

In the difficult economic environment of the first half 2009/10,
Alstom recorded a sound operational performance

Between 1 April 2009 and 30 September 2009, Alstom registered order intake of €7.1 billion, down from the record level of the first six months of the previous year. Over the same period, sales (€9.7 billion) and income from operations (€828 million) continued to grow, up respectively by 8% and 19%. The operating margin reached 8.6% as compared to 7.8% last year. The net result amounted to €562 million (+7%), whilst the free cash flow decreased to €77 million due to the sharp drop in orders received.

Key figures

(in € million)	30 September	30 September	% Variation
	2008	2009	Sept 09 / Sept 08
<i>Actual figures</i>			
Orders received	15,401	7,134	-54%
Backlog	46,879	43,787	-7%
Sales	8,956	9,683	+8%
Income from operations	697	828	+19%
Operating margin	7.8%	8.6%	-
Net income	527	562	+7%
Free cash flow	1,201	77	-

“The first half of 2009/10 was characterised by a low order intake both in Power and Transport Sectors. Customers in power generation continue to delay their investments in new power plants, whilst orders in Transport over the first six months have been impacted by the phasing of large contracts. However the backlog remains healthy and continues to provide strong visibility. Overall project execution is under control, as illustrated by the good progression in both volume and profitability. Despite fluctuations of working capital, which deteriorated over the period due a book-to-bill ratio of 0.74, the Group has managed to generate a positive free cash flow. Given the current active tendering activity, we expect orders to improve in the second half of the fiscal year and we confirm our operating margin estimate for March 2010 at around 9%.”, said Patrick Kron, Alstom’s Chairman & Chief Executive Officer.

Solid long term markets

As expected, current demand for new equipment in power generation dropped as future power plant projects continue to be postponed in the present uncertain economic environment. However in the medium term, growth in emerging markets, retirement of old plants in developed countries, as well as increasing global environmental regulations drive the need for new capacity in power with a higher technological content. Service and retrofit activities are less volatile; these markets are expected to be sustained.

The rail transport market remains sound, driven by stimulus packages, increasing needs for mobility, growth of urban populations and environmental concerns. Strong opportunities are therefore expected on all continents.

With its worldwide presence and its large portfolio of technologies, Alstom should benefit from the long term growth expected on power generation and rail transport markets.

Low order level

Orders booked over the period amounted to €7.1 billion, a 54% decrease from the exceptionally high level of the first half of last year, which included several very large contracts. On 30th September 2009, the backlog amounted to €44 billion (-7%), representing 27 months of sales.

The decrease in order intake during the first semester came from both Sectors.

In the Power Sector, after the booking of a gas power plant in the UK during the first quarter, Thermal Systems & Products recorded no large projects in the second quarter, leading to a sharp decline of its orders in comparison to last year. Thermal Services registered a flow of small and medium-sized orders, notably in Europe and in the USA, for both retrofit and service; the decrease in order intake as compared to the first six months of last year was mainly due to the lack of long-term operation and maintenance contracts. In Renewables, the main orders booked during the period were for hydro projects in Switzerland, India and Spain, as well as for wind turbines in Europe.

In Transport, the main contracts recorded during the first half of the fiscal year included suburban trains in Paris, tramways and metros in South America, regional trains in Europe, as well as various signalling systems.

Adaptation to the new economic environment

To adapt to the more challenging market conditions, Alstom initiated measures to improve its efficiency and control its costs. Selling and administrative expenses decreased from 7.4% of sales in September 2008 to 6.9% in September 2009.

The total workforce was adjusted with a decrease of 2,000 people over the first six months of the fiscal year, either by natural attrition or by the non-replacement of employees with fixed term contracts.

Capital expenditures amounted to €210 million, up by 8% compared with last year, mainly due to the progress made on the strategic programmes launched to reinforce the industrial base of the Power Sector. Future investments are strictly prioritised.

Research and development expenses remained stable at €267 million. The key programmes remain focused on clean power and innovation in rolling stock.

Improvement in profitability

Sales in the first half of 2009/10 amounted to €9.7 billion, compared to €9.0 billion for the first half of 2008/09, representing an 8% increase as a result of the strong order intake during the past periods. The growth was particularly marked in Power (+10%), while sales in Transport continued to progressively ramp-up (+4%).

Income from operations in the first half of 2009/10 amounted to €828 million, up 19% from €697 million in the first half of 2008/09; the operating margin grew from 7.8% to 8.6%. The operating margin of Power improved from 9.2% to 9.8%, whilst in Transport the operating margin increased from 6.6% to 7.0%.

Net profit grew by 7%, amounting to €562 million compared with €527 million in the first half of 2008/09. This increase resulted mainly from improved operational performance.

Sound financial situation

Free cash flow was slightly positive at €77 million during the first half of 2009/10. The operational profit has more than offset the expected deterioration of the working capital linked to the low level of orders.

At 30 September 2009, Alstom has a net cash position of €1,866 million as compared to €2,051 million at 31 March 2009, after payment of the dividend.

Equity increased from €2,884 million at 31 March 2009 to €3,099 million at 30 September 2009 as the result of the strong net income.

Areva Transmission & Distribution (T&D)

Alstom, together with Schneider Electric, made a non-binding offer to acquire Areva T&D. The process is ongoing. If successful, the transmission part, which has close links with Alstom's activities in power generation, should be transferred to Alstom, whilst the distribution part should be combined with Schneider's activities.

Alstom can bring to Areva T&D its expertise in automated systems, its know-how in the management of large projects and the full benefit of its worldwide commercial network, which is mainly focused on utilities, the primary market for high voltage activities.

Outlook

Alstom remains focused on the execution of its healthy backlog. In the meantime, the Group has implemented measures to control costs and develop flexibility in order to adapt to the new economic environment. Any prediction of the future level of order intake is by nature difficult; nevertheless, a rebound of orders may be expected in the second semester.

Thanks to the strong operational performance achieved in the first half 2009/10, Alstom confirms that the operating margin of the Group for the full year should reach around 9%, with an operating margin for the Power Sector between 10% and 11% and between 7% and 8% for the Transport Sector.

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

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