with the exception of emissions from project sites.

Water consumption

CONSUMPTION IN WATER-STRESSED AREAS

OBJECTIVE: WATER CONSUMPTION REDUCTION BY 20% BETWEEN 2010 AND 2015 IN WATER-STRESSED AREAS

The map used to define the water-stressed areas is the one published by the World Resources Institute. There are 19 sites (excluding the Grid Sector) located in these areas. The indicator is based on the 2009 data. In 2011, the Grid Sector will be included in the objective.

Result: A decrease by 39% has been registered in these sites. The objective will be reviewed.

WATER CONSUMPTION IN WATER-STRESSED AREA FACILITIES

	Calendar year 2008	Calendar year 2009	Calendar year 2010
Water consumption in water-stressed area facilities (m^3)	-	1,583,000	969,000

Source: Alstom

The water consumption decrease is due to the actions taken and also to the moving to new factories and plants in particular in Wuhan in China.

REDUCTION OF WATER CONSUMPTION ACROSS THE GROUP

Even if the Group didn't specify targets for all its sites, it systematically strives to limit water consumption. In 2010, water consumption decreased at global level and from all sources (public network, ground water and surface water).

DETAIL ON WATER CONSUMPTION

WATER CONSUMPTION IN PERMANENT FACILITIES

	Calendar year 2008	Calendar year 2009	Calendar year 2010	Grid Sector 06-12/2010
Cubic metres of public network	3,344,400*	2,629,800*	★1,844,000	★228,900
Cubic metres of ground water	1,700,000	1,722,200	★1,680,800	★94,400
Cubic metres of surface water	625,000	464,400	★418,100	★136,000
TOTAL WATER CONSUMPTION (IN CUBIC METRES)	5,669,400*	4,816,400*	★3,942,900	★459,300

* Without home colony in Durgapur, India.
★ These indicators have been reviewed by PricewaterhouseCoopers.
Source Alstom

ACHIEVEMENTS IN THE GROUP WATER CONSUMPTION REDUCTION

Among the 198 units, around 20 units consume more than 75% of the water used within the Group in permanent facilities. The top consumers are located in France, the UK and India.

The 18% reduction is the result of action plans. For example, the water consumption of the Richmond site in the USA has decreased by almost 60% in 2010 thanks to different measures, like watering 3 times a week instead of 5. Other examples are the decrease of the activity in 2010 in Romania, Poland and Bulgaria and the move to new buildings. For the Sizhou site in China, the water consumption has decreased following the decrease of the production activity and also the installation of a tank to recycle the water.

WATERBORNE DISCHARGES

WATERBORNE DISCHARGES IN PERMANENT FACILITIES

	Calendar year 2008	Calendar year 2009	Calendar year 2010
Chemical Oxygen Demand **(kg)**	198,000	176,000	129,000
Suspended Matters **(kg)**	113,000	68,000	56,500
Hydrocarbons **(kg)**	2,700	5,200	1,400
Metals **(kg)**	-	2,400	2,400

Source: Alstom

The impact on the quality of the waters discharged by the Group's production facilities is globally considered as relatively limited, although certain sites may at times be confronted with specific issues.

6

Airborne emissions

VOC EMISSIONS

OBJECTIVE: NON-METHANOUS VOLATILE ORGANIC COMPOUNDS (VOC) EMISSIONS REDUCTION BY 10% BETWEEN 2010 AND 2015

Alstom set the objective to reduce the non-methanous volatile organic compounds emissions by 10% between 2010 and 2015.

Result: Despite the actions led, the VOC emissions have slightly increased compared to 2009 data due to the Hydro sites activity in China, Spain and Portugal.

VOC EMISSIONS IN PERMANENT FACILITIES

	Calendar year 2008	Calendar year 2009	Calendar year 2010	Grid Sector 06-12 2010
VOC **(metric tons)**	680*	685	★693	★91

★ These indicators have been reviewed by PricewaterhouseCoopers.
Source Alstom

- In the frame of standardisation of painting systems in Europe, the Transport Sector now uses water-soluble paints for most of the rolling stock.
- In the UK, in 2010, the Transport Sector replaced its solvent cleaning equipment with new, healthier, environmentally friendly cleaning equipment. Alstom has cleaning equipment installed across all maintenance and manufacturing sites, which are used for washing component parts prior to and after maintenance work. The decision to stop the use of harmful chemicals wherever possible is proving beneficial on many levels. The equipment, now installed across 6 sites at Alstom, is predominantly aqueous based. The chemicals used in the machines easily match solvent solutions on performance and are safe for operators, eliminating the cost and health and safety risks and precautions. Effluent waste, produced from the cleaning process, has been significantly reduced, with appropriate filtration measures and oil/water separation units.

SO_2 AND NO_X EMISSIONS

SO_2 AND NO_X EMISSIONS IN PERMANENT FACILITIES

	Calendar year 2008	Calendar year 2009	Calendar year 2010	Grid Sector 06-12 2010
SO_2 (metric tons)	95	30	20*	0.4
NO_X (metric tons)	194	162	123*	5

Source: Alstom
* Without the Birr site.

These emissions result mainly from the use of direct energy sources on sites: gas, oil and coal. The coal consumption has decreased by 58% between 2009 and 2010 resulting in a decline of SO_2 and NO_X emissions for several sites such as the Wuhan site in China for example.

Waste Management

OBJECTIVE: 80% OF THE TOTAL WASTE WILL BE RECYCLED BY 2015

Alstom has continued its action to reduce the production of waste. In 2010, the total production has decreased compared to year 2009, while the recycled waste percentage increased. The trend is in accordance with the objectives set by the Group. However, monitoring showed that the waste definition considered by the Group and detailed in the EHS roadmap was understood differently in some sites. So, it was decided to publish these data only in the next report.

Examples of action plans to offset the environmental impact of operations

A number of action plans have already been implemented on a local level to offset the environmental impact of operations, including eco-designed buildings, selective sorting, responsible paper management, reduction of energy consumption.

GREEN BUILDINGS

A few examples of achievements:

- The new office inaugurated in Oslo (Sweden) on 1 February 2011 uses a variety of techniques to conserve energy. It has a specially designed exterior which optimises the sunlight hours whilst preventing over-heating in the offices. The building is partially heated by the activity of the central train station, located just below the offices, and cooled by the water from a nearby lake. The building received certificates including “GreenBuilding”, the “P-mark” and Miljöklassat Hus’. The employees are encouraged to cycle or use public transport. Instead of a car park, the building has a bicycle garage and dressing rooms.
- The Transport Sector Delaware site in the USA has been awarded a Green Building LEED Silver certification (Leadership in Energy and Environment Design) in recognition of the green approach of the site’s design and operations. The facility has also reduced energy consumption through efficient use of daylight and energy management systems to prevent waste. Materials were sourced locally to reduce the carbon footprint during construction and where possible, re-used or recycled material was used, including office furniture. All water and waste is recycled or disposed of in an environmentally friendly way.
- The manufacturing site in Chattanooga (USA), inaugurated in 2010, is designed to meet the US Green Building Council’s for LEED

gold certification. The construction process itself was undertaken utilising sustainable principles: the 3,400 tons of steel used were recycled, and concrete debris was used for road construction. The green features of the new facility include: skylights to maximise the use of daylight in shops and offices, waste heat recovered in the centralised HVAC system, insulated siding to improve the building energy efficiency, rainwater capture for irrigation of the landscape. The site is working to bring public transport to the entrance gate, while the closest parking spaces are reserved for bicycles and low-emission vehicles.

- The manufacturing site in Tianjin (China), inaugurated in 2009, is built with the target of zero carbon footprint. Tianjin focused on aspects such as heating/cooling, ventilation, fume treatment and lighting. It cut CO_2 emissions by 70% in comparison with the former factory. Rainwater collection systems were also installed as well as recycled water for sanitary use. The oil used for production is biodegradable and there are electricity meters on each machine.

Unlike the manufacturing facilities, offices are mostly rented and therefore Alstom's leverage is lower on their energy performance. However, solutions are considered whenever possible. The Massy offices in France, inaugurated in 2010, meet the French HQE (High Environmental Quality) standard. In addition, green electricity generation is deployed with 41 m^2 of solar panels and 3 wind turbines. Developing green electricity generation and adding storage and optimisation of electricity will be the next step. This plan includes parking spaces to charge electric cars and application of an in-house automation tool. These elements show that Alstom can put together intermittent electricity production, storage and consumption and manage them efficiently.

PAPER POLICY

A few examples of achievements:

- In France: The WWF France published in 2010 the results of a "PAP50" study on the paper policy of 50 large French Companies. Alstom rates 11th, indicating that the Company has put in place an efficient paper policy: 78% of the paper Alstom buys is either recycled or comes from certified forests; measures were implemented to limit consumption and recycling is organized on the French sites.
- In Canada, for several years now, the Power Service Business has balanced its paper consumption by tree plantation.
- In Hungary, Alstom launched in 2009 a programme to increase the environmental awareness of employees and reduce the Company's carbon footprint. As a first step, all offices were required to switch from regular to recycled paper, saving more than 120 trees. Objectives set savings at approximately 3,000 kWh of energy and about 230,000 litres of water, while reducing waste by about 22 cubic metres each year.

ENERGY CONSUMPTION REDUCTION

Action plan for the energy consumption reduction have focused, for example, on the optimisation of compressed air networks and equipment, the reduction of heating demand by better integration of shift work planning, the optimisation of control systems and the deployment of energy-efficient lighting. Good practices have been collected in order to establish a Handbook of Good Practices for Energy Conservation.

A few examples:

- In France, Carbon Footprint assessments have been completed at the Aix-les-Bains and Petit-Quevilly sites. The assessment included indirect emissions (business travel, employee commuting), as well as upstream and downstream emissions (transportation and processing of purchased materials, distribution of products). It will enable the Grid Sector to take appropriate actions and to lower fixed and operational costs.
- In the UK, ambitious objectives are targeted following surveys of the main sites by the Carbon Trust and as part of the CEMARS zero carbon certification. In February 2011, the three Alstom Sectors were awarded the CEMARS certification for the efficiency of the GHG reduction policy. Simple but effective actions included asking the staff to report steam and compressed air leaks in the transformer factory and then ensuring that they were fixed as a priority.

A RECOGNIZED PERFORMANCE: THE NETHERLANDS EXAMPLE

In the Netherlands, Alstom is the first train manufacturer that is certified Level 3 on the ProRail CO_2 performance scale. ProRail, a major player in the Dutch rail transport business, encourages its stakeholders to implement energy-saving policies which are assessed through the CO_2 performance scale. This scale has five steps. The higher level a company reaches, the more benefits it will receive for contracts. For a company that is certified at Level 3, the benefit is 4%. In July and August 2010, Lloyds, as independent conformity assessment body, audited the data, resulting in a certificate Level 3 attributed to the Transport Sector in the Netherlands. The audit checklist contained: insight in internal processes concerning the company' carbon footprint, the targeted ambition for CO_2 emission reduction, transparency in the way the Company communicates internally and externally and participation with other companies to set up CO_2 reduction programmes. The audit focused on activities such as the use of public transport for business travel, carpooling, waste sorting, paper and electricity consumption.

Increasing the employees' awareness on environmental issues

Increasing awareness on environmental issues is part of Alstom's Corporate Responsibility.

COMMUNICATION *VIA* THE INTRANET

Several initiatives have been taken: the intranet website gives information on the demographic evolution, industrial production, natural resources consumption and their consequences on the environment; a series of "DO's and DON'T's" regarding environment protection has been designed for Alstom by the Chinese NGO "The Global Village Beijing" in China along with the USA-based NGO "The Nature Conservancy".

This year, to explain the main environment issues related to CO_2 and the possible solutions, a dedicated blog also allowed employees to follow the Cancun negotiations.

ENVIRONMENT-BASED CRITERIA IN PROFIT-SHARING SCHEMES

To increase the employees' awareness on the saving of resources and to highlight that the environmental performance is part of the global Group performance, the profit-sharing schemes have set criteria based on the environment.

In France, for instance, the Alstom Management profit-sharing agreement at headquarters sets paper consumption reduction as a criteria. The Grid Sector profit-sharing agreements include criteria related to paper consumption reduction and SF_6 emission reduction in Villeurbanne, water, gas, electricity and paper reduction in Petit Quevilly, SF_6 emission reductions in Aix-Les-Bains.

ACTIONS AT COUNTRY LEVEL: THE UNITED KINGDOM EXAMPLE

In the UK, all employees and sites were invited to take part in the Environment week from 6 to 10 September 2010. The overarching theme focused on energy savings with each day dedicated to a specific topic. Toolboxes with talks about how to generate savings and improve the environmental performance were available for managers to help spread the word. In addition, employees could submit their innovative ideas on how to improve Alstom's environmental performance. Over 200 suggestions were submitted and the top three won a prize.

ENERGY CONSUMPTION AWARENESS

The Grid Sector launched an initiative to identify, quantify and put a stop to the energy wastefulness, the "Energy Treasure Hunt (ETH)". In Villeurbanne (France), for instance, an ETH study during working time and the week-end underlined 200 sources of losses such as air leaks and useless lighting. Motivated employees did their own "hunt", identifying the moments when daylight can be used instead of lighting, resulting in a decrease of electricity consumption by 60% in a workshop. ETH demonstrates that savings are real and easy to carry out.

ECO-FRIENDLY WAYS OF TRANSPORTATION

Alstom conducts actions to encourage its employees to use eco-friendly ways of transportation at local level.

- In Sweden for example, the specific action implemented in 2009 to reduce CO_2 emissions from travel and transport had good results. In 2010, Alstom TSSE fixed the objective that at least 50% of rented cars be " EcoCars " (the concept of EcoCars refers to flexible-fuelled cars, using E85 fuel, a mixture of up to 85% denatured fuel ethanol and gasoline or other hydrocarbon). The result was 70% and permitted to avoid 95 tons of CO_2 emissions. New ambitious objectives have been defined for 2011.
- In Canada, car-pooling is encouraged with dedicated parking lots close to the building entrances.
- In the USA, Alstom was chosen by the Redmond Chamber of Commerce and the City of Redmond as one of two companies to be honored for their alternative commute achievements. At the time, in Seattle site, 36% of the 325 employees participated in the Commute Trip.

Eliminating asbestos

An internal instruction in August 2006 recalled the complete ban on the use of asbestos in the Group and relevant documentation was drawn up to make this policy comply with local regulations, including for suppliers.

The policy aims to eliminate asbestos from all buildings used by the Group worldwide, when reasonably achievable, including in countries where such materials are not prohibited. Methodical and efficient action plans have been implemented.

In addition to the policy, one of the Alstom businesses proposes a training programme on asbestos to ensure that its use is eliminated at the very beginning of the sourcing process. This training benefits sourcing people and supply chain quality auditors who inspect suppliers.

REACH Directive management

REACH Regulation (Regulation (EC) n° 1907/2006) entered into force in June 2007. This regulation gives the European industries legal obligation on manufacture, import and uses of chemicals.

As a complex product and services supplier working in an international environment, the Alstom Group is impacted by the REACH regulation in different ways that are the conception activities and the projects implementation carried out in and out of Europe.

There are two main prospective impacts:

- the obligation to inform the clients about substances of very high concern (called "SVHC");
- the risk that suppliers could stop providing hazardous substances.

One estimates that, in a general way:

- Alstom does not need to register any substance because it does not import or manufacture any chemical substance in quantities above 1t/year per legal European entity;
- Alstom does not need to notify the European Chemical Agency (ECHA) or communicate to its customers the presence of any SVHC included in the 'candidate list' of the ECHA in its products, because the Group does not supply products containing more than 0,1% of these identified substances;
- Alstom sets up the recommended measures to prevent human and environmental risks related to the use of chemicals.

However, exceptions to these rules might exist. They will have to be clearly assigned and authorised for each case.

In order to guarantee the accordance with these guidelines, Alstom uses an approach that requires deals with exclusive representatives for chemicals importation into the European Economic Area, prescriptions to suppliers concerning substances and articles listed in the REACH regulation, information gathering from suppliers about the possible presence of hazardous substances in the products, identification by internal experts of hazardous articles, setting up of program substitutes when it is necessary and the update of the internal process of the chemical hazard management.

SOCIAL PERFORMANCE

Group Human Resources Policy

Alstom's Human Resources (HR) policy contributes to shaping the Group in relation to evolutions in the economic, social and technical environment.

During the fiscal year, the Group focused particularly on:

- adapting its organisation to better match the market and technology evolutions;
- integrating the Grid Sector.

The 5 HR Policy programmes aim to:

- offer the best working conditions;
- adapt the workforce to the activities and markets;
- maintain a high level of involvement of the employees;
- develop competencies and manage careers;
- promote equal opportunities.

Offering the best working conditions

The first priority of the programme to improve the working conditions is the prevention of occupational accidents and diseases; the programme also includes action plans related to the employees' well-being.

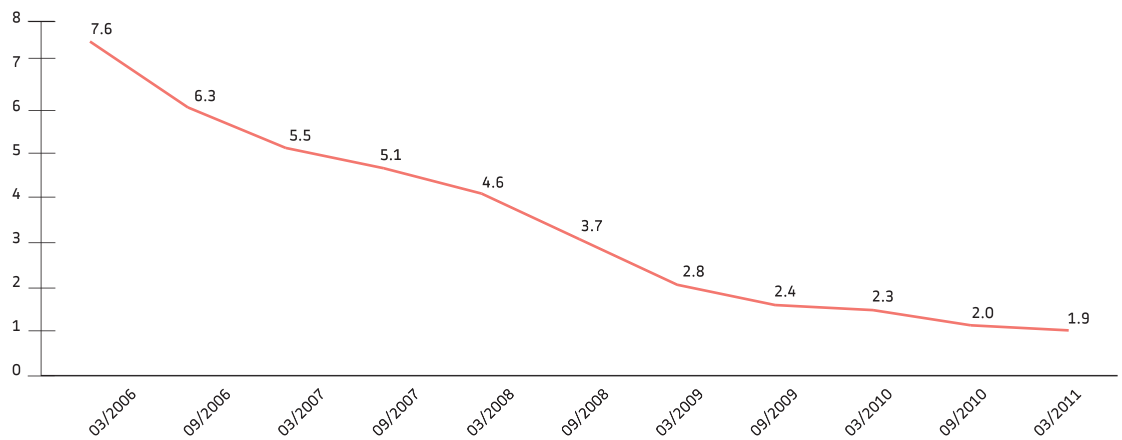
PricewaterhouseCoopers reviewed 6 occupational safety indicators in a sample of 29 units, of which 5 from the Grid Sector. The ★symbol indicates the indicators covered by the review. The review report is available at the end of this section.

OCCUPATIONAL ACCIDENTS PREVENTION

Due to the nature of the projects that Alstom undertakes in both manufacturing and construction, there is a major risk of severe injuries. Reducing the frequency of these injuries has been an Alstom priority for many years and a "Zero Severe Injury" programme is in place.

OBJECTIVE: AN INJURY FREQUENCY RATE (NUMBER OF ACCIDENTS WITH TIME LOST DUE TO INJURY PER MILLION HOURS WORKED) BELOW 1 BY DECEMBER 2015.

RESULTS (GRID SECTOR INCLUDED)
Injury Frequency Rate 12 rolling months (Alstom Employees)



Source: Alstom

The figures of the above graph include the Grid Sector performance as of 1/01/2010.

KEY FIGURES:

	Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
Number of trainees in EHS	1660	650	859
Number of fatal accidents of employees	5	1	★2
Other fatal accidents linked with Alstom activities such as contractors	6	3	★11
Frequency rate of workplace accidents (employees)	2.8*	2.3	★1.9
Severity rate of workplace accidents (employees)	0.09	0.07	★0.07

Source: Alstom
★ These indicators have been reviewed by PricewaterhouseCoopers.
(*) 2008 figure revised.

SAFETY AWARDS

The Group stakeholders recognize the Environment, Health and Safety (EHS) performance. Some examples in fiscal year 2010/11:

- in India, at the Mahan Aluminium Smelter Project in the Madhya Pradesh state, the Alstom team installing two fume treatment systems won an award for safety from its customer Hindalco for no hour lost for safety-related incidents. This result was obtained thanks to a strong safety-conscious culture through a range of activities including weekly talks and on-site walk-throughs;
- in the UK, the performance of the Power Sector Field Service team at Enfield Power Station was rewarded by its customer E.ON UK, which presented five separate awards to the team during the June - August 2010 outage;
- in the UK, the Transport Sector in Edgware won a second place in the Tube Lines Projects Safety Awards 2010. The judges recognized the constant day-to-day efforts regarding safety at the depot, where a fully operational work is run in very tight timescales whilst maintaining high levels of safety and leading standards of housekeeping and efficiency.

OCCUPATIONAL DISEASES

Due to the absence of an international definition of occupational diseases, it is impossible to aggregate the data in this domain.

In France (14,500 employees without Grid), in 2010, 50 occupational diseases were registered, of which 31 were bursitis, 8 asbestoses and 6 deafness.

HEALTH AND SAFETY AWARENESS

To raise the employees' awareness of health and safety and to highlight that the performance in this field is part of the global Group performance, the profit-sharing schemes often set criteria based on health and safety.

- in France, for instance, the Power Sector Service business has set the injury frequency rate reduction as a criteria in the calculation of the profit sharing and the Grid Sector profit-sharing agreements include criteria related to the number of general safety inspections in Villeurbanne, La Défense, Saint Priest and Massy;
- in India, the injury frequency rate accounts for 35% of the collective premium.

The sites conduct many other actions to help focus on safety, with the employees representatives, such as a daily minute dedicated to safety in Brazil.

WELL-BEING POLICY

In several countries, specific programmes are in place to improve the employee's health and well-being at work. A few examples:

- in France, for instance, a dedicated hotline allows employees and their family to speak to psychologists and to benefit from up to 12 hours consultation per year. The programme was launched for all Alstom employees in 2010 and 49 people have already benefited from it. The programme is monitored in partnership with the internal occupational health centre. It should be extended to the Grid Sector next year;
- in Germany, in Mannheim, sport is encouraged by the Company, 10 yoga sessions are proposed to employees and twice a year, external nutritionists come in to offer advice;
- in Switzerland, from 2008 to 2010, Alstom participated in a pilot programme "SWING" launched by the "Swiss Foundation for Health Promotion". The aim is to measure the impact of corporate health management initiatives. Each year, an extensive evaluation of employee well-being, stress levels, satisfaction, is followed by action plans. The results have been analysed by Swiss universities and highlight the strong link between management commitment, employee satisfaction, well-being, and economic performance. In addition, a programme has been in place since 2004 to offer support to employees with frequent absences, as these absences may be the sign of underlying difficulties;
- in Brazil, at Taubaté, a "quality of life" programme allows the employees to access a basic analysis of their health conditions;
- in India, a comprehensive Health programme has been set up, including a helpdesk to facilitate cashless check-ups and reimbursements claims. The claim ratio has been significantly reduced. Access to health services has been facilitated. In addition, all major sites have equipped an medical dispensary including a consultant doctor and a portal allows, on the one hand, to integrate the health programmes and, on the other hand, to give information to the employees and their family. The annual cost of this Health programme is about €730,000 for 4,000 employees (Grid Sector not included).

LIFE INSURANCE

OBJECTIVE: ALL EMPLOYEES RECEIVE AT LEAST ONE YEAR SALARY IN CASE OF ACCIDENTAL DEATH

Results: the evolution of employee coverage is quite satisfactory.

RATIO OF EMPLOYEES COVERED BY A LIFE INSURANCE IN CASE OF ACCIDENTAL DEATH

	Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
Ratio of employees covered by a life insurance in case of accidental death	97%	97%	98%
Ratio of employees covered by a life insurance giving one year salary	72%	78%	88%

Source Alstom.

The data come from a survey conducted in 22 countries representing 92% of the Group's total headcount.

In countries such as Poland, employer contributions to insurance policies are considered as a taxable benefit, leading some employees to decline this offer.

Group Workforce at 31 March 2011

The figures in the following tables include permanent and fixed-term contracts and the Grid Sector is included, except in the chart giving headcount evolution during fiscal year 2010/11 because of the Grid Sector integration only in June 2010.

BREAKDOWN BY REGION

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Workforce	55,677	10,847	5,628	19,273	3,223	94,648
Long-term absentees (LTA)	931	81	129	60	4	1,205
% of total workforce	58.82	11.46	5.94	20.36	3.40	

BREAKDOWN BY CATEGORY (INCLUDING LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total	% of total workforce
Engineers & managers	25,723	4,923	2,122	8,979	1,348	43,095	45.53
Other employees	29,954	5,924	3,509	10,294	1,875	51,553	54.46

BREAKDOWN BY SECTOR IN PERCENTAGE (% OF TOTAL WORKFORCE, INCLUDING LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	% of total workforce
Power (48,468)	25,806	7,476	2,640	11,656	890	51.20
Transport (25,035)	19,389	1,658	1,649	1,170	1,169	26.45
Grid (19,251)	9,052	1,573	1,243	6,262	1,121	20.33
Other (1,894)	1,430	140	96	185	43	2.00

BREAKDOWN BY GENDER (% OF TOTAL WORKFORCE BY REGION, INCLUDING LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Men	83%	84%	85%	85%	87%	84%
Women	17%	16%	15%	15%	13%	16%

BREAKDOWN BY TYPE OF CONTRACT (INCLUDING LTA)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Permanent contracts	53,193	8,595	5,445	16,226	1,766	85,225
Fixed-term contracts	2,484	2,252	183	3,047	1,457	9,423
Temporary workers	3,945	580	235	2,085	96	6,941
Interns	1,575	35	237	423	11	2,281

WORKFORCE CHANGES DURING 2010/11 FISCAL YEAR (INCLUDING LTA AND GRID SECTOR EXCLUDED)

	Europe	North America	Central & South America	Asia/ Pacific	Africa/ Middle East	Total
Hiring on permanent contracts	1,875	729	666	2,248	188	5,706
Hiring on fixed-term contracts	3,297	5,229	160	2,141	718	11,545
Resignations	1,269	277	147	833	56	2,582
Redundancies	356	327	0	38	21	742
Other departures *	1,913	357	603	1,188	82	4,143

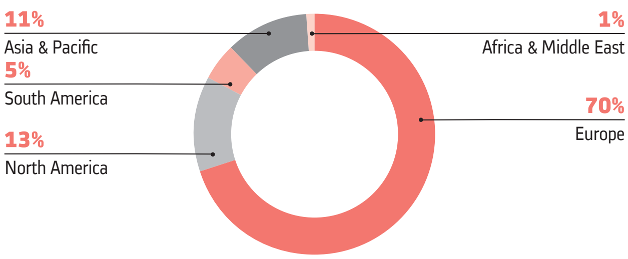
* Not including disposals and acquisitions.
Source Alstom

Adapting the workforce to the market and activities

The priority is to have the competencies needed for the current and future development of the Group and to integrate the newcomers. At 31 March 2011 Alstom employs about 95,600 people of which 75,400 employees in the Power and Transport Sectors.

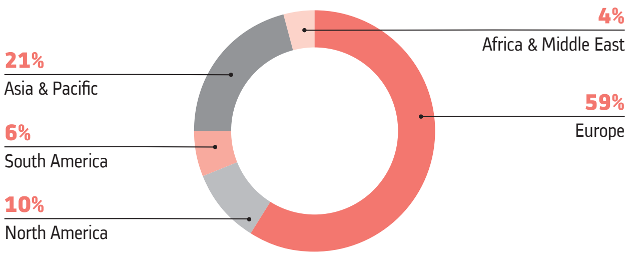
These charts show the workforce by region over the past 5 years.

AT 31 MARCH 2006



Source Alstom

AT 31 MARCH 2011

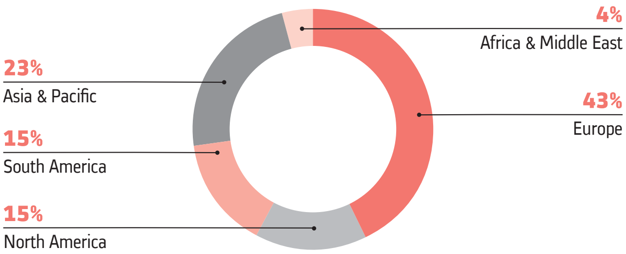


Source Alstom

The evolution of the workforce breakdown by region demonstrates the development of the Asia/Pacific region, which has more than doubled its relative part.

Alstom recruited over 5,700 permanent employees (Grid Sector excluded) over fiscal year 2010/11. The Group does not face any difficulty to recruit, due to its reputation and its active relationships and partnerships with schools and Universities.

RECRUITMENT PER REGION IN 2010/11 (PERMANENT CONTRACTS)



Source Alstom

DEVELOPING ACTIVE RELATIONSHIPS WITH UNIVERSITIES

Relationships with schools and Universities are actively managed in more than 35 countries, for a triple objective:

- to make Alstom well-known and to identify future employees;
- to establish partnerships, including in research and development;
- to participate in the national effort for education and training in the countries in which the Group operates.

A few examples of Partnerships

- In China, a partnership agreement with Beijing's École Centrale de Pekin (ECPk)

  In April 2008, Alstom signed a 5-year partnership agreement with Beijing's École Centrale de Pekin (ECPk). This partnership is in line with Alstom's objective to promote local engineers to positions involving management responsibilities. In 2010, Alstom attended a forum organized by the ECPk and offered 4 internships.

- In Morocco, agreements with 3 major schools

  In 2010, after having signed contracts for rail transport, Alstom joined forces with École Hassania des Travaux Publics (EHTP), Ecole Nationale Supérieure d'Enseignement Technique (ENSET) and École Mohammaddia Ingénieurs (EMI), promising 3-month internships for 6 engineering students and 11 scholarships for outstanding students.

- In Turkey, a partnership with Sabanci University

  In 2011, Alstom and its Turkish partner GES (Genel Elektrik Sistemleri Yapim ve Mühendislik Ltd Sirketi) decided to support 20 students for a 5-year academic period. The Group also joined the University's "Energy Platform" which aims to develop strategies, policies and projects with governments, non-governmental organisations, companies and research centres to focus on climate issues.

- In Russia, an agreement between Bauman Moscow State Technical University, Alstom Hydro France and INP Grenoble

  Signed in 2010, the agreement is related to a common work on matters of shared interest such as training, research and technology, student exchanges, practical internships and joint participation in European and international study programmes.

- In India, four memoranda of understanding with the College of Engineering (COEP), Punjab Engineering College (PEC), the National Institute of Technology (NIT) in Surathkal and Maharaja Sayajirao University (MSU)

  Signed in 2009 with these famous Indian engineering institutes, these partnerships are very active, with sponsorship of events and a "Anubhav" programme involving 15 the trainees.

- In Canada, involvement in the Institute of Electrical Power Engineering (IEPE)

  Alstom joined IEPE in 2009 and is part of the academic committee that defines course contents. Every year, Alstom offers a scholarship. Founded in 2001, IEPE oversees the training of electrical engineers in cooperation with the power industry.

- In France, support of the "Econoving" professorship

  Since 2008, the Group has teamed up with five industrial partners to provide funding for a 5-year eco-innovation professorship set up by a group of engineering schools and Universities including École Centrale de Paris, Supélec, Université Paris XI d'Orsay and Université de Versailles Saint-Quentin in partnership with major companies such as SNCF. This post-doctoral course aims to provide a talent pool for certain key areas of industry linked to eco-innovation, such as optimisation science, applied research, information technology, intelligent power supply systems and energy conversion technologies.

- In France, in 2010, Alstom committed to support for 3 years the "Business Ethics" professorship at the Université of Cergy-Pontoise and to participate actively in the research undertaken.

INTEGRATING NEW EMPLOYEES

Recruitment is followed by numerous actions to facilitate the integration of new employees into their units.

At Group level, Alstom conducts an induction programme called Alstom Connection, which brings together newly-hired employees to learn about the Group's activities and values, hear senior management, visit Alstom sites and build a first network. During the fiscal year, two sessions were held.

Fostering employee involvement

The dynamic Asian and American economies and the Group's decreasing activity in Europe on the one hand, and the reorganisations conducted in the Sectors during the fiscal year on the other hand, justify that the Group focus on employee motivation.

To maintain a high level of motivation, the Group relies on:

- a common culture based on the Group's values and ethical principles which reinforce the sense of belonging;
- an action plan to encourage employee involvement in the life of the Company.

SENSE OF BELONGING

The creation of a common culture is important to hold the Group together and reinforce the sense of belonging.

ALSTOM VALUES

Alstom's three values – Team, Trust and Action – contribute to this objective. They are explained *via* awareness-raising actions and training at local level and supported by an e-learning programme.

RESPECTING BUSINESS ETHICS

Alstom's growth is based on a culture of integrity and uncompromising ethical principles covering the employees and other stakeholders.

An "Alstom Integrity" programme has set up the objectives and the dedicated means.

- The Code of Ethics is distributed to all employees. An e-learning module mandatory for all Managers & Professionals, launched in March 2010, has been completed by more than 32,000 employees at 31 March 2011;

- To answer the issues raised during the training sessions, additional Ethic and Compliance Group Instructions were published: regarding dealing with Consulting in December 2010 and managing Conflicts of Interest in March 2011;
- Any employee, who may have a reason to suspect a violation of the rules of anti-corruption, competition and securities or accounting laws and regulations, can use an alert procedure. The identity of the people who exercise this right is kept confidential wherever possible. In the United States of America, the Company provides "The Alstom US Business Conduct Hot Line" for this very purpose. This hotline guarantees anonymity.

Alstom requested "Ethic Intelligence International", an independent body, to audit and validate its rules and procedures governing relations with sales and marketing consultants and agents. As a consequence of this review, the Group was awarded a certificate on 12 March 2009, granted for two years. The certificate was renewed in April 2011 for the Power and Transport Sectors.

In 2011, two new certifications were undertaken by ETHIC Intelligence International:

- the certification of the "sales intermediaries" policy for the Grid Sector;
- the certification of the Alstom Integrity Programme as a whole.

EMPLOYEE INVOLVEMENT IN THE COMPANY

Employee involvement is also key to motivate employees and several actions have been taken to encourage employee involvement.

ON-GOING COMMUNICATION

In addition to communication on the Group and Sector events at least once a week, events valorising employee contribution are organised.

AN EXAMPLE AT GROUP LEVEL: PROMOTION OF INNOVATIVE EMPLOYEES

In 2008, Alstom launched the "Alstom Innovation Awards", an in-house competition designed to reward employees who have successfully developed and implemented innovative solutions. In 2010, over 640 Alstom employees from 23 countries took part in the competition, submitting 187 applications. Two simple criteria were used to assess innovations. "It is new" recognises that the innovation has introduced new components, technologies or processes that differ substantially from solutions used in the past. "It works" demonstrates that the innovation has delivered measurable results.

AN EXAMPLE AT POWER SECTOR LEVEL: THE CAFEZINHOS

The Power Sector has launched the "Cafezinhos" initiative, a series of meetings between managers and their teams in order to explain business objectives, answer questions, and exchange views and suggestions for improvement. The meetings are part of a process that includes the development of action plans and communications on the achievements. In 2010/11, 130 Cafezinhos were held worldwide, gathering over 1,000 participants.

REMUNERATION SCHEMES BASED ON PERFORMANCE CRITERIA

SHORT TERM INCENTIVE SCHEME

Alstom has set up a short term incentive scheme based on two performance factors, a financial performance and an individual performance, for managers over a certain job grading.

More than 23,000 managers (Grid Sector included) benefited from this remuneration scheme at 31 March 2011.

PROFIT SHARING

Alstom policy aims to recognize collective performance. Profit sharing schemes are in place in 9 countries (namely France, Brazil, Ireland, the USA, Chile, Italy, China, Mexico and Poland) making up 49% of the Group's permanent employees.

EMPLOYEE SHAREHOLDING

Since its initial public offering and first listing, the Group has implemented five capital increases reserved for employees (June 1998, August 2000, November 2004, December 2007, February 2009) and a plan to allocate free shares to all employees (May 2006). At 31 March 2011, the current and former Group employees held 1.3% of the Alstom share capital, either directly or through mutual funds. The Group aims to pursue this campaign to further promote employee shareholding.

SPECIFIC RETENTION PLANS

In China, Alstom has implemented a retention plan to develop the loyalty of its managers. This plan includes a premium with deferred payment equal to 10 to 15% of their annual base salary. It does not apply to the managers whose performance over the year was not considered sufficient. The premium is paid if the employee is still present after a 3-year vesting period.

INDICATORS TO MEASURE INVOLVEMENT

The indicators to measure motivation are the turnover rate at Group level and opinion surveys at Sector level.

Resignation rates, which also reflect the general employment situation in each geographical area in which the Company operates, are one of the criteria used to determine the level of satisfaction of Group employees. The rates are closely monitored at both Sector and regional levels.

RESIGNATION RATES

Resignation rates for employees on permanent contracts in each region (Grid Sector excluded):

	Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
Europe + Africa/Middle East	2.46%	1.65%	2.55%
Asia/Pacific	7.20%	5.83%	6.37%
Americas	3.80%	2.39%	3.05%
TOTAL	3.47%	2.41%	3.42%

OPINION SURVEYS

Regular opinion surveys are conducted at Sector level or over a specific population if relevant.

1) AT SECTOR LEVEL: SURVEYS IN THE POWER AND TRANSPORT SECTORS

In July 2010, the Power Sector launched a global Opinion Survey to employees. More than 30,000 questionnaires were distributed to all Power Sector employees with email accounts. The response rate was 70%. The results were globally positive and showed that the employees are strongly committed to Alstom. However, the survey also showed areas where employees believe improvements are needed to better answer the current Sector challenges such as speed in decision-making and the simplification of processes. The results were analysed at Sector, business, Function and Country level and were taken into account in the design of the Three Year plan.

Beginning of 2011, the Transport Sector conducted a survey over all employees (24,600). The response rate was 62%. This first survey demonstrates a real pride of belonging and strong satisfaction at work, in particular due to autonomy. The survey also highlights the strong desire to contribute to the success of the Company. Improvement is required regarding a simpler and more reactive functioning, a clearer organisation and a better communication on the strategy. This first survey results will be communicated to all employees and action plans will be included in the Sector managerial strategy.

2) AT BUSINESS LEVEL:

In 2009, the Hydro business conducted an employee motivation survey, after a three-year period during which 3,500 people were recruited. The survey involved the entire workforce, 7,000 people, of which 75% responded. The survey led to the development of medium- and long-term action plans at business and local level, to improve the working conditions. Local action plans were discussed with the employees and management. In 2010, the implementation of the action plans was followed twice a year by the Hydro Management.

GRID SECTOR INTEGRATION

The Grid Sector integration was a major activity for the Group support function. Integrating 20,000 employees over 70 countries was a very complex operation, combining dedicated HR and Communications actions. The main focus was on maintaining employee motivation, boosting their engagement to the new Sector and developing a sense of belonging to the Alstom Group.

Among the numerous actions to optimise the integration, in June 2010 employee welcome events with welcome packs were held worldwide. Managerial communications were stepped up too, with a continuous 'milestone' approach to communicate the changes: a management foundation seminar, a monthly Grid Sector newsletter, regular conference calls, a dedicated communications portal, together with training sessions.

During a period of change and transformation, regular pulse checks are important: in September 2010, a first survey was conducted for the top 500 senior managers. The return rate was 85%. The results of the survey showed that the respondents were very positive overall with the integration to date, with 90% personally committed to the success of the Grid Sector.

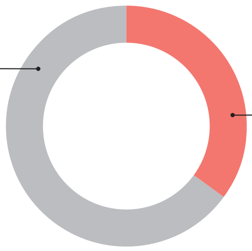
Some highlights: Overall, Alstom values are generally known and acknowledged by the Grid Sector managers. Overall the respondents are comfortable with the business objectives and organisation of the Grid Sector - less comfortable with the time taken to complete the separation from Schneider Electric and to integrate Alstom's tools and processes. The respondents clearly agree that the keys to the future success of the Grid Sector are Customer Orientation, Empowerment & Trust; Innovation; Quality & Excellence and Leadership – as well as communication on the direction and strategy of the Grid Sector and the motivation and development of employees. Many insightful verbatim inputs were also taken into consideration to feed the follow-up of the integration action plans and to fine-tune the organisation.

Developing competencies and managing careers

Alstom is a high-technology company that handles large-scale, complex projects over the long-term. The quality of its teams, their skills and their commitment to the Group are crucial to its overall success.

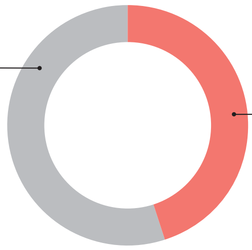
EVOLUTION OF COMPETENCIES BETWEEN 2006 AND 2011

WORKFORCE BY CATEGORY AT 31 MARCH 2006



Source Alstom

WORKFORCE BY CATEGORY AT 31 MARCH 2011 (GRID EXCLUDED)



Source Alstom

CAREER MANAGEMENT

The career path management relies on three processes:

Alstom aims to provide employees with maximum opportunities for personal growth through career management and development of competencies.

ANNUAL PERFORMANCE INTERVIEW

Objective: all employees benefit from an annual performance interview

Indicator: number of employees with an annual performance interview

NUMBER OF EMPLOYEES WITH AN ANNUAL PERFORMANCE INTERVIEW

Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
23,000	38,750	42,000

Almost all the managers and professionals are covered by the process which includes the setting of objectives and a development plan.

PEOPLE REVIEWS

People Reviews allow to match the current and future needs of the business (based on a competency mapping) and the available competencies, and to set career paths with a transversal vision.

Objective: management of the career paths

Indicator: number of people covered by a people review

NUMBER OF PEOPLE COVERED BY A PEOPLE REVIEW

Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
15,000	30,000	33,000

The Group now includes the major part of its managers in people reviews. The next step will be to manage the results of this process more efficiently.

INTERNAL MOBILITY

Objective: to appoint at least 60% of the Group's top managers through internal promotion.

Indicator: internal promotion rate of executive managers (1,200 people)

INTERNAL PROMOTION RATE OF EXECUTIVE MANAGERS

	Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
	60%	70%	79%

Specific career development programmes have been developed at local level:

- In Poland, for instance, from January 2009 to December 2010, the Power Sector proposed a management development programme. The Development and Improvement of Qualifications programme (or Power Lider) aims to:
  - ensure a high level of management skills;
  - prepare successors for key positions;
  - prepare development plans for high-potential employees;
  - motivate employees and keep talents within Alstom structures.

  252 managers (senior and high-potential managers) benefited from this 15-day programme. 60% of the total training costs were covered by European Union grants.

This kind of programme also contributes to diversity within the Group.

- In Asia, a similar programme was developed in 2010 by the Transport Sector, with a further extension in South America in 2011.

COMPETENCY DEVELOPMENT

Objective: shape the competencies that the Group needs, taking into account the employees' expectations

TRAINING FOLLOW-UP INDICATORS

	Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
Percentage of employees who have had training		67%	69%
Average number of training hours		21 H	20 H

Perimeter: 22 countries representing 92% of the workforce

ALSTOM UNIVERSITY

Alstom University is a Company University created in 2007 to adapt training to the Group's needs.

Objective: design and conduct common training for all Group activities

Indicator: number of trainees

NUMBER OF TRAINEES IN ALSTOM UNIVERSITY

	Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
	5,600	6,300	8,900

2010 Achievements

- Number of sessions: 764;
- Number of distance learning programmes: 66;
- ISO 9001 Certification for the quality of the Alstom University process;
- Certification of the "Project & Contract Management" curriculum as a "Registered Education Provider" (REP) by the Project Management Institute (PMI). This programme offers 20 courses and 100 sessions per year, each course gathering between 15 and 20 participants;
- Launch of AUTube: an intranet, video platform where all employees are encouraged to share their knowledge, expertise and quick tips to better use the Group's tools and to facilitate professional life. This initiative is very successful.

ALSTOM COLLABORATIVE WAY

Alstom takes into account the quick development of information technologies. The "Alstom Collaborative Way (ACW)" programme plays a crucial role in the development of a culture based on sharing and learning amongst peers.

ALSTOM COLLABORATIVE WAY DEPLOYMENT

	Fiscal year 2009/10	Fiscal year 2010/11
Average hours/month per site	54 h (11 sites)	62 h (12 sites)
Web conferencings	1,100 meetings 3,400 participants	4,700 meetings 14,500 participants
Document sharing systems	21 documents sharing spaces 25,000 hits per day	41 documents sharing spaces 24,000 hits per day
Wikis	75	83
Blogs	7	6

Due to the coming collaborative platform, creation requests have been put on hold for 6 months.

Since March 2010, the CO_2 emission reduction due to telepresence are calculated on the assumption that one participant would have travelled: 10,650 tons of CO_2 were saved.

Equal opportunities

PROMOTING GENDER EQUALITY

It is the Group's policy to promote equal opportunities for men and women on the basis of equal employment and qualifications. This principle is included in Alstom's Code of Ethics and in the Company's HR policy.

In the past, Alstom businesses attracted a majority of male engineers. Today, Alstom gives great importance to ensuring the better integration of women in its activities even if the expected results of its action plan have not yet materialized.

INDICATORS RELATED TO FEMALES

	Fiscal year 2008/09	Fiscal year 2009/10	Fiscal year 2010/11
Percentage of women: workforce	16%	16%	16%
Percentage of women: management	16%	16.5%	16.5%
Percentage of women: executives (1200 people)	6%	9%	11%
Percentage of women trained in training sessions	-	18%	22%

The proportion of women in the headcount varies greatly between countries. In Europe, women represent 25% of the headcount in Sweden and 11% in the UK; in Asia, 24% in China and 5% in India; in the Americas, 18% in the USA and 10% in Mexico.

The Group has no specific targets for the percentage of women in its total workforce but it develops an active policy to favour their integration. Three Country Presidents are women: in Mexico, Nigeria and Jordan (also in charge of Iraq, Syria and Lebanon).

To increase female applications, Alstom promotes industry careers among female students in several countries, in partnership with relevant associations.

In the USA, Alstom has established numerous partnerships and participated in many programs and activities with regards to women. Alstom is a member of the Equal Employment Advisory Council (EEAC). The EEAC is a non-profit association of employers dedicated exclusively to the advancement of practical programs to eliminate workplace discrimination. Alstom is a member of the Industrial Liaison Group (ILG) which promotes Affirmative Action and Equal Employment Opportunity by working closely with the US Government Office of Federal Contract Compliance Programs and Employment Opportunity Commission.

Concrete achievements were accomplished in order to favour women's working conditions.

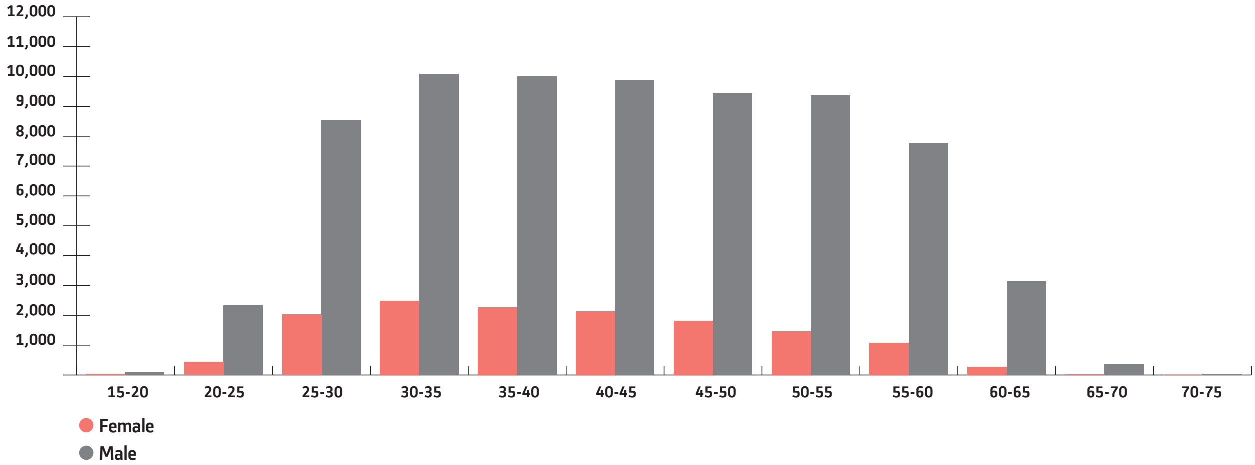
- In the USA, policies on Workplace Harassment Prevention, Equal Opportunity and Affirmative Action have been created for the Country. A Harassment Hotline has been established for any employee who is harassed or discriminated against;
- In France, in July 2009, an agreement was signed with the Unions on the right balance between personal and professional lives, including the possibility to work from home, a longer maternity leave and special leaves for family events. Each French site has a budget to finance day-care nurseries or to participate in child care costs;

6

- In Switzerland, the WAVE (Women Adding Value to Engineering) network, with 190 members from 20 different nationalities, has the objective to encourage the professional development of members and to enhance employees' professional/personal life balance.

Alstom has conducted a survey in 22 countries representing 92% of the total headcount, in order to assess possible salary discrepancies between men and women. The results are difficult to interpret for a number of reasons, in particular because of the very limited number of women in certain categories and of differences in position and seniority.

AGE PYRAMID BY GENDER – MARCH 2011



Source: Alstom

EMPLOYMENT OF DISABLED PEOPLE

The Group subsidiaries are required to comply with country-specific legislations promoting the integration and employment of disabled people. In addition, the Alstom Code of Ethics strictly prohibits any discrimination on the basis of health or disability.

The following table shows the results of a survey conducted in 22 key countries, to measure the integration of people with disabilities in the total workforce. The data are significant only where local regulations set minimum quotas:

PERCENTAGE OF EMPLOYEES WITH DISABILITIES

	Calendar year 2008	Calendar year 2009	Calendar year 2010
France	3.4%	3.2%	3.4%
Brazil	4.8%	4.7%	5%
Germany	5.5%	5.4%	5.4%
Italy	2.4%	2.3%	2.7%
Spain	0.3%*	0.4%	0.3%

* 2008 figure revised.

- In the USA, Alstom has created a Reasonable Accommodation Policy to outline the Company's commitment to equal employment opportunities for individuals with disabilities. In addition, an assessment of the Alstom Careers Site has been conducted to determine its accessibility to employees and job seekers with disabilities;
- In France, in 2010, the Power Sector Service business, 1,860 employees, signed its first agreement for the insertion of disabled people. This agreement has already increased the employment of disabled people from 2.8% in 2009 to 3.5% in 2010;
- The internet version of this report is accessible to blind people.

PROMOTING DIVERSITY

Alstom is fully aware of the strength resulting from the large number of nationalities (175), cultures and approaches represented in its employees. Specific action plans have been developed at local level to take advantage of this asset.

In Asia for instance, the Transport Sector has set the "GOAL" programme for the Asian managers. The objectives are:

- Develop leadership and management skills;
- Develop self and intercultural awareness;
- Create bridges between Europe and Asia.

15 people in senior positions and 17 middle managers with potential to reach senior positions have benefited from this program. It will be extended to Latin America.

Two indicators to measure diversity:

- The number of French senior executives has declined from 52% in 2006 to 45% in 2009 and to 37% at 31 March 2010;
- The number of expatriates coming from Asia increased by 40% in 2008 and by 17% at 31 March 2010.

These indicators remained stable during fiscal year 2010/11.

In the USA, Alstom supports several organisations: the Society of Hispanic Professional Engineers (SHPE), the National Society of Women Engineers (SWE), the National Society of Black Engineers (NSBE). Alstom is profiled Diversity/Careers in the Engineering and IT Magazine.

Alstom is a sponsor of the Thurgood Marshall Leadership Institute. In order to increase efforts to recruit women, minorities, veterans and individuals with disabilities in the USA, the Alstom logo and a link to the "Careers" site are posted on the following sites:

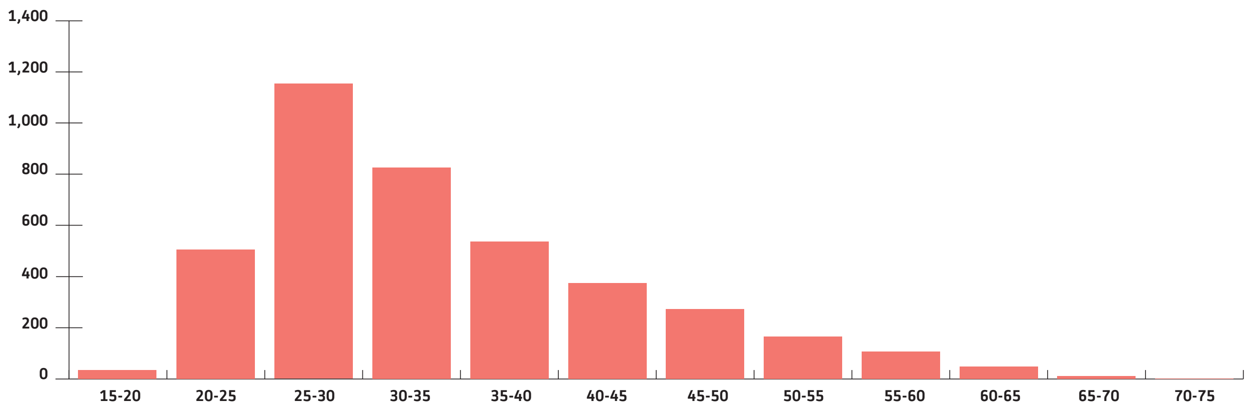
www.diversityworking.com, www.VetJobs.com, www.disaboom.com, www.nativeamericanjobs.com, www.BlackWeb20.com, www.goldsea.com, www.latinosforhire.com, www.careerwomen.com, www.diversitysearch.com, www.hiredscom.

MANAGING SENIOR CAREERS

The management of the career of senior employees in France is defined in an agreement signed at Group level in January 2006. An updated agreement was signed in February 2009. The agreement sets out specific career-management measures for senior employees.

Age is not a discrimination criterion. Over the last fiscal year, 612 people aged over 45 were hired, corresponding to 15% of the new permanent recruits against 11% last year.

AGE PYRAMID OF NEW HIRES 2010/11



Source Alstom

Employee relations

An internal survey, conducted in 22 countries in which Alstom employs over 500 people and representing 92% of the Group headcount, showed that 71% of the Group's employees are covered by a national or intra-company collective bargaining agreement.

COLLECTIVE BARGAINING AGREEMENTS

Many agreements related to salaries, working time, medical care, restructuring and profit sharing were signed at local level with the employee representatives during year 2010.

Alstom Management works closely with the European Works Forum (EWF): 10 select committees, 6 plenary sessions, 11 meetings of 2 working groups, one for the Power Sector and one for the Transport Sector. The exchanges were mainly regarding the integration of the Grid Sector, and the reorganisation and restructurings in the Power and Transport Sectors. Several innovative agreements were implemented during the fiscal year.

- In March 2010, a "Temporary Instance for Dialog and Follow-Up" was set up in the frame of Areva T&D integration. The protocol was prepared in conjunction with the EMF (European Metalworkers Federation). The agreement, signed by Alstom, Areva and Schneider Electric and their respective works councils, aims to facilitate the exchanges of all relevant information before the nomination of Grid Sector representatives in Alstom's and Schneider Electric's works councils. Four meetings were held during fiscal year 2010;

- In July 2010, Alstom, Schneider Electric and the EMF signed a new agreement on conditions for the integration of T&D employees into the Alstom and Schneider Electric Groups. This agreement confirms the objective to offer everyone a position with regard to his competency and qualification in his geographical area (except in exceptional situations);
- In February 2011, Alstom and the EMF signed an agreement related to the anticipation of changes and evolutions which is now in force in the 30 countries where they are present. The agreement is based on the good practices of countries, such as the workforce and competency planning in France, temporary work time reduction in Germany or geographic mobility in Italy. The objective is to safeguard employment, accompany the redeployment of employees, increase employee competencies and organise the social dialogue at European, national and local level.

MANAGEMENT OF RESTRUCTURING IMPACTS

Restructuring plans were announced in the Power Sector for 4,000 positions and in the Transport Sector for 1,380 positions. In 2010/11, significant restructurings necessitated social plans in Brazil, Italy, the Czech Republic, Hungary, Switzerland, the UK and Canada.

Alstom strives to limit the social impact of restructurings. The principle stated in its policy "It's all about people" is: nobody is left to cope alone with an employment problem. Adapted solutions are systematically searched for: internal redeployments in other activities, working time reduction, training, business start-up assistance or external redeployment.

- In Brazil in Lappa, in a 780-employee Transport Sector site, a redundancy plan for 60 persons was set up in coordination with the trade-unions, based on voluntary departures. In addition, a measure of short-time working concerning 165 persons, including training initiatives, allowed to wait for the business pick-up;
- In the Czech Republic in Brno, a comprehensive social plan due to the closure of the 375-employee manufacturing workshop was agreed with employee representatives; it included 225 external replacements, 2 qualification projects, 33 retirements and 4 internal transfers;
- In Hungary in Budapest, 190 employees were affected by the unit closure due to a significant downturn in the boilers workload. After negotiations with the European Works Forum (EWF) and at local level, solutions are investigated to help the affected employees find new positions in and outside of Alstom;
- In Switzerland in Baden, an agreement on a social plan involving 700 positions was signed end March 2011;
- In Italy in Colleferro, a transfer to other sites in Italy was proposed to the 147 employees affected by the decreasing rolling stock workload.

Length and organisation of working time

ORGANISATION OF WORKING TIME

Work practices at the Group's industrial, commercial and administrative sites vary greatly depending on the site, type of activity, geographical location and applicable local legislation.

In France, Grid Sector included, 8% of the employees work on 2x8 shifts, 3% on 3x8 shifts, 0,50% on weekend shifts and 0,3% on night shifts.

OVERTIME

Overtime refers to hours worked beyond the legal limits set by the relevant national legislations. The concept of overtime may vary from one country to the next and in some cases is not applicable. This somewhat mitigates the relevance of this benchmark as a consolidated indicator.

In France, the average figure of overtime is 21 hours per employee per year (Grid Sector included).

USE OF EXTERNAL EMPLOYEES

The number of temporary workers as a full-time equivalent (FTE) is 7% of the total workforce in the first quarter of 2011 (Grid Sector included).

For fiscal year 2010/11, contractors worked an estimated 121 million hours at Alstom sites and on construction sites, corresponding to the equivalent of 63,000 people on the basis of a 40-hour working week and 48 weeks/year.

RELATIONSHIPS WITH STAKEHOLDERS

Relationships with customers

Alstom has put in place special procedures to better anticipate the needs of its customers.

I - In the Transport Sector, Alstom assesses the needs of customers and the market-based on in-depth interviews with its customers with a view to documenting market trends and key growth drivers, and gaining feedback on their views of its products and services. The information is subsequently incorporated into the “Customer Needs Review”, which is used to fine-tune the strategy and develop products and services.

II - In the Power Sector, in addition to direct contact with clients, the relationship policy relies on:

- An in-depth and long-term satisfaction survey, launched in 2005. A second step took place in 2008: almost 300 customers answered an online survey, allowing to fine-tune the analysis and set action plans. In 2011/2012, the Sector will renew its global satisfaction survey to measure the evolution;
- Customer satisfaction surveys are also conducted at business level following the completion of most projects;
- Working groups comprising customers and Group experts to discuss specific products and technologies. Sharing views and experiences, particularly with regards to technical expectations, is extremely useful for Alstom engineers and salespeople. The Alstom Turbine Generator Symposium, for example, gathers around a hundred selected customers in the USA on a yearly basis;
- Technical events such as Product Roadshows and Technical Seminars organised in Asia, Europe and the Americas to encourage technical exchanges with the customers and technical associations.

III - In the Grid Sector, customer intimacy is a key priority. The Company aims to be recognised as a reference in grid performance, developing intimate relationships with its customers based on trust and understanding. To achieve this, the Sector has prioritised Customer Care as one of the key dimensions of its GRID WAY management system, with initiatives in place to put customers at the heart of the Grid Sector decisions:

- The Grid Sector carries out yearly customer quality surveys with 20,000 contacts throughout all regions. Feedback, assessed on a one-to-one basis through a customer call-back process, is fed when necessary into the Sector’s Customer Complaint Handling System to launch corrective actions;
- The Grid Sector strengthens customer intimacy through Strategic Key Account Management (SKAM). This programme employs dedicated global and local teams, adapting processes and offers to meet specific customer needs, and is supported by SKAM Days. The Company schedules in-depth interviews with key customers every two years (in 2010, 360 interviews with 35 key accounts) to gain feedback on cost, quality, delivery, service and relationships. The information is documented and reviewed into clear action plans for each individual key account, used to fine-tune strategy and develop tailored products and services;
- The Company also holds regular Users Groups across the world: these technical meetings allow in-depth exchanges with customers on strategic needs, to drive R&D and deliver innovative solutions for the future;
- Finally, the Grid Sector has launched its “All Ambassadors” programme, targeting key customer-facing and internal interface employees from all Product Lines and Regions.

Relationships with suppliers and contractors

Materials, components and services purchased represent around 60% of Alstom’s sales. More than 40,000 suppliers and contractors around the world are closely linked to the activities and success of the Company. Alstom naturally seeks to foster long-term ties involving these partners in its growth strategy, in line with a responsible purchasing approach, but also to reduce risks.

Alstom therefore initiated a policy regarding responsible purchasing in 2007. This policy has resulted in:

- a charter for responsible purchasing setting the standards to be respected by our suppliers. To increase supplier adhesion, the charter is now part of the general purchasing conditions;
- the assessment of our suppliers regarding these standards;
- the follow-up of action plans when the suppliers are below these standards;
- the training of sourcing people.

In September 2010, the Grid Sector started to implement the Group’s responsible sourcing policy.

Indicators:

	FY 2008/09	FY 2009/10	FY 2010/11	Sept 2010 March 2011 Grid Sector
Amount of purchases in € Million	11,000	11,800	10,700	
Number of charters signed	580	1,500	4500	
Number of assessments	92	492	800	50
Coverage of assessments on purchased volume	5%	24%	34%	12%
Number of people trained through e-learning	1,400	1,500	NA	
Number of people trained through specific programmes	0	89	290	10

Relationships with local communities

AN INTERNAL SURVEY REGARDING SUSTAINABILITY TO FINE-TUNE THE GROUP POLICY

In January 2011, a survey was launched, involving mainly Alstom Country Presidents and opinion leaders, on the expectations of Company stakeholders from developed and emerging countries. The strong Country Presidents' participation demonstrated the interest of this topic everywhere in the world. One of the outcomes was that the main expectation of the Group's stakeholders is the contribution to environment protection, but in the emerging countries, there also is a need for a stronger involvement in local development and education. The analysis of the findings will help Alstom to better define its action plan towards local stakeholders and communities.

RESPECT OF HUMAN RIGHTS

Alstom has adopted and implements a policy which fully complies with the United Nations Universal Declaration of Human Rights and with the International Labour Organisation's Fundamental Conventions.

- Alstom conducts an annual survey to ensure the absence of any incident regarding child labour and forced labour, freedom of association or any kind of discrimination. During calendar year 2010, no incident was reported, except a few cases of gender discrimination which have been solved;
- Respect of human rights is part of the criteria examined by the Corporate Risks Committee when assessing the projects, as a breach may have significant consequences on the feasibility of the project or its financing, its implementation and the Group's reputation;
- The charter that Alstom suppliers and sub-contractors are requested to adhere to provides that the principles set out in the United Nations Universal Declaration of Human Rights are respected;
- Alstom is a member of the Global Compact, promoting respect for human rights in its sphere of influence. During the fiscal year, Alstom participated in two Global Compact working groups aiming to provide guidelines for investors and companies operating in conflict-affected and high-risk areas and to fight corruption. Alstom encourages its managers to be involved in their local Global Compact network.

STAKEHOLDER MAPPING

Alstom, as a long-standing, widely implanted industrial company, traditionally has strong relationships with its local stakeholders.

The Grid Sector has set a good practice, the Stakeholder Mapping, which structures and improves communication between sites and external stakeholders: residential and industrial neighbours, local administrations, environmental and other associations, elected officials and the media. The process helps improve the Company's global image and develop knowledge of the Sector's activities.

Stakeholder Mapping has already been implemented in eight sites in France, Germany, the UK and Turkey. A methodology guide has been created to support sites further in the self-implementation of the project.

An example is Monchengladbach (Germany), where the Grid Sector is producing transformers for the wind industry in a mixed industrial and residential area. A dialogue with neighbours highlighted the need to deal carefully with the nuisance related to noise and transportation of heavy loads. A vital exercise, as the site works while the residents sleep. The Stakeholder Mapping allowed for better community relations, while raising awareness of the ecology-minded work being done at the site.

IMPACT ON LOCAL DEVELOPMENT

Alstom's Corporate Social Responsibility policy takes into account the impact of the Group's business operations on local development.

SUPPORTING INNOVATIVE START-UPS

As part of its innovation strategy, Alstom seeks to engage with start-ups that propose new materials, components, engineering concepts and solutions that could be integrated into or marketed along with Alstom's products. The strategy has a particular emphasis on technologies that are not necessarily within Alstom's main research and development focus but are nevertheless important in building a sustainable competitive advantage for the Company. Apart from entering into partnerships for the joint development or commercialisation of new applications, Alstom also looks to selectively invest in such innovative high-growth companies, particularly through the following initiatives:

- Investment in Emertec IV, an early-stage venture capital fund, along with partners such as the French National Energy Research Institute, the CEA, GDF Suez, CDC Enterprises and the RATP, the Parisian public transportation operator. The fund has so far invested in 12 young companies or start-ups whose fields of activity are related to energy efficiency, renewable energies, protection of the environment, and mobility;
- Commitment of €30 million over the next 10 years to Aster II, a global venture capital fund that invests in start-up companies active in the energy industry, electric transportation and green chemistry or materials. This is a joint initiative with Schneider Electric and Rhodia and seeks to identify – on a global scale – emerging technology leaders to provide them with the capital necessary to pursue their growth plans. Aster II has made two investments to date;
- In 2011, creation with Rotem Industries Ltd and Gefen Biomed Investments – two Israeli firms specialising in cutting-edge technology – of a joint venture to finance and support start-ups in the field of renewable and alternative energies and energy-efficient technologies. Alstom will have a 50% share in the joint venture, named Horizon. The new company will be based in Dimona, in the south of Israel. Horizon aims to finance some ten business projects in three years.

PARTICIPATION IN "COMPETITIVENESS CLUSTERS" IN FRANCE

In France, the Group contributes to seven "competitiveness clusters" (out of 71 at national level), where Alstom engineers work with their counterparts from other companies and university researchers on shared challenges: Embedded Systems (System@tic) in Ile-de-France Paris; Transport Systems of the Future (I-TRANS) in Nord-Pas-de-Calais/Picardie; Microtechnique in Franche-Comté; New Energies (Tenerrdis) in Rhône-Alpes; Nuclear Pole in Bourgogne; Renewable energy in Grenoble and Power Electronics (Aerospace Valley) in Midi-Pyrénées/Aquitaine. Alstom also chairs Mecafuture, an organisation that coordinates the seven clusters dedicated to mechanical technologies. Mecafuture is part of Manufuture that aims to develop the mechanical industry at European level.

PARTICIPATION IN LOCAL ACTIVITIES

Alstom strives to develop the Group's impact on local development:

- In Brazil, Alstom and its joint venture partner Bardella, decided in 2008 to establish a new factory in Porto Velho, State of Randonia, to manufacture hydro mechanical elements. The new company, named IMMA (Indústria Metalúrgica e Mecânica da Amazônia) is located in an area that lacks heavy mechanical industry. IMMA has developed the Guapore project, to be monitored by SENAI (Serviço Nacional da Indústria) which aims to provide training to young unskilled men and women from agricultural backgrounds. The factory was officially inaugurated in March 2010. During the first phase of the project, 600 young people were trained over a 9-month period leading to 250 recruitments. In the second phase, currently under way, 300 people were trained leading to 100 recruitments. Now, the objective is to improve the skills of the workforce. The absenteeism rate has decreased from 8% to 4% over one year. In addition to the plant, Alstom provides contracts to local suppliers, thereby reinforcing local development even further;
- In South Africa: since 2007 Alstom has invested in the development of the industrial capacity in the country. One of the local suppliers to benefit from this activity was ELCA-Malitech, a manufacturer of pressure vessels. In order to meet the orders, the firm required investment in new equipment and techniques. Alstom supplied almost half of the total investment that was required. As a result, the firm has acquired the necessary technology (under license) and upgraded the efficiency of its design and manufacturing processes. This has opened up a promising new market for them to supply components for a range of applications in power generation, petrochemicals, mining, sugar refining and paper processing;
- In France, in 2010, the Power Sector in La Courneuve renewed its commitment towards the Community of Agglomerations "Plaine Commune" and participated in the various stages of the implementation of the Agenda 21 on this territory. The site made a commitment to recruit or to welcome inhabitants of the territory in training courses, to develop partnerships and sponsoring with local schools and to deal with providers implanted on the Community of Agglomerations.

PARTICIPATION IN EDUCATIONAL PROGRAMMES

Education is a key social progress factor and Alstom has been developing actions in this field for years.

A few examples of achievements:

- In South Africa, for instance, the Group funds training initiatives that help rebuild the workforce capacity to sustain the expansion and servicing of the power generation industry. To date, 650 artisans and technicians (welders, boilermakers, etc.) and 176 professionals including project managers, quality controllers, finance managers have benefited from this training. In addition, Alstom provides scholarships for 55 engineers (mechanical, electrical & civil/structural) and supports the expansion of the Engineering Faculty of Wits University;
- In Germany, the Transport Sector organises each year an "Alstom Innovation Preis" to support young academics to develop forward-looking innovations around Train of the Future. In November 2010, three prizes (€6,000, €3,000 and €1,500) rewarded the winners;
- In Brazil, in Taubaté, the Grid and Power Sectors participate in the "Escola Formare" programme monitored by the Brazilian organisation, IOCHPE. In 2010, the training facilitated the integration of 34 young people from underprivileged backgrounds, between the ages of 16 and 17, by offering them one year's training in a professional environment. The training covers both technical and behavioural aspects. Alstom employees volunteered to train the young people concerned;
- In France, in La Courneuve, the Power Sector Service Business (1,860 employees) welcomed more than 400 candidates from disadvantaged areas in November 2010. In partnership with the "IMS-Entreprendre Pour La Cité" association, this recruitment forum was dedicated to students and young graduates, with or without experience. During this day, 420 candidates were received by 17 large companies.

Alstom supports primary schools and colleges in India in the Durgapur and Shahabad areas. In the USA, actions have been implemented to help fight illiteracy in public schools and other organizations. In South Africa, Alstom has supported measures to promote environmental education in the Western Cape area, or for scientific subjects in the Lephahale District. In Poland, Alstom has made donations to support education in primary, secondary and high schools.

CHARITABLE CONTRIBUTIONS

Alstom encourages initiatives designed to support local communities. The overall budgeted contributions to charities are not completely identified at Group level. These initiatives, mainly social, are consistent with local needs and are developed in close cooperation with local associations. The €1 million budget is equivalent to last year (Grid Sector not included).

These actions can support various charitable causes, cultural or sports events, initiatives for health or education; Alstom also provides punctual help in case of natural disasters. Specific attention is given to actions for education facilitating access to employment.

Alstom Corporate Foundation

Around the world, Alstom and its partners lead actions with local organisations to improve the living conditions of the communities surrounding its plants and sites. The Alstom Foundation enables the Group to strengthen these initiatives by providing finance for a variety of concrete actions in environmental protection.

Since its creation in 2007, the Alstom Corporate Foundation financed eleven projects in 2008, thirteen in 2009 and nineteen in 2010. All projects are put forward and supported by Alstom employees. They must focus on the protection of the environment, respond to local needs and be developed with local actors. The Foundation has a budget of €1 million per year.

The Foundation's Board of Directors, which conducts the selection of projects each year, is composed of internal as well as external representatives: Nicole Pasteur (Director of Research at the CNRS, Director of the Institute of Sciences of the Evolution of Montpellier), Jacques Attali (President of PlaNet Finance), Robert Barbault (Director of the Biodiversity Department at the Museum of Natural History), Claude Mandil (former Director of the International Energy Agency).

The projects supported by the Foundation in 2010 can be classified under four headings:

ECONOMIC DEVELOPMENT

The seven projects in this category are intended to facilitate economic development in relation to the environment:

- implementation of an irrigation system in a cooperative farm in Burkina Faso;
- creation of a fish farm in Ethiopia;
- development of ecotourism in Guatemala;
- provision of windmills to the salt farmers in India;
- development of solutions related to clean energy, in the province of Gauteng, South Africa;
- development of a sustainable economic scheme around waste collection in Egypt;
- bamboo plantation for both environmental and industrial purposes in Indonesia.

SOCIAL SUPPORT

In this category, the Foundation projects are more focused on social aspects while taking into account the other aspects of Sustainable Development:

- construction of wells in Afghanistan;
- facilitation of access to drinking water for 5,000 people in Congo;
- installation of solar energy in a clinic in Haiti;
- restoration of playgrounds in refugee camps in Jordan;
- reconstruction of 3 multimedia classrooms in Chile (following the earthquake).

EDUCATION AND AWARENESS OF ENVIRONMENTAL ISSUES

The third category aims to increase public awareness of the improvements that can be made to the environment:

- promotion of green technologies and environmental awareness in Mexico;
- promotion of ecology around a lake (waste management, tree planting) and an environmental awareness campaign for young people in Romania;
- implementation of a broadcasted program focused on the protection of mangroves in the Philippines.

NATURE CONSERVATION

Four nature conservation projects have been selected to help local communities to understand the importance of this protection:

- construction of wells and tree-planting in the Dogon territory in Mali;
- protection for the migrating birds in Mexico;
- Atlantic Forest restoration in Brazil;
- fruit tree plantation in China.

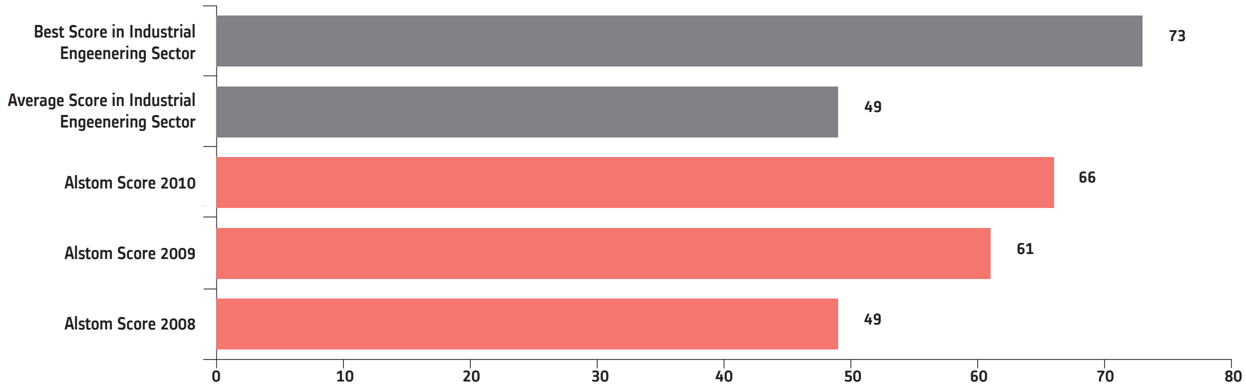
The Alstom Corporate Foundation is also involved in disaster relief, especially in areas where the Group or its subcontractors are located. In 2010 and 2011 it provided funding to Hungary (toxic mud spill) and Japan.

More information about the projects can be found on the following link:
http://www.foundation.alstom.com/

ASSESSMENT OF ALSTOM'S CORPORATE SOCIAL RESPONSIBILITY

Alstom is a large company; its Social Responsibility performance is measured by rating agencies such as SAM, EIRIS, Vigéo Oekom with different methods and criteria. The assessment below comes from the Switzerland-based rating agency "Sustainable Asset Management" (SAM) which classifies Alstom, according to its criteria, in the "Industrial Engineering" sector and in the "World" category.

Assessment conducted in 2010 by SAM



The assessment shows a good evolution of performance in all its dimensions.

This year, Alstom has been rated SAM "Bronze Class". This places Alstom in the top 15% of the best companies of the industrial engineering sector (based on the Dow Jones Global Total Stock Market Index). The Group's objective is to be rated in the top 10%.

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REVIEW REPORT BY ONE OF THE STATUTORY AUDITORS ON A SELECTION OF ENVIRONMENT, HEALTH AND SAFETY INDICATORS PUBLISHED IN THE 2010/11 REGISTRATION DOCUMENT OF ALSTOM

This is a free translation into English of the review report by one of the Statutory Auditors issued in French and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Further to your request and in our capacity as Statutory Auditors of Alstom, we have carried out a review for the purpose of enabling us to express moderate assurance on a selection of Environment, Health and Safety (EHS) indicators and topics published in the 2010/11 Registration Document of Alstom.

The selection of EHS indicators and topics is as follows:

- Environment, Health and Safety:
  - Indicator: EHS severe incidents/accidents;
- Health and Safety:
  - Indicator: Number of employee fatalities;
  - Indicator: Other fatalities linked with Alstom activities;
  - Indicator: Frequency rate of occupational injuries;
  - Indicator: Severity rate of occupational injuries;
- Environment:
  - Indicator: Water consumption;
  - Indicator: Natural gas consumption;
  - Indicator: Butane, propane and other gas consumption;
  - Indicator: Heavy and domestic fuel consumption;
  - Indicator: Steam consumption;
  - Indicator: Electricity consumption;
  - Indicator: Coal and other fuel consumption;
  - Indicator: Total energy consumption;
  - Indicator: Energy intensity;
  - Indicator: Annual direct CO_2 emissions;
  - Indicator: Annual indirect CO_2 emissions;
  - Indicator: Total CO_2 emissions;
  - Indicator: CO_2 emissions intensity;
  - Indicator: Annual CO_2 emissions for Group vehicles;
  - Indicator: Fugitive emissions of gases other than CO_2;
  - Indicator: Non-methane volatile organic compound emissions;
- EHS Roadmap assessments and ISO certification:
  - Indicator: Number of self-assessments conducted;
  - Indicator: Number of formal assessments conducted;
  - Topic: Organisation of Roadmap assessments implemented at Group-level;
  - Indicator: ISO 14001 certification coverage;
  - Topic: ISO 14001 certification.

These indicators and topics were prepared under the responsibility of Alstom's EHS Department, in accordance with the standards set out in the EHS Reporting Manual used by the Group's non-GRID sites and the standard on "Procedure for measuring and reporting sustainable development and continuous progress indicators" used by GRID sites, applicable for the financial period ended 31 March 2011. These standards are available from the EHS Department.

Our responsibility is to express an opinion on the indicators and topics presented by Alstom non-GRID sites and Alstom GRID sites.

Nature and scope of our work

We conducted our work in accordance with professional standards applicable in France relating to this type of engagement.

We carried out the procedures described below to obtain moderate assurance that no material irregularities exist with regard to the selection of EHS indicators. We did not perform all of the procedures required to obtain reasonable assurance (a higher level of assurance).

- We reviewed the reporting procedures used by the Group in light of the consistency, relevance, reliability, objectivity, and understandability of the data;
- At Group-level:
  - we performed analytical procedures and verified, on a test basis, that the data underlying the indicators had been correctly calculated and consolidated. This work involved, in particular, conducting interviews with the persons from the EHS Department responsible for compiling and consolidating the data and drawing up and applying the procedures,
  - we carried out interviews with the EHS analyst tasked with writing on selected topics and reviewed the qualitative and quantitative data providing the basis for these texts;
- We selected a sample of EHS non-GRID reporting entities:
  - Brazil: Hydro Brazil, Peru, Venezuela; Brazil TIS (Banderantes),
  - China: China TP Sizhou; China RS (Shanghai - Beijing),
  - France: France Hydro; France CO Tarbes; France RS Reichshoffen,
  - Germany: Germany TP Mannheim; Germany TP Kassel; Germany Thermal Systems; Germany Thermal Services,
  - India: India Hydro (Baroda); India TP Durgapur; India TP Shahabad; India Thermal Services,
  - Malaysia: South East Asia & Australia TS,
  - Singapore: Singapore TGS,
  - Spain: Spain Ecotecnia; Spain TLS,
  - Switzerland: Switzerland TP Validation (Birr Test); Switzerland Thermal Services (Baden),
  - United Kingdom: UK Thermal Systems; UK TLS,
  - United States: US Thermal Services Windsor; US Richmond Thermal Services;
- and a sample of EHS GRID reporting entities:
  - France: France GRID Aix-les-Bains,
  - Brazil: Brazil GRID Canoas,
  - United Kingdom: UK GRID Stafford,
  - Turkey: Turkey GRID Gebze.

This selection was made on the basis of quantitative and qualitative criteria applied to the indicators.

- At the level of the entities selected we:
  - checked that the procedures had been correctly understood and implemented at these sites on the basis of interviews conducted with the persons responsible for preparing the data,
  - performed in-depth checks on a test basis to verify the calculations and reconcile the data with the supporting documents;
- The contribution of these entities to the Group's consolidated indicators accounts for:
- in relation to non-GRID data, on average, 26% of the EHS indicator, 24% of Health and Safety indicators and 42% of Environment indicators,
- in relation to GRID data, on average, 45% of the Health and Safety indicators and 20% of Environment indicators.

We were assisted in our work by our sustainable development specialists.

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Conclusion

Based on our work, no material irregularities came to light causing us to believe that the EHS indicators and topics reviewed were not compiled, in all material respects, in accordance with the standards set out in the EHS Reporting Manual used by the Group's non-GRID sites and the standard on "Procedure for measuring and reporting sustainable development and continuous progress indicators" used by GRID sites, and both applicable for the period ended 31 March 2011.

Neuilly-sur-Seine, 4 May 2011

One of the Statutory Auditors PricewaterhouseCoopers Audit	Partner of the Sustainable Development Department of PricewaterhouseCoopers Advisory
Olivier Lotz	Thierry Raes

TABLE OF CSR COMPLIANCE

Information pursuant to Articles L. 225-10 et L.225-1-102-1 al. 5 [(1)] of the French Commercial Code

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	3.9 Information on the objectives set by the Group for its foreign subsidiaries	206
4.	**Airborne emissions, waterborne discharges and ground pollution (Decree of 30 April 2002)**	**219-222**
5.	**Information on technological risks (Article L. 225-102-2 of the French Commercial Code)**	**N/A**

(1) Article L. 225-1-102-1 before amendment by the law dated 12 July 2010, in the absence of an implementing decree at the date of this Registration Document.
(2) In the absence of defined recommended references, this information is not available.

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ADDITIONAL INFORMATION

The content of the Annual Financial Report is identified in the summary table with the help of a pictogram AFR

INFORMATION ON THE GROUP AND THE HOLDING COMPANY

Historical information

The Group was created in 1989, when the parent company GEC ALSTHOM NV was a holding company incorporated under the laws of The Netherlands, by The General Electric Company plc ("GEC") and Alcatel, its 50-50 shareholders, in order to consolidate in one single group the businesses since then carried out by certain of their respective subsidiaries. This joint venture realised during a time of consolidation in the energy sector, aimed at benefiting from certain complementary products and markets of Alcatel and GEC respectively.

At the end of 1997, the two shareholders decided to list the Company on the Paris, New York and London Stock Exchanges and to put part of their shares on the market. They chose Paris as the main listing exchange and they decided to transfer to a French public limited company (*société anonyme*), renamed Alstom (previously Jotelec), the whole of the activities till then carried out by GEC ALSTHOM NV. Before the IPO and listing on the Stock Exchange of Alstom (or the "Company"), almost the whole of the assets directly or indirectly held by GEC ALSTHOM NV was transferred to one of its French subsidiary, Alstom France SA, 100% owned by Alstom. This company, since then renamed ALSTOM Holdings, is the sub-holding of the Group, which owns the operational subsidiaries of the Group (see below "Simplified organisation chart of the Group at 31 March 2011").

Since the quotation of Alstom in 1998, the Group's scope was deeply changed a few times. The most significant operation was the acquisition of ABB power generation activities in two phases: first, in July 1999, a joint venture was set up and then in May 2000, Alstom bought ABB share in the above-mentioned joint venture. At the same time, Alstom re-focused on its core business, notably by selling its Contracting Sector in July 2001.

The Group sold its Transmission & Distribution and Marine Sectors in 2004 and 2006 respectively. In June 2010, Alstom acquired the Transmission activities of Areva now the Grid Sector of the Group.

Identity of the Company

COMPANY NAME AND REGISTERED OFFICE

ALSTOM
3, avenue André Malraux – 92300 Levallois-Perret
Tel.: 01 41 49 20 00

LEGAL FORM, APPLICABLE LEGISLATION, AND COMPETENT JURISDICTIONS

Limited liability company (French "*société anonyme à conseil d'administration*") incorporated under the laws of France and regulated notably by the French Commercial Code.

DURATION

Alstom was incorporated under the name "Jotelec" on 17 November 1992 and its existence will expire on 17 November 2091, unless it is earlier dissolved or its life is extended.

REGISTRATION NUMBER

389 058 447 RCS Nanterre.

CODE APE

66 19 A.

Summary of key provisions of the Articles of Association

PURPOSE OF THE COMPANY

(Extract of Article 3 of the Articles of Association)

The purposes of ALSTOM are directly or indirectly:

- the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields:
  - energy,
  - transmission and distribution of energy,
  - transport,
  - industrial equipment,
  - naval construction and repair work,
  - engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction, and
  - more generally, activities related or incidental to the above;
- participation, by every means, directly or indirectly, in any operations which may be associated with its purpose, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise; the creation, acquisition, lease or take over of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents relating to such activities; and
- generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with ALSTOM purposes or with any similar or related.

Furthermore, ALSTOM may acquire an interest, of whatever form, in any French or foreign business or organisation.

FISCAL YEAR

(Extract of Article 18 of the Articles of Association)

From 1 April to 31 March.

SHAREHOLDERS' MEETINGS

(Extract of Article 15 of the Articles of Association)

CONVENING AND PROCEEDINGS – AGENDA

Ordinary and Extraordinary General Meetings, satisfying the legal conditions for quorum and majority voting, exercise the powers respectively attributed to them by the law. They are convened in accordance with the rules and the terms laid down by law.

Meetings are held at the registered office of Alstom or at any other place determined by the Board, either within the "*département*" in which the registered office is located or in any other French territory.

The agenda of the meeting is drawn up by the Board of Directors if the Board has called the meeting and, if not, by the person calling the meeting. However, one or more shareholders satisfying the conditions laid down by law may request the inclusion of draft resolutions on the agenda. Questions not appearing on the agenda may not be considered.

ADMISSION AND REPRESENTATION

Ordinary and Extraordinary General Meetings are made up of all shareholders without distinction between the class of shares which they hold.

In all Shareholders' Meetings, shareholders are only entitled to exercise their right to vote if their shares have been recorded in the accounts in the name of the shareholder or the intermediary registered for its account pursuant to the legal and regulatory provisions on the third business day preceding the date of the Shareholders' Meeting at midnight, Paris time, either in the accounts of registered securities held by the Company for registered shares, or in the accounts of bearer securities held by an intermediary authorised for bearer shares.

This accounting record is officially acknowledged in accordance with the terms laid down by law.

Shareholders may vote by proxy or by correspondence at General Meetings under the conditions laid down by law.

In order to be taken into account, the voting forms and proxies must be received by the Company at least three days prior to the Meeting, unless a shorter term is decided by the Board of Directors or is stipulated by law.

Pursuant to the Board of Directors' decision, communicated by way of notice of meeting and/or the convocation to the meeting, any shareholder may vote at a Shareholders' Meeting, by proxy or by correspondence via any electronic means of telecommunication in accordance with the conditions set by law. In these cases, forms for voting at a distance or by proxy, as well as participation certificates, can be completed by way of a duly signed electronic medium under the conditions set forth by the applicable legal and regulatory provisions.

To this end, completing and electronically signing the form can be done directly on the Internet site created by the centralizing agent of the Shareholders' Meeting. The electronic signature of the form can be carried out (i) by entering an identification code and password, under the conditions that comply with the provisions of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, or (ii) by any other process satisfying the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code. The power to vote by proxy or the vote expressed as such before the Shareholders' Meeting by way of this electronic method as well as, if applicable, the proof of receipt delivered after the power to vote by proxy or the vote is expressed, will be considered as a written proof that is irrevocable and binding to all, excluding cases of sales of securities that are subject to the notification set forth in paragraph IV of Article R. 225-85 of the French Commercial Code.

Any shareholder having voted at a distance, or sent a proxy or requested his or her admission card or an attendance certificate, may at any time sell all or some of his or her shares pursuant to which he or she transmitted his or her vote or proxy or requested one of these documents. Any sale occurring prior to the third business day before the Shareholders' Meeting at midnight, Paris time, shall be taken into account in the conditions laid down by law.

The Board of Directors shall have the powers to organise, within the limits of the law, the attendance and voting of the shareholders at General Meetings by videoconferencing or by any telecommunications means enabling the identification of such shareholders. If applicable, this decision of the Board of Directors shall be communicated in the notice of the meeting and/or the invitation to attend. Those shareholders attending Shareholders' Meetings by videoconference or by these other means are deemed to be present for the purposes of calculating the quorum and the majority.

VOTING RIGHTS

Each member of the meeting is entitled to as many votes as the number of shares which he holds or represents.

At all Ordinary, Extraordinary or Special General Meetings, the voting right on shares shall, in cases where such shares are subject to usufruct, be exercisable by the usufructuary. There are no double voting rights.

NOTIFICATION OF HOLDINGS EXCEEDING CERTAIN PERCENTAGES

(Extracts of Article 7 of the Articles of Association)

In addition to the legal obligation to notify the Company of certain shareholding levels or voting rights, any individual or legal entity who holds directly or indirectly, alone or in concert pursuant to articles L. 233-10 et seq. of the *Code de commerce* a number of shares in the Company giving a shareholding equal to or in excess of 0.5% of the total number of shares or voting rights issued must notify the Company by recorded letter with proof of receipt within five trading days of this threshold being exceeded. Notification is to be repeated under the same conditions whenever a new threshold of a multiple of 0.5% of the total number of shares or voting rights is exceeded, up to and including threshold of 50%.

To determine these thresholds, shares assimilated to the shares owned as defined by the legislative and regulatory provisions of article L. 233-7 et seq. of the *Code de commerce*, will be taken into account.

In each of the above-mentioned notifications, the declaring person must certify that the notification includes all stock held or owned in the sense of the preceding paragraph. Such notification must also state: the declarer's identity as well as that of individuals or legal entities acting in concert with him, the total number of shares or voting rights that he holds directly or indirectly, alone or in concert, the date and the source of exceeding the threshold, as well as if needs be the information mentioned in the third paragraph of I of article L. 233-7 of the *Code de commerce*.

Any shareholder whose participation in the shareholding or in voting rights falls below one of the above-mentioned thresholds is also required to notify the Company within the same length of time of five trading days and by the same means.

IDENTIFICATION OF HOLDERS OF BEARER SHARES

(Extract of Article 7 of the Articles of Association)

The Company may, under the conditions laid down by the legal and regulatory provisions in force, request any officially authorised organisation or intermediary to pass on all information concerning its shareholders or holders of its stock conferring an immediate or subsequent right to vote, their identity and the number of shares that they hold.

APPROPRIATION OF INCOME

(Extract of Article 20 of the Articles of Association)

The profits for fiscal year consist of the revenues relating to the preceding fiscal year, less overheads and other company expenditure including provisions and depreciation allowances. At least 5% is set aside from the profits less any previous losses if appropriate to form the legal reserve fund. This provision ceases to be mandatory once the value of the fund reaches one-tenth of the share capital.

The remainder (less the above deductions) of the retained earnings and withdrawals from the reserves which the General Meeting has at its disposal shall, if the General Meeting so desires, be distributed among the shares, once the sums carried forward by the said Meeting or transferred by it to one or more reserve funds have been deducted.

After the General Meeting has approved the accounts, any losses are carried forward and imputed to the profits of future fiscal years until they are discharged.

Each shareholder may be granted, at the General Meeting, for all or part of the dividend or interim dividend to be distributed, an option to be paid the dividend or interim dividends in cash or in shares of Alstom, under the current legal and regulatory conditions. Dividends not claimed at the expiration of a five-year period are paid to the French Tax Entity *Trésor Public*.

The Articles of Association do not contain any provision, which may delay, postpone or prevent a change of control.

Documents accessible to the public

The legal documents relating to the Company and the Group, which are required to be accessible by the shareholders according to the applicable law are available for inspection at the Company's registered office and some of them are available on the Company's website, in particular in section "Investors/Regulated information" as per Article L. 451-1-2 of the French *Code monétaire et financier* (www.alstom.com or www.alstom.fr).

The Group Annual Reports for the last five fiscal years are also available on the Company's website, section "Investors/Publications/Registration Documents".

Activity of the holding company

Alstom is the holding Company of the Group. Alstom investments consist exclusively of the shares of ALSTOM Holdings. Alstom centralises a large part of the external financing of the Group and directs the funds so obtained to its subsidiary ALSTOM Holdings through loans and current account. Fees from its indirect subsidiaries for the use of the Alstom name are Alstom's main other source of revenue.

For more information, see section "Financial information – Statutory accounts – Comments on Alstom's statutory accounts".

Intellectual property

The Group owns or benefits from licenses for the use of several trade names, patents and other intellectual property rights. All these rights contribute to the good performance of the business, but none of the licenses alone currently has a material relevance for the activities of the Group.

Property

The Group carries out its activities on some sites upon which it has rights of different nature. The Group has full ownership of most of its main industrial sites.

The Group set up a leasing strategy for its offices buildings, which applies notably to the Headquarters of the Group and of the Sectors.

The gross value of land and buildings fully owned and leased (financial leases) as of 31 March 2011 is €1 928 million. The depreciation booked for the above is €731 million. These amounts do not include operating leases.

The Group's tangible assets are subject to costs for general maintenance and repairs required for their good functioning, to meet with legal and quality requirements, including environmental, health and safety matters.

MAIN INDUSTRIAL SITES HELD IN FULL PROPERTY (NON EXHAUSTIVE LIST)

		Main businesses
Belgium	Marchienne au Pont	Power
	Charleroi	Transport
Brazil	Cabo de Santo Agostinho	Power
	Canoas	Power & Grid
	Lapa	Transport
	Taubaté	Power
	Itajuba	Grid
China	Beihzong	Grid
	Shangaï	Grid
	Guanzhou	Grid
	Suzhou	Grid
	Wuhan	Power & Grid
	Yangzhou	Grid
Czech Republic	Brno	Power
France	Aix-les-Bains	Grid
	Aytré/La Rochelle	Transport
	Belfort	Power & Transport
	Grenoble	Power
	Le Creusot	Transport
	Ornans	Transport
	Reichshoffen	Transport
	Valenciennes	Transport
	Villeurbanne	Grid
Germany	Berlin (Lessingstraße)	Power
	Bexbach	Power
	Kassel	Power & Grid
	Mannheim	Power
	Salzgitter	Transport
	Ludwiglust	Grid
	Mönchengladbach	Grid
India	Chennai	Grid
	Durgapur	Power
	Hosur	Grid
	Naini	Grid
	Shahabad	Power
	Vadodara	Power & Grid
Italy	Noventa di Piave	Grid
	Savigliano	Transport
Mexico	Toluca	Grid
Switzerland	Birr	Power
	Oberentfelden	Grid
Turkey	Gebze	Grid
United Kingdom	Stafford	Grid
USA	Charleroi (Pennsylvania)	Grid
	Chattanooga (TN)	Power
	Concordia (Kansas)	Power
	Richmond (Virginia)	Power
	Waynesboro (Virginia)	Grid
	Wellsville (NY)	Power

Material contracts

In the past two years immediately before the issue of this *Document de Référence*, ALSTOM and/or companies of the Group have not entered into material agreements, other than the agreements identified below.

Main acquisitions, disposals, partnerships, joint ventures and changes in scope of consolidation are identified in Note 3 of the consolidated financial statements as of 31 March 2011, in section "Management report on consolidated financial statements fiscal year 2010/11 – Main events of fiscal year 2010/11" and in section "Details on shareholdings taken and sold during fiscal year 2010/11" below.

On 20 January 2010 Alstom and Schneider Electric signed with Areva the agreement for the acquisition of its Transmission & Distribution equipment subsidiary, Areva T&D SA, following the exclusive negotiations started on 30 November 2009 and the consultation of the relevant employee representatives. Prior to that agreement, Alstom and Schneider Electric signed a consortium agreement on 9 November 2009 to set out the principles governing the preparation and submission of the offer to Areva and the separation between the high voltage activities ("Transmission") joining the Alstom group and the medium voltage activities ("Distribution") joining the Schneider group.

On 1 March 2010, Alstom and Tranmashholding ("TMH"), Russia's largest railway equipment manufacturer, firmed up the strategic partnership agreement that they had concluded on 31 March 2009 and signed: a share purchase agreement under the terms and conditions of which Alstom acquires a 25% stake plus one share in TMH's parent company, The Breakers Investment BV, a shareholders' agreement concerning the management of the joint venture and a master cooperation agreement between TMH and Alstom Transport SA which specifies the terms according to which their joint activities in developing and manufacturing new rolling stock and components for railway equipment are to be carried out. Alstom's acquisition of a stake in TMH is subject to certain conditions. Once these conditions have been met, Alstom will make an initial payment of $75 million. The balance will be paid in 2012. Two joint venture companies have been set up in Russia to create Russian centres of excellence for the design and manufacture of railway system equipment and key components, integrating the latest technologies developed by Alstom Transport SA and TMH.

On 13 September 2010, Alstomand two Chinese companies, China Northern Locomotive & Rolling Stock Industry Corporation ("CNR") and Shanghai Electric Group Limited ("SEC"), signed a collaboration agreement for the development of urban mass transit in China, allowing Alstom together with CNR and SEC to expand the capabilities and competitiveness of its existing two joint ventures, Shanghai Alstom Transport Co. Ltd, ("SATCO") and Shanghai Alstom Transport Electrical Equipment Co., Ltd ("SATEE").

On 7 December 2010, Alstom signed with the Chinese Ministry of Railway an long term agreement to form strategic partnerships for both Chinese and defined international railway markets. Under the terms of this agreement, Alstom and the Ministry of Railway will accelerate their collaboration on a wide spectrum of rail transport mainlines segments, including rolling stock and signaling, based on the development of the current cooperation platforms.

On 9 December 2010, Alstom signed strategic agreements with major Russian energy companies to jointly provide power generation products and services for Russia's power industry, confirming its strategy to become a key partner for Russion infrastructure development. These agreements were signed in the fields of hydropower generation, thermal power generation, nuclear power generation and electricity transmission.

On 20 April 2010, Alstom and Shanghai Electric signed a letter of intent for the creation of Alstom-Shanghai Electric Boilers Co., a 50/50 joint company combining both partners' activities in the boiler market for coal fired power plants.

Details on shareholdings taken and sold during fiscal year 2010/11

Section including information as per Article L. 233-6 of the French Commercial Code.

DETAILS ON SHAREHOLDINGS TAKEN DURING FISCAL YEAR 2010/11

On 19 May 2010, ALSTOM Power Inc. took a minority shareholding in BrightSource Energy Inc., a Delaware corporation, investing approximately $55 million in preferred shares. On 18 March 2011, ALSTOM Power Inc. completed an additional investment of approximately $75 million in preferred shares of BrightSource Energy Inc., making ALSTOM Power Inc. the second largest shareholder of the Company. BrightSource Energy Inc. develops and builds large scale thermal solar plants that reliably deliver low-cost solar energy to industrial and utility companies worldwide.

On 2 June 2010, ALSTOM Power Inc. acquired from AmStar International Ltd. and AmStar Surface Technology Ltd., two Texas limited partnerships, the business of high velocity thermal spray coating products and services for power generation and industrial applications.

On 7 June 2010, ALSTOM Sextant 5 acquired 100% of the shares of Areva T&D Holding SA, a French company engaged in the business of designing and manufacturing equipment for electricity transmission and distribution, pursuant to the share purchase agreement signed on 20 January 2010 between Areva SA, ALSTOM Holdings, Schneider Electric Industries SAS and ALSTOM Sextant 5 as common acquisition vehicle of the Alstom and Schneider Electric groups.

On 10 February 2011, ALSTOM Holdings entered into an agreement with Exprimm and Bouygues Immobilier, both French Companies of the Bouygues Group, relating to the creation of a joint venture company to be engaged in the energy management business.

On 22 February 2011, Alstom U.K. Holdings Ltd acquired from several individuals 100% of the shares of Psymetrix Limited, a Bristish company having an international expertise in Wide Area Monitoring Systems ("WAMS").

On 6 March 2011, Alstom Israel Ltd. created an Israeli joint venture company, named Horizon Ventures Ltd, with Gefen Biomed Investments, Ltd. and Rotem Industries Ltd, two Israeli companies. The joint venture company will finance and support the development of start-up companies in renewable energy and alternative technologies. Alstom holds 50% of the joint venture.

On 17 March 2011, Alstom USA Inc., Alstom Grid Transition Inc. and Utility Integration Solutions Inc., a Californian company ("UISOL") entered into a merger agreement. As a result of the merger Alstom USA Inc. holds 100% of the shares of UISOL, which develops and commercialises DRBizNet™, a leading software platform for demand response management.

DETAILS ON DIRECT OR INDIRECT SHAREHOLDINGS SOLD DURING FISCAL YEAR 2010/11

On February 22, 2011, ALSTOM Transport Deutschland GmbH sold to Stratiforme Deutschland GmbH, a German Company and member of the Stratiforme Compreforme Group, its business of design and manufacturing of fibre-reinforced plastic components for rail vehicles.

Significant change in the financial or commercial condition

To the Company's knowledge and as of the date of this *Document de Référence*, no significant change in the financial or commercial condition of the Group has occurred since 3 May 2011, date of approval of the latest accounts published.

Financial rating

ALSTOM is rated by the rating agencies Moody's Investors Services and Standard & Poor's since May 2008. These ratings are regularly reviewed. The last review occurred on May 2011.

Agencies	April 2010	May 2011*
Moody's Investors Services		
Short-term rating	P-2	P-2
Long-term rating	Baa1 (outlook negative)	Baa1 (outlook stable)
Standard & Poor's		
Short-term rating	A-2	A-2
Long-term rating	BBB+ (outlook negative)	BBB (outlook stable)

(*) On 4 May 2011, Moody's Investor Services changed the outlook from negative to stable. On 12 May 2011, Standard & Poor's lowered its long-term rating from BBB+ (outlook negative) to BBB (outlook stable) The short term ratings remain unchanged.

INFORMATION ON THE **SHARE CAPITAL**

As of 31 March 2011, Alstom's share capital amounted to € 2,060,935,128 consisting of 294,419,304 shares of the same class and fully paid with a nominal value of €7 per share, following the operations completed during fiscal year 2010/11, which are detailed in the table pages 257 and 258 in section "Changes in share capital" below.

On 9 May 2011, the share capital was increased to 2,061,103,821 €, divided into 294,443,403 shares of €7 par value each, following the issuance of 24,099 new shares since 31 March 2011, coming from the exercise of options and free allocation of shares.

There are no double voting rights or voting rights restrictions attached to the shares comprising the share capital. The number of voting rights is identical to the number of shares.

To the knowledge of the Company, there is to date no pledge on the shares of the Company or of its significant subsidiaries.

Following the consolidation of the Company's shares completed on 3 August 2005, the shareholders had two years, *i.e.* until 4 August 2007, to claim the consolidated shares. On 6 August 2007, the consolidated shares not claimed by their beneficiaries were sold on the stock exchange and the net proceeds of the sale will be held at their disposal for a period of ten years on a blocked account opened with the financial institution appointed by the Company to hold the Company's share registry.

Following the decision of the Ordinary and Extraordinary General Meeting of 24 June 2008 in its 16th resolution, the par value of the share was split in two on 7 July 2008. Each share of par value €14 comprising the share capital as of this date was in full right, exchanged for 2 shares of par value €7 each and entitled to the same rights as the previous shares.

As a consequence of these operations, the number of shares that could possibly be obtained by the beneficiaries of stock options and free allocation of shares, as well as the redemption ratio of the ORA were adjusted.

Financial authorisations

Section including information as per Article L. 225-100 of the French Commercial Code.

The table below sets forth the financial authorisations that are in force as of 3 May 2010 and their use during fiscal year 2010/11:

Nature of the authorisation	Maximum nominal amount authorised (8)	Nominal amount used during expired fiscal year (8)	Available amount (8)	Expiry/Duration
Issuance of securities				
Delegation of competence to issue shares and securities giving access to the share capital with preferential subscription right and/or by capitalisation of reserves (AGM 22 June 2010, Resolution No. 12)	Share capital: €600 million (i.e. 29.1% of the share capital) (1) (5) Debt securities: € 2 billion (2)	None	Maximal authorised amount	22 August 2012 (duration: 26 months)
Delegation of competence to issue shares and securities giving access to the share capital with cancellation of the preferential subscription right and option to offer a priority right (AGM 22 June 2010, Resolution No. 13)	Share capital: €300 million (i.e. 14.6% of the share capital (5), less any capital increase in consideration of contributions in kind issued by virtue of Resolution No. 14 (1) Debt securities: €1.5 billion (2)	None	Maximal authorised amount	22 August 2012 (duration: 26 months)
Authorisation to increase the share capital by up to 10% of the share capital in consideration of contributions in kind (AGM 22 June 2010, Resolution No. 14)	10% of the share capital at the date of the Shareholders' Meeting. Such maximum amount shall reduce the overall limit set in Resolution No. 13 (1)	None	Maximal authorised amount	22 August 2012 (duration: 26 months)
Offerings to employees and executives				
Authorisation to issue shares and other securities granting rights to the share capital reserved for members of a Group savings plan (AGM 22 June 2010, Resolution No. 15)	2% of the share capital at the date of Shareholders' Meeting, less any amount issued by virtue of Resolution No. 16 (1) (4)	None	Maximal authorised amount	22 August 2012 (duration: 26 months)
Delegation of authority to issue shares for the benefit of a category of beneficiaries (AGM 22 June 2010, Resolution No. 16)	0.5% of the share capital at the date of the Shareholders' Meeting, to be deducted from the overall limit set in Resolution No. 15 (1) (4)	None	Maximal authorised amount	22 December 2011 (duration: 18 months)
Free allocation of existing or new shares to employees (AGM 22 June 2010, Resolution No. 17)	1% of the share capital at the date of the Shareholders' Meeting, to be deducted from the overall limit set in Resolution No. 18 (3)	740,860 shares, i.e. 0.25% of the share capital (5) (6)	2,200,030 shares, i.e. 0.74% fo the share capital, to be deducted from the available amount under Resolution No. 18 (3)	22 August 2013 (duration: 38 months)
Authorisation to grant stock options to subscribe or purchase shares (AGM 22 June 2010, Resolution No. 18)	2.5% of the share capital at the date of Board grant, less any amount issued by virtue of Resolution No. 17 (3)	1,235,120, i.e. 0.42% of the share capital (5) (6)	7,352,225 shares, less any amount issued under Resolution No. 17 (3)	22 August 2013 (duration: 38 months)
Share buy back and reduction of the share capital				
Authorisation to repurchase shares (AGM 22 June 2010, Resolution No. 11)	10% of the share capital as of 31 March 2010		Maximal authorised amount	22 December 2011 (duration: 18 months)
Authorisation to reduce the share capital (AGM 23 June 2009, Resolution No. 11)	10% of the share capital	None	Maximal authorised amount	23 June 2011 (duration: 24 months)

(1) Global limitation of the capital increases resulting from the five authorisations to €600 million corresponding to 29.1% of the share capital as of 31 March 2011 before potential adjustments.
(2) Global limitation of the amount of debt securities resulting from these two authorisations to €2 billion.
(3) Global limitation of these authorisations to grant stock options and free shares to 2.5% of the share capital as at the date of the Shareholders'Meeting (before adjustments).This amount is not to be deducted from the overall limit of €600 million.
(4) Global limitation of capital increases related to employee shareholding to 2% of the share capital as at the date of the Shareholders'Meeting (before adjustments).
(5) On the basis of the share capital as of 31 March 2011.
(6) Conditional performance shares and options allocated under the long term in incentive plan (LTI No. 13) implemented on 13 December 2010.
(7) All figures in the table have been adjusted to take into account the two-for-one stock split completed on 7 July 2008.

Changes in share capital

	Number of shares issued	Nominal amount of capital increase (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
31 MARCH 2008				141,602,127	1,982,429,778.00
Increase in share capital resulting from the exercise of ORA (1) and options (30 April 2008)	14,643	205,002.00	107,057.95	141,616,770	1,982,634,780.00
Increase in share capital resulting from free allocation of shares (19 May 2008)	463,404	6,487,656.00	-	142,080,174	1,989,122,436.00
Increase in share capital resulting from the exercise of ORA (1) and options (20 June 2008)	76,859	1,076,026.00	627,369.20	142,157,033	1,990,198,462.00
Increase in share capital resulting from the exercise of ORA (1) and options (2 July 2008)	6,733	94,262.00	54,511.85	142,163,766	1,990,292,724.00
Two-for one split of the par value (2 July 2008)	-	-	-	284,327,532	1,990,292,724.00
Increase in share capital resulting from the exercise of ORA (1) and options (30 September 2008)	366,902	2,568,314.00	2,222,769.66	284,694,434	1,992,861,038.00
Increase in share capital resulting from the exercise of ORA (1) and options (31 December 2008)	2,353,454	16,474,178.00	33,401,333.93	287,047,888	2,009,335,216.00
Increase in share capital resulting from the exercise of ORA (1) and options (31 March 2009)	605,815	4,240,705.00	5,510,866.13	287,653,703	2,013,575,921.00
31 MARCH 2009				287,653,703	2,013,575,921.00
Increase in share capital reserved to employees and resulting from the exercise of options (30 April 2009)	1,141,631	7,991,417	26,390,774.24	288,795,334	2,021,567,338
Increase in share capital resulting from the exercise of options (18 June 2009)	64,970	454,790	562,012.80	288,860,304	2,022,022,128
Decrease of capital by cancellation of purchased shares (23 June 2009)	(700,000)	(4,900,000)	(28,719,132.10)	288,160,304	2,017,122,128
Increase in share capital resulting from the exercise of ORA (1), options and free allocation of shares (9 July 2009)	15,086	105,602	62,075.93	288,175,390	2,017,227,730
Increase in share capital resulting from the exercise of ORA (1), options and free allocation of shares (30 September 2009)	629,692	4,407,844	7,201,001.75	288,805,082	2,021,635,574
Increase in share capital resulting from the exercise of options and free allocation of shares (31 October 2009)	140,811	985,677	2,909,570.45	288,945,893	2,022,621,251
Increase in share capital resulting from the exercise of ORA (1), options and free allocation of shares (30 November 2009)	81,278	568,946	1,124,832.88	289,027,171	2,023,190,197
Increase in share capital resulting from the exercise of options (31 December 2009)	86,229	603,603	1,345,809.97	289,113,400	2,023,793,800
Increase in share capital resulting from the exercise of ORA (1) and options (31 January 2010)	153,640	1,075,480	2,797,183.49	289,267,040	2,024,869,280
Increase in share capital resulting from the exercise of ORA (1) and options (28 February 2010)	41,880	293,160	680,442.80	289,308,920	2,025,162,440
Contribution in kind by Bouygues (2) (12 March 2010)	4,400,000	30,800,000	189,078,491.60	293,708,920	2,055,962,440
Increase in share capital resulting from the exercise of ORA (1), options and free allocation of shares (31 March 2010)	133,076	931,532	1,794,750.45	293,841,996	2,056,893,972
31 MARCH 2010				293,841,996	2,056,893,972

(1) Subordinated bonds reimbursable into shares issue 2% December 2008.
(2) Contribution in kind by Bouygues SA to Alstom of 7 523 990 Alstom Hydro Holding shares against 4,400,000 newly issued Alstom shares, in accordance with the delegation granted to the Board of Directors by the Annual General Shareholders' Meeting on 24 June 2008.

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	Number of shares issued	Nominal amount of capital increase (in €)	Paid in capital amount (in €)	Resulting total number of shares	Capital (in €)
31 MARCH 2010				**293,841,996**	**2,056,893,972**
Increase in share capital resulting from the exercise of options and free allocation of shares (30 April 2010)	9,716	68,012	223,653.50	293,857,712	2,056,961,984
Increase in share capital resulting from the free allocation of shares under the Plan Alstom 2007 (11 May 2010)	101,760	712,320	0	293,953,472	2,057,674,304
Increase in share capital resulting from the free allocation of shares under the Plan Awards ofr All 2006 (20 May 2010)	109,776	768,432	0	294,063,248	2,058,442,736
Increase in share capital resulting from the exercise of ORA (1), options and free allocation of shares (31 May 2010)	11,092	77,644	144,789.28	294,074,340	2,058,520,380
Increase in share capital resulting from the exercise of ORA (1), options and free allocation of shares (30 June 2010)	39,505	276,535	287,548.17	294,113,845	2,058,796,915
Increase in share capital resulting from the exercise of options and free allocation of shares (31 July 2010)	67,631	473,417	720,637.80	294,181,476	2,059,270,332
Increase in share capital resulting from the exercise of options and free allocation of shares (31 August 2010)	6,775	47,425	43,126.40	294,188,251	2,059,317,757
Increase in share capital resulting from the exercise of options (30 September 2010)	25,227	176,589	247,859.60	294,213,478	2,059,494,346
Increase in share capital resulting from the exercise of ORA (1) and options (31 October 2010)	16,795	117,565	178,257.79	294,230,273	2,059,611,911
Increase in share capital resulting from the exercise of ORA (1), options and free allocation of shares (30 November 2010)	5,883	41,181	45,084.57	294,236,156	2,059,653,092
Increase in share capital resulting from the exercise of options and free allocation of shares (31 Dec. 2010)	29,308	205,156	286,693.20	294,265,464	2,059,858,248
Increase in share capital resulting from the exercise of options (31 January 2011)	37,430	262,010	465,069.50	294,302,894	2,060,120,258
Increase in share capital resulting from the exercise of options and free allocation of shares (28 February 2011)	72,447	507,129	1,176,311.79	294,375,341	2,060,627,387
Increase in share capital resulting from the exercise of ORA (1) and options (31 March 2011)	43,963	307,741	672 313,53	294,419,304	2,060,935,128
31 MARCH 2011					**2,060,935,128**

(1) Subordinated bonds reimbursable into shares issue 2% December 2008.

Ownership of Alstom shares

Information as per Articles L. 225-102 and L. 233-13 of the French Commercial Code.

To the Company's knowledge based on notifications received by the Company, the table below shows the voting rights and the shares held by shareholders with more than 0.50% of the Company's share capital as of 31 March 2011:

	Share capital as of 31 March 2011		Share capital as of 31 March 2010		Share capital as of 31 March 2009	
	Number of shares (2)	% of the share capital and voting rights (1)	Number of shares (2)	% of the share capital and voting rights (1)	Number of shares	% of the share capital and voting rights (1)
Public	133,782,254	45.46%	175,500,469	59.73%	165,955,435	57.70%
Bouygues SA	90,543,867	30.75%	90,543,867	30.81%	86,143,867	29.95%
FMR LLC	15,023,564	5.10%	-	-	14,135,964	4.91%
Franklin Resources Inc.	14,940,234	5.07%	4,526,025	1.54%	-	-
Amundi	5,883,494	2.00%	-	-	-	-
Norges Bank	5,829,965	1.98%	-	-	-	-
Natixis Asset Management	4,325,570	1.47%	5,637,834	1.92%	5,637,834	1.96%
Caisse des Dépôts et Consignations	4,151,266	1.41%	4,151,266	1.41%	4,151,266	1.44%
Employees (3)	3,896,674	1.32%	4,260,638	1.45%	3,795,845	1.32%
Groupama Asset Management	3,511,872	1.19%	3,511,872	1,20%	3,511,872	1.22%
Legal & General Group	2,974,106	1.01%	-	-	-	-
Credit Suisse Group AG	2,864,033	0.97%	2,967,481	1. 01%	-	-
UBS Investment Bank	2,791,276	0.95%	2,742,544	0.93%	1,726,974	0.60%
FIL Limited	2,036,460	0.69%	-	-	2,594,646	0.90%
CM-CIC AM	1,864,669	0.63%	-	-	-	-
TOTAL	294,419,304	100.00%	293,841,996	100.00%	287,653,703	100.00%

(1) % calculated based on the share capital as of 31 March of each year and not based on the share capital on the date of the declaration.
(2) Number of shares taking into account the two-for-one split of the par value of the shares on 7 July 2008.
(3) Shares held by employees and former employees of the Group savings plan, which corresponds to approximately 0.67% held directly and approximately 0.65% held through FCPE.

To the knowledge of the Company, on the basis of declarations of threshold crossing received, excluding notifications received from registered brokers, no other shareholder holds, directly or indirectly, more than 0.50% of the share capital or voting rights of the Company as of 31 March 2011.

After 31 March 2011, the Company has received the following declarations of threshold crossing:

- FMR LLC notified that it held on 5 April 2011, 16,482,127 Alstom shares, i.e. 5.60% of the share capital and voting rights, and on 13 May 2011, 16,133,697 Alstom shares, i.e. 5.48% of the share capital and voting rights;
- Caisse des Dépôts et Consignations notified that it held on 7 April 2011, 3,155,418 Alstom shares, *i.e.* 1.07% of the share capital and voting rights;
- UBS Investment Bank notified that it held on 12 April 2011, 3,767,456 Alstom shares, *i.e.* 1.28% of the share capital and voting rights;
- Franklin Resources, Inc. notified that it held on 14 April 2011, 16,432,774 Alstom shares, *i.e.* 5.58% of the share capital and voting rights;
- Credit Suisse AG notified that it held on 26 April 2011, 3,079,537 Alstom shares, *i.e.* 1.05% of the share capital and voting rights;
- UBS Global Asset Management notified that it held on 6 May 2011, 4,359,213 shares, i.e. 1.48% of the share capital and voting rights;
- Norges Bank notified that it held on 9 May 2011, 4,163,403 shares, i.e. 1.41% of the share capital and voting rights; and
- Natixis Asset Management notified that it held on 11 May 2011 4,440,810 Alstom shares, i.e. 1.48 % of the share capital and voting rights.

To the knowledge of the Company there is no shareholders' agreement concerning the share capital of the Company.

On 25 November 2009, Bouygues notified the exercise of its option to sale its 50% shareholding in ALSTOM Hydro Holding and took the firm commitment to acquire 4,400,000 Alstom shares against this shareholding. The new Alstom shares were issued on 12 March 2010 and Bouygues increased its shareholdings to 30.81% of the share capital and voting rights of Alstom at that date, and on 1 February 2011 Bouygues held 30.77% of the share capital and voting rights of Alstom. Bouygues is on the list of the entities concerned by the new Article 234-11, first and second *alinea* of the AMF General Regulation, which has been published by the AMF. Consequently Bouygues has no obligation to reduce its shareholding below 30% before 1 February 2012, nor to file a public tender as long as its shareholding does not exceed 33.33% of the share capital and voting rights of Alstom.

As of 3 May 2011, 26,245 shares are held by the individual Directors of the Company and 130,336 shares are held by the members of the Executive Committee, representing in total approximately 0.05% of Alstom's share capital and voting rights as of 31 March 2011. The company Bouygues SA, Director of Alstom, holds 30.75% of the share capital and voting rights of the Company as of 31 March 2011.

A table identifying the operations as per Article L. 621-18-2 of the French Monetary and Financial Code is available in section "Corporate governance – Interest of the officers and employees in the share capital".

Alstom does not hold, directly or indirectly through companies it controls, any of its own shares and each Director holds at least the number of shares recommended by the Director's Charter annexed to the Board Internal Rules, *i.e.* 500 shares.

Securities giving access to the share capital

The securities giving access to the Company's share capital are composed of:

- the rights resulting from free allocations of shares; and
- stock options to subscribe shares.

The subordinated 2% bonds due December 2008 reimbursable in Company's shares ("ORA") were reimbursed in shares on 31 December 2008, as described below.

There are no other securities granting rights to the share capital of the Company.

SUBORDINATED 2% BONDS DUE DECEMBER 2008 REIMBURSABLE IN COMPANY'S SHARES ("ORA")

In December 2003 the Company issued subordinated 2% bonds due December 2008 for €901,313,660.80 and reimbursable in Company's shares ("ORA") with preferential subscription rights which may lead to the issue of a maximum of 643,795,472 new shares with a ratio of 0.0628 Alstom share of €7 par value, after adjustments of the redemption ratio following the operation on the share capital.

On 31 December 2008 the ORA were reimbursed in shares pursuant to the terms and conditions of the bonds. As of 31 March 2011, 81,682 ORA, representing 0.01% of the issue, were held by bondholders who did not yet notify the Company if they request at redemption the number of shares resulting either from the rounding down to the nearest whole number (with cash compensation by the Company) or the rounding up to the nearest whole number (with cash payment by the bondholder).

FREE ALLOCATIONS OF SHARES

See sections:

- "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans and performance share plans"; and
- "Corporate governance – Interest of the officers and employees in the share capital – Free shares plans for the subscribers outside France to "Alstom Sharing Offers".

STOCK OPTIONS

See section "Corporate governance – Interest of the officers and employees in the share capital – Stock options plans and performance share plans".

Potential share capital

AS OF 31 MARCH 2011

	Total number of shares that may be issued	Amount of corresponding capital increase (in €)	% of the share capital as of 31 March 2011
Shares that may result from the exercise of existing stock option plans (1)	7,855,932	54,991,524	2.67%
Shares that may be issued on the basis Performance Shares Plans (1)	1,330,400	9,312,800	0.45%
Shares that will be issued on the basis of the free allocation of shares for the subscribers outside France to Alstom Sharing Offers (2)	230,089	1,610,623	0.07%
TOTAL	9,416,421	65,914,947	3.19%

(1) Subject to satisfaction of all performance conditions. See section "Information on the share capital – Interests of the officers and employees in the share capital – Stock options plans and performance shares plans". See Note 21 to the Consolidated Financial Statements.

(2) See section "Corporate governance – Interests of the officers and employees in the share capital – Free shares plans for the subscribers outside France to 'Alstom Sharing Offers'".

Repurchase of shares

Information as per Article L. 225-11 of the French Commercial Code.

USE BY THE BOARD OF DIRECTORS OF THE AUTHORISATION GRANTED BY THE SHAREHOLDERS' MEETING

Acting pursuant to Article L. 225-209 of the French Commercial Code, the Ordinary and Extraordinary General Meeting held on 22 June 2010 authorised the Board of Directors to purchase on a stock exchange or otherwise, and by any means, ALSTOM's shares within the limit of a number of shares representing 10% of Alstom's share capital as of 31 March 2010, *i.e.* a theoretical number of 29,384,199 shares for a maximum purchase price of €70, subject to adjustments in relation to operations on the share capital and for a duration of 18 months after the General Meeting expiring on 22 December 2011. This share purchase programme has not been used by Alstom.

PRESENTATION OF THE SHARE PURCHASE PROGRAMME SUBMITTED TO THE APPROVAL OF THE ORDINARY AND EXTRAORDINARY GENERAL MEETING CALLED ON 28 JUNE 2011

The section below constitutes the presentation of the share purchase programme which will be submitted to the approval of the Ordinary and Extraordinary General Meeting called on 28 June 2011, pursuant to Article 241-2, of the General Regulation of the French *Autorité des marchés financiers*.

NUMBER OF SHARES AND PORTION OF THE SHARE CAPITAL HELD DIRECTLY OR INDIRECTLY BY ALSTOM

Alstom does not hold directly or indirectly any shares composing its share capital and any securities giving access to its share capital.

SPLIT OF OBJECTIVES

Not applicable.

OBJECTIVES OF THE SHARE PURCHASE PROGRAMME

This share purchase programme may be used with the purpose to:

- cancel the shares acquired under the conditions set forth by law;
- with the purpose of allocating or selling shares to employees, former employees or corporate officers of the Company and its affiliated companies as defined in Articles L. 225-180 and L. 233-16 of the French Commercial Code, in particular through employee purchase scheme, stock option plans or free allocations of shares pursuant to the conditions specified by law;
- in order to hold the shares purchased, or sell, transfer or exchange the shares purchased as part of or following any external growth transactions within the limit set forth in the 6th paragraph of Article L. 225-209 of the French Commercial Code;
- in order to deliver shares upon exercise of rights attached to securities giving access to the share capital;
- to ensure the liquidity of the market and to lead the Company's market through an authorised investment services provider within the framework of a liquidity contract complying with a Code of Ethics agreed upon by the French Stock Market Authority (AMF);
- as well as in the context of the active and optimised management of the Company's stockholders' equity and stockholders.

The purchase, sale, transfer or exchange of these shares may occur, in accordance with the rules set by the relevant regulatory bodies, on or off the stock exchange, by any means, including block transfer, the use or exercise of financial instruments, derivatives and, in particular through optional transactions such as the purchase and sale of put or call options, and at any time within the limits set forth by laws and regulations, excluding during any take-over period on the Company's share capital.

MAXIMUM PORTION OF SHARE CAPITAL AND MAXIMUM NUMBER OF SHARES WHICH MAY BE REPURCHASED

Pursuant to Article L. 225-209 et seq. of the French Commercial Code, the Board of Directors is allowed to purchase existing Company shares up to the number of shares that represent 10% of the Company's share capital as of 31 March 2011, *i.e.*, a theoretical maximum number of 29,441,930 shares of €7 nominal value, and a theoretical maximum aggregate purchase price of €2,060,935,100 based on the maximum purchase price set hereafter.

MAXIMUM PURCHASE PRICE

The purchase price may not exceed €70 per share, subject to adjustments relating to transactions affecting the Company's share capital. In the event of transactions dealing with the Company's share capital and, in particular, in the event of an increase in the share capital by the incorporation of reserves and the allocation of shares, free of charge, as well as in the event of a split or a consolidation of the shares, the maximum price indicated above shall be adjusted by a multiplying ratio equal to the number of shares included in the share capital before the transaction divided by the number of these shares after the transaction. Moreover, these shares could be transferred free of charge under the conditions specified by law, in particular Articles L. 443-1 et seq. of the French Work Code and L. 225-197-1 of the French Commercial Code.

DURATION

The share purchase programme will valid during 18 months after the Shareholders' Meeting called to be held on 28 June 2011, *i.e.* 28 December 2012.

CHARACTERISTICS OF THE SHARES WHICH MAY BE PURCHASED

Shares listed on the Euronext Paris (Compartment A).

Name: ALSTOM.

ISIN Code: FR 0010220475.

Issue of debt securities

On 22 December 2009, the Board of Directors gave full power to the Chairman and Chief Executive Officer, for a one-year period, to issue, in one or more times, bonds within a maximum nominal amount of €2 billion. This authorisation, which expired on 22 December 2010, has been cancelled for its unused portion and renewed by the Board of Directors held on 28 September 2010 for new one year period and for a maximum nominal amount of €2 billion. Out of this authorisation, €1 billion has been used as of this date.

Using this authorisation, the Company has launched four bonds issues during fiscal year 2010/11:

Autorisation date	Issue date	Amount (in € million)	Maturity	Interest rate
22 December 2009	5 June 2010	250	23 September 2014	4.00%
22 December 2009	5 June 2010	250	18 March 2020	4.50%
28 September 2010	5 octobre 2010	500	5 October 2015	2.875%
28 September 2010	5 octobre 2010	500	5 October 2018	3.625%

Dividends paid over the last three fiscal years

Information as per Article 243 bis of the French General Tax Code.

It will be proposed to the Ordinary and Extraordinary General Meeting called on 28 June 2011 to distribute dividends for a total amount of €182,539,968.48, corresponding to €0.62 per share of €7 nominal value. It represents a rate of distribution of 40% of the Group's net profit.

The dividend coupon will be detached from the share on 30 June 2011 and can be paid out in cash on 5 July 2011. Under the assumption that, on the dividend payment date, the Company holds some of its own shares, the amount of the dividend on such shares would be carried over.

When such dividend is paid out to individuals residing in France for tax purposes, the dividend is subject to income tax at the progressive rate and eligible for a tax reduction of 40% resulting from Article 158-3-2° of the French General Tax Code and eligible for the annual fixed tax reduction, with the exception of the option for the 19% fixed full tax discharge withholding set forth in the fourth paragraph of Article 117 of the French General Tax Code that can be withheld at the time this dividend is cashed in or that may have been withheld from income received over the course of the same year.

The following dividends were distributed in respect of the previous fiscal years:

Fiscal year (in €)	2009/10	2008/09	2007/08
Dividend per share (1) (2)	1.24	1.12	0.80

(1) Figures have been restated to take into account the two-for-one stock split completed on 7 July 2008 after payment of the dividend related to the fiscal year 2007/08.
(2) Amount eligible for the tax reduction of 40% resulting from Article 158-3-2 of the French General Tax Code.

See section "Financial statements – Statutory accounts – Appropriation of the net income for the period ended 31 March 2011".

Elements which could have an impact in the event of a tender offer

Information as per Article L. 225-100-3 of the French Commercial Code.

STRUCTURE OF THE COMPANY'S SHARE CAPITAL

A table detailing the structure of ALSTOM's share capital is presented in section "Additional information – Information on the share capital – Ownership of Alstom shares".

BY-LAWS ARTICLES RESTRICTING THE EXERCISE OF VOTING RIGHTS AND THE TRANSFER OF SHARES, OR OTHER CLAUSES OF AGREEMENTS KNOWN BY THE COMPANY

None.

DIRECT OR INDIRECT SHAREHOLDINGS IN THE COMPANY

As of 3 May 2011, Bouygues SA holds 30.75% of the share capital and voting rights of ALSTOM.

See also section "Additional information – Information on the share capital – Ownership of Alstom shares".

LIST OF HOLDERS OF ANY SECURITY GRANTING SPECIAL CONTROL RIGHTS

None.

CONTROL MECHANISMS WITHIN EMPLOYEE SHAREHOLDING SCHEMES

The rules of the ALSTOM savings plan ("FCPE ALSTOM") provide that the Supervisory Board of the FCPE Alstom is entitled to vote in Alstom Shareholders' Meetings, and not employees directly.

Therefore the Supervisory Board only is entitled to decide on the answer to be given in case of a public offer. The FCPE ALSTOM held 0.65% of the Company's share capital and voting rights as of 31 March 2011.

SHAREHOLDERS' AGREEMENTS THAT MAY RESTRICT THE TRANSFER OF SHARES AND THE EXERCISE OF VOTING RIGHTS

To the knowledge of ALSTOM, there are no shareholders' agreement that may restrict the transfer of ALSTOM's shares and/or the exercise of Alstom's voting rights.

SPECIFIC RULES GOVERNING THE NOMINATION AND REPLACEMENT OF DIRECTORS, AND THE MODIFICATION OF THE COMPANY'S BY-LAWS

None.

BOARD OF DIRECTORS' POWERS

The Shareholders' Meeting held on 22 June 2010 authorised the Board of Directors to acquire the Company's shares, within the limits set forth by laws and regulations, excluding during any take-over period. It will be proposed to the next Ordinary and Extraordinary General Meeting to be held on 28 June 2011 to renew this authorisation, excluding during any take-over on the Company's share capital. See also section "Additional information – Information on the share capital – Repurchase of shares".

AGREEMENTS THAT MAY BE AMENDED OR TERMINATED IN CASE OF A CHANGE OF CONTROL OF THE COMPANY

The financing agreements, the terms of bonds issues and bonding programmes of the Group include change of control clauses.

The four bonds issues completed during fiscal year 2010/11 and described in section "Information on the Share capital – Issue of debt securities", contain each a change of control clause that allow any bondholder to request the early reimbursement of its bonds during a specific period of time, in case of change of control of ALSTOM.

The committed Credit Facility amounting to €1 billion, maturing in March 2012 and extended for €942 million up to March 2013, which is fully undrawn, contains a change of control clause that allows each financial institution party to this agreement to request the cancellation of its credit commitment and the early reimbursement of its participation in the credit in case of change of control of ALSTOM.

The revolving committed bonding facility of a maximum amount of €8.275 billion maturing 27 July 2013 also contains a change of control clause which may result, in case of a change of control, in the programme being suspended, in the obligation to procure new bonds to replace outstanding bonds or to provide cash collateral, as well as the early reimbursement of our other debts as a result of their cross-default or cross-acceleration provisions.

The joint venture agreements that we have signed generally contain change of control clauses, that may trigger the obligation to sell our shareholding in these joint ventures.

AGREEMENTS PROVIDING INDEMNITIES TO BOARD MEMBERS OR EMPLOYEES, IF THEY RESIGNED OR ARE DISMISSED WITHOUT ACTUAL AND SERIOUS REASON OR IF THEIR EMPLOYMENT ENDS DUE A PUBLIC OFFER

None. See section "Corporate governance – Corporate governance and Executive and non-Executive – Directors' Compensation Report".

Shareholder information

The role of the Investor Relations team is to provide the whole financial community – individual shareholders, institutional investors and financial analysts – with complete, regularly updated information on the Group's strategy and its implementation.

ACTIVE COMMUNICATION POLICY FOR INDIVIDUAL SHAREHOLDERS

Besides the Annual General Meeting, Alstom is developing opportunities to meet and communicate with its individual shareholders. During the fiscal year, the Group took part in information meetings in Strasbourg and Tours in France – organised in association with the FFCI (the French Investment Club Federation) and the CLIFF (the French Association for Investor Relations). In 2011, the Group will meet with its shareholders in Nice and Lille in France. Alstom also participates in the annual Actionaria fair in Paris, which welcomes over 30,000 visitors every year. At the 2010 exhibition, shareholders had the opportunity to meet with the Chairman and Chief Executive Officer, as well as with the Investor Relations team and members of the Communications Department.

The Group also organises site visits in France for individual shareholders to give them a better insight into the way the business works. For example, some of them had the opportunity to discover the TGV assembly factory in La Rochelle, others went to Belfort, Alstom birthplace, to visit workshops for steam turbines and generators for nuclear applications. Some shareholders were also invited to take a tour of the dedicated hydro turbine site in Grenoble.

In addition to periodical financial publications, Alstom offers its shareholders a range of information tools, including the shareholder letter published twice a year in conjunction with the main financial dates of the Group. All documents can be obtained upon request. The Investors section on Alstom's website also provides shareholders with all the financial documentation, as well as debt information and a calendar of financial events (www.alstom.com, Investors Section).

RELATIONS WITH INSTITUTIONAL INVESTORS AND FINANCIAL ANALYSTS

Roadshows are organised on several occasions over the year in major USA and Europe financial centres (France, the UK, Switzerland, Germany, Italy). Information meetings (presentations on Sectors, strategy etc.) as well as individual meetings with investors and analysts take place throughout the year.

The Group also organises an annual analysts/investors day to present its strategy and activities. This year, the event was dedicated to the introduction of the new Grid Sector and took place at the Aix-les-Bains site (in France) specialised in gas-insulated substations.

The Group also participates in thematic conferences organised by brokerage firms in France, the UK and the USA. During the fiscal year, these conferences covered among other themes the rail transport market and power generation technologies.

STOCK MARKET NEWS

In 2010, the Alstom share price decreased by 27%. On 31 March 2011, the share price reached 41.73 euros and the stock market capitalisation of the Group was €12.3 billion.

KEEPING INVESTORS INFORMED

www.alstom.com or www.alstom.fr

The Investors' section of the Alstom website has been especially designed to provide shareholders with easy access to all of the Group's financial communications: share price quotes, the possibility to download the past 5 years' historical data, financial results, presentations, Registration Documents, shareholders letters, dates of important meetings, frequently asked questions, as well as a service that dispatches press releases by e-mail. Printed copies of the Registration Document for 2010/11 can be obtained in French and English by sending a request to the Investor Relations Department.

CONTACTS

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E-mail: investor.relations@chq.alstom.com

Toll free number from France: 0800 50 90 51, from Monday to Friday, from 9 am to 7 pm.

From abroad, you can contact the team by dialling +33 1 45 30 85 75 (calls will be charged at you're the local operator's standard international rate).

Listing of the shares

As of 31 March 2011

ALO LISTED NYSE EURONEXT

Place of listing:	Euronext Paris
ISIN Code:	FR0010220475
Ticker:	ALO
Nominal value:	€7
Number of shares:	294,419,304
Market capitalisation:	12,284,645,459
Main indexes:	CAC 40 SBF 120 Euronext 100 DJ Euro Stoxx 50

The Alstom shares are no longer listed on the London Stock Exchange since 17 November 2003, nor on the New York Stock Exchange since 10 August 2004.

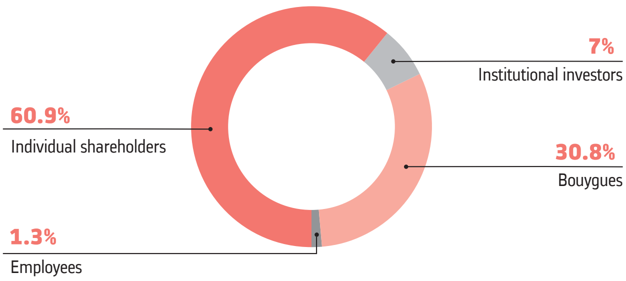
The Company has chosen not to create or otherwise sponsor an American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "unsponsored" and has no ties whatsoever to the Company. This means that the Company cannot be relied upon to ensure the proper operation of such facility or to protect the rights of ADR holders, and the Company expressly disclaims any liability or submission to jurisdiction to any courts in the United States in respect of such facility. Persons choosing to deposit Alstom shares into such a facility or to acquire ADRs issued from such a facility do so at their own risk and on the basis of their own analysis of such facility.

SHARE PRICE EVOLUTION (IN €) – APRIL 2010/APRIL 2011

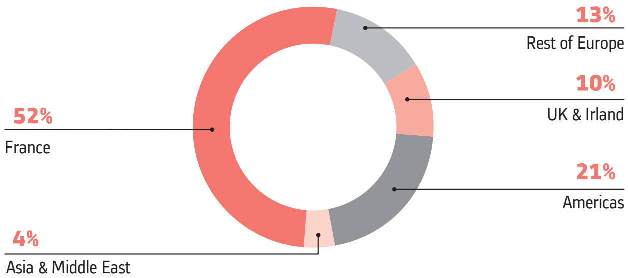
Alstom basis as of 1 April 2010: €46.81
Source: Euronext Paris

SHAREHOLDER STUDY

According to a shareholder study carried out by Euroclear France in March 2010 and partially updated in March 2011, the Group estimates that it has roughly 260,000 shareholders. On 31 March 2011, the share capital was distributed as shown below:



CAPITAL STRUCTURE BY REGION



SIMPLIFIED ORGANISATION CHART AS OF 31 MARCH 2011

- ALSTOM (France)
  - ALSTOM Holdings (France)
    - 1 ALSTOM SpA (Holding - Italy)
    - 2 ALSTOM (China) Investment Co Ltd (Holding - China)
    - 3 ALSTOM Transport Holding US (Holding - USA)
    - 4 ALSTOM Australia Holdings Ltd (Holding - Australia)
    - 5 ALSTOM UK Holdings Ltd (Holding - UK)
    - 6 ALSTOM Espana IB (Holding - Spain)
    - 7 ALSTOM Inc (Holding - USA)
    - 8 ALSTOM Mexico SA de CV (Holding - Mexico)
    - 69,66% 9 ALSTOM Sextant 5 (Holding - France)
    - ALSTOM Transport SA (France)
    - ALSTOM Transport (S) Pte Ltd (Singapore)
    - ALSTOM Transport SA (Romania)
    - ALSTOM Algérie (Algeria)
    - ALSTOM Konstal Spolka Akcyjna (Poland)
    - ALSTOM Belgium (Belgium)
      - ALSTOM Norway AS (Norway)
    - 1 ALSTOM Ferroviaria SpA (Italy)
    - 1 ALSTOM Power Italia SpA (Italy)
    - 2 ALSTOM Technical Services (Shanghai) Co Ltd - (China)
    - 2 CASCO SIGNAL Ltd (China)
    - 2 WUHAN BOILER COMPANY Ltd (China) 51%
    - 3 ALSTOM Transportation Inc (USA)
    - 3 ALSTOM Signaling Inc (USA)
    - 4 ALSTOM Ltd (Australia)
    - 5 ALSTOM Ltd (UK)
      - ALSTOM Power Ltd (UK)
    - 6 ALSTOM Brasil Energia e Transporte Ltda - (Brazil)
    - 6 ALSTOM Portugal, SA (Portugal)
    - 6 ALSTOM Transporte SA (Spain)
    - 6 ALSTOM WIND SL (Spain)
    - ALSTOM Power Holdings (France)
      - ALSTOM Power Service (France)
      - ALSTOM Power Systems (France)
      - ALSTOM Hydro Holding (France)
        - ALSTOM Power & Transport Canada Inc - (Canada)
        - ALSTOM Hydro France (France)
          - TIANJIN ALSTOM Hydro Co, Ltd (China)
      - ALSTOM NV (Netherlands)
        - ALSTOM Deutschland AG (Germany)
          - ALSTOM Power Service GmbH (Germany)
          - ALSTOM Power Systems GmbH (Germany)
          - ALSTOM Carbon Capture GmbH (Germany)
          - ALSTOM Grid GmbH (Germany)
          - ALSTOM Transport Deutschland GmbH - (Germany)
          - ALSTOM Power Sp Zoo (Poland)
          - ALSTOM KK (Japan)
        - ALSTOM Africa Holdings (Pty) (South Africa)
        - ALSTOM Transport BV (Netherlands)
        - ALSTOM Asia Pacific Sdn Bhd (Malaysia)
        - ALSTOM sro (Czech Republic)
        - ALSTOM Limited (Russia)
        - PT ALSTOM Power Energy Systems Indonesia - (Indonesia) 78,79%
        - ALSTOM Project India Limited (India) 68,46%
        - ALSTOM Sweden AB (Sweden)
          - ALSTOM Power Sweden AB (Sweden)
        - ALSTOM Croatia Ltd (Croatia)
        - ALSTOM Infrastructure Romania srl (Romania)
        - ALSTOM (Switzerland) Ltd (Switzerland)
          - ALSTOM Technology Ltd (Switzerland)
          - ALSTOM Power O&M Ltd (Switzerland)
      - 7 ALSTOM Power Inc (USA)
      - 8 ALSTOM Mexicana SA de CV (Mexico)
    - 9 T&D HOLDING (France)
      - ALSTOM Grid Energia Ltda (Brazil)
      - ALSTOM Grid Technology Center Co. Ltd (China)
      - ALSTOM Grid Pte Ltd (Singapore)
      - AREVA T&D, SA DE CV (Mexico)
      - AREVA T&D ENERJI ENDUSTRISI AS (Turkey)
      - ALSTOM Grid SAS (France)
      - ALSTOM Grid Middle East Fze (UAE)
    - 1 ALSTOM Grid SpA (Italy)
    - 5 ALSTOM Grid UK Ltd (UK)
    - 6 ALSTOM Grid Iberica SA (Spain)
    - 9 AREVA T&D India Limited (India) 73,40%

Nota: The reference number in colour given to some subsidiaries indicates their direct or indirect link in share capital with the holding company having the same number, in black.

INFORMATION ON THE **ANNUAL FINANCIAL REPORT**

The Alstom Annual Financial Report for fiscal year 2010/11, established pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulation of the French *Autorité des marchés financiers*, is made up of the sections at sub-sections of the French Registration Document identified in the table below:

INFORMATION ON THE REGISTRATION DOCUMENT

Information included by reference

Pursuant to Article 28 of EC Regulation No. 809-2004 of the Commission of 29 April 2004 regarding prospectuses, the following information is included by reference in this Registration Document:

- the consolidated and statutory financial statements for the fiscal year ended 31 March 2010, the Auditors' reports thereto and the Group's management report, as shown at pages 48 to 114, 117 to 132, 115 to 116, 134 and 4 to 44 respectively, of the report No. D.10-0470 filed with the French Stock Market Authority (*Autorité des marchés financiers*) on 26 May 2010;
- the consolidated and statutory financial statements for the fiscal year ended 31 March 2009, the Auditors' reports thereto and the Group's management report, as shown at pages 52 to 113, 116 to 128, 114 to 115, 130 and 4 to 48 respectively, of the report No. D.09-0453 filed with the French Stock Market Authority (*Autorité des marchés financiers*) on 26 May 2009.

The sections of these documents not included here are either not relevant for the investor, or covered in another part of this Registration Document.

Statement by the person responsible for the Registration Document *

After taking all reasonable measures, I state that, to my knowledge, the information contained in this Registration Document is accurate. There is no other information the omission of which would alter the scope thereof.

I state that, to my knowledge, the statutory accounts and the consolidated financial statements of ALSTOM (the "Company") for the fiscal year 2010/11 are established in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of operations of the Company and all enterprises included in the consolidation perimeter, and the management report included on pages 37 to 58 and pages 5 to 35 and 143 to 152 presents a true and fair view of the evolution of the operations, results of operations and financial position of the Company and all enterprises included in the consolidation perimeter, as well as a description of the main risks and uncertainties faced by them.

I have obtained from the Auditors, PricewaterhouseCoopers Audit et Mazars SA, a letter of completion of work in which they indicate that they have verified the information relating to the financial situation and financial statements given in this Registration Document and have read the whole Registration Document.

The historical financial information presented or included by reference in the Registration Document has been the subject of reports by the Auditors included on pages 121, 122 and 139 for the year ended 31 March 2011, and included by reference in this Registration Document for the years ending 31 March 2010 and 31 March 2009. The Auditors' reports on the consolidated financial statements for fiscal years 2010/11, 2009/10 and 2008/09, issued without qualification, contain observations relating to changes in methods following the IFRS standards applicable for the first time during the concerned fiscal year.

Levallois-Perret, 26 May 2011.

Patrick Kron
Chairman and Chief Executive Officer

* This is a free translation of the statement signed and issued in French language by the Chairman and Chief Executive Officer of the Company and is provided solely for the convenience of English speaking readers.

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