ALSTOM

PRESS INFORMATION

18 November 2004

ALSTOM FIRST-HALF RESULTS 2004/05

1st April 2004 – 30 September 2004

First-half results in line with our recovery plan

- Orders received: €8.4bn, up 51% versus first half 2003/04 , on a comparable basis
- Sales: €6.4bn, down 12% on a comparable basis
- Operating margin: 3.6%, up from1.5 % in first half 2003/04
- Net income: €(315)m as compared to €(624)m
- Free cash flow: €(294)m as compared to €(674)m

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Commenting on the results Patrick Kron, Chairman & Chief Executive Officer, said:

“ The financial operations successfully completed during the summer have given us the visibility and the stability needed to implement our recovery plan. Our balance sheet has been substantially strengthened through a €2 billion capital increase. We have stabilised our capital structure with the French State holding a 21.4% share. Finally, we have secured access to bonding facilities.

During this first half, we have seen positive impacts of our recovery plan:

- We have recorded a strong rebound of orders across our Sectors, despite continuing difficult market conditions in new power equipment, thus confirming the return of customer confidence. The quality of our orders also shows continuous improvement, with higher margins in line with our profitability targets.

- New commercial successes have been achieved in recent weeks. The award of projects for Transport and Hydro in China for a total value of € 1.4 billion will create a significant change of our presence in the largest global market. I am also pleased to announce that ALSTOM has been selected for a turnkey project including 4xGT26 gas turbines for a customer in Thailand, confirming, along with the order received in Spain in the beginning of 2004, that we are firmly back in the large gas turbine market.

- The improvement of our operational performance during this semester is also very encouraging. All Sectors have made progress in contract execution and our cost-reduction programmes are now well advanced.

We will continue implementing our action plan in order to meet our targets of a 6% operating margin and a positive free cash flow by March 2006. Given our achievements over the first half of the year, we are confident that these objectives can be reached.”

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First Half Results in line with our recovery plan

Key financial figures

The following tables set out, on a consolidated basis, some of our key financial and operating figures:

Total Group **Actual figures** **(in € million)**	First Half **Sept. 03**	2nd Half **Mar. 04**	First Half **Sept. 04**	% Variation Sept. 04/ Sept. 03
Order backlog	27 174	25 368	**27 077**	(0%)
Orders received	7 439	9 061	**8 362**	12%
Sales	8 854	7 834	**6 402**	(28%)
Operating income	132	168	**233**	
Operating margin	1,5%	2,1%	**3,6%**	
Net income	(624)	(1 212)	**(315)**	
Free Cash Flow	(674)	(333)	**(294)**	

Total Group **Comparable figures** **(in € million)**	First Half **Sept. 03**	2nd Half **Mar. 04**	First Half **Sept. 04**	% Variation Sept. 04/ Sept. 03
Order backlog	24 650	25 174	**27 077**	10%
Orders received	5 525	8 461	**8 362**	51%
Sales	7 296	7 197	**6 402**	(12%)
Operating income	35	142	**233**	
Operating margin	0,5%	2,0%	**3,6%**	

REBOUND OF ORDERS CONFIRMED

The power generation new equipment market remained low overall but growth drivers were solid in the environmental markets with strong demand for hydro equipment and environmental control systems. Power service and rail transportation markets remained healthy and the cruise-ship market has regained some activity.

The level of orders registered in the first half of fiscal year 2004/05 confirmed restored confidence from our customer base. We have booked orders for €8.4 billion, an increase of 51% compared with the first half of last year on a comparable basis. Quality of order intake continued to improve and margins on orders are in line with profitability targets. The book-to-bill ratio at 1.3 has significantly improved.

Our backlog on September 30th 2004 was €27.1 billion, representing approximately two years of sales.

LOW LEVEL OF SALES DUE TO PAST SLOWDOWN OF ORDER INTAKE

Sales have reached a low point at €6.4 billion in the first half of fiscal year 2004/05, compared with €7.3 billion in the first half of fiscal year 2003/04, a decrease of 12% on a comparable basis. This decrease was due to lower levels of orders in the second half of fiscal year 2002/03 and in the first half of fiscal year 2003/04, leading to lower sales in Marine and Power Turbo-Systems/Environment. Sales in the other Sectors increased on a comparable basis.

STRONG IMPROVEMENT IN OPERATING INCOME

Operating income and operating margin were €233 million and 3.6% in the first half of fiscal year 2004/05 versus €132 million and 1.5% respectively over the same period in the previous year. On a comparable basis, operating income and operating margin were €35 million and 0.5% in the first half of fiscal year 2003/04. Improvement has been recorded in all our Sectors with the exception of Marine. The impact of a lower level of sales was more than offset by better contract execution.

NET LOSS REDUCED

Net loss was €(315) million compared with €(624) million in the first half of last year. This improvement comes from the better operational performance and by the decrease in restructuring and financial charges.

FREE CASH FLOW STILL IMPACTED BY GT24/GT26 LEGACY PAYMENTS

As expected, our free cash flow was still negative at €(294) million in the first half of fiscal year 2004/05 ; it includes a €206 million cash outflow on GT24/GT26, €122 million of restructuring expenses and a significant negative movement of the working capital in Marine.

DEBT REDUCED BY €1.3 BILLION

Net debt was €2.4 billion at 30 September 2004 compared with the restated amount of €3.7 billion at 1st April 2004, including €827 million coming from the consolidation of ad hoc entities due to recent changes in accounting rules. This reduction of debt is mainly the consequence of the financial operations completed during the period.

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Review by Sector[1]

Power Turbo-Systems/Environment

Power Turbo-Systems and Power Environment Sectors are now combined to reflect the current management organisation.

Orders received in the first half of fiscal year 2004/05 amounted to €2.2 billion, an increase of 18%. Compared with last year, growth came primarily from our Hydro and Environmental Control System businesses, whereas no large order has been recorded in turbine and boiler turnkey projects. From a geographical standpoint, the main contracts booked over the period were located in the US and Asia.

In the first half of fiscal year 2004/05, sales at €1.8 billion were 28% lower than in the first half of fiscal year 2003/04 . This reflects the exceptionally low order intake booked one year ago.

Operating income was €(64) million in the first half of fiscal year 2004/05, compared with €(105) million in the first half and €(146) million in the second half of fiscal year 2003/04. Despite under-absorption of costs due to lower sales, losses have been significantly reduced as a consequence of improved project execution.

Power Service

Orders received for the first half of fiscal year 2004/05 at €1.7 billion were 30% higher than the first half of fiscal year 2003/04. The orders booked during the period included several long term maintenance contracts, mainly in Europe and Asia.

Sales at €1.4 billion for the first half of fiscal year 2004/05 grew steadily, with an increase of 8% versus the first half of fiscal year 2003/04.

Operating income reached a record high at €232 million or 16.3% of sales in the first half of fiscal year 2004/05 compared with €191 million or 14.4% of sales in the first half of fiscal year 2003/04.

[1] All comments are made on a comparable basis (same scope and exchange rate)

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Transport

Orders received by Transport in the first half of fiscal year 2004/05 amounted to €2.9 billion, an increase of 74%, compared with the first half of fiscal year 2003/04 which was particularly low.

Several large orders have been recorded in Europe, including a metro system in Barcelona, locomotives in France and tram-trains in the Netherlands.

Sales at €2.5 billion increased by 8% in the first half of fiscal year 2004/05 compared with the first half of fiscal year 2003/04 .

The operating income for the first half of fiscal year 2004/05 amounted to €119 million or 4.8% of sales compared with €(31) million in the first half 2003/04 and €98 million in the second half of 2003/04. This steady increase was due to the improvement of our project execution while the first half of last year was impacted by significant losses in relation to our US Transport business.

Marine

Orders received during the first half of fiscal year 2004/05 reached €1.1 billion mainly comprising of two cruise ships and a LNG tanker.

Sales were low at €274 million in the first half of fiscal year 2004/05, as for most of the period, no cruise-ship was under construction. The main deliveries in the first half of the year included a cruise-ship in May, and the fore half of a naval assault ship in July.

Operating income was negative in the first half of fiscal year 2004/05 by €(34) million. Adjustment of our production capacity is currently being implemented but the low level of activity during the first half generated significant under-absorption of charges.

Power Conversion

Orders received in the first half of fiscal year 2004/05 amounted to €300 million, an increase of 38% compared with the first half of fiscal year 2003/04. This improvement came mainly from the UK with the booking of one major order.

Sales at €257 million in the first half of fiscal year 2004/05 increased by 20% compared with the first half of fiscal year 2003/04.

Operating income reached €17 million in the first half of fiscal year 2004/05, a strong increase compared to the first half of fiscal year 2003/04, mainly due to the success of cost reduction programmes and better project execution.

Progress on operations

Restructuring plans

The restructuring plans announced in fiscal year 2003/04 are progressing according to schedule; out of the planned 8,400 headcount reduction, 6,300 have left the Group at end of September 2004.

Additional plans concerning 1,000 positions have been announced since March 2004, including one in Switzerland to adapt capacity in Power Turbo-Systems/Environment, as well as other more limited adjustments in various locations.

GT24/GT26

The commercial situation with respect to the 76 GT24/GT26 gas turbines sold a few years ago continues to improve: as of today, 75 units are in commercial operation and 1 is in commissioning. These units have accumulated over 1'100'000 hours at a high reliability level. Today, we have concluded commercial settlements for 65 units, of which 50 are unconditional (as compared to 42 unconditional at March 2004).

The risks related to this GT24/GT26 issue have been further reduced. The corresponding cash outflow is down to €206 million in the first half of fiscal year 2004/05, a better than anticipated level and significantly below the €394 million spent during the same period of last year.

As customer confidence increases with these positive developments, we have been selected for a new turnkey combined cycle project with associated long term maintenance agreement including 4 GT26 in Thailand ; we expect to book the corresponding order in the coming weeks.

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Outlook

On a comparable basis, orders for fiscal year 2004/05 should exceed the level of fiscal year 2003/04, while sales should be down by approximately 5% as compared to fiscal year 2003/04. Based on the encouraging performance of the first half 2004/05, we reiterate our forecast for the full year 2004/05 of an operating margin between 3.5% and 4% and a free cash flow at approximately €(400) million.

We confirm our previously announced objectives for March 2006 to reach a 6 % operating margin and a positive free cash flow.

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A full copy of the MD&A document is available on ALSTOM's website, together with a full set of accounts and notes (www.alstom.com).

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Forward-Looking Statements

This press release contains, and other written or oral reports and communications of ALSTOM may from time to time contain, forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Examples of such forward-looking statements include, but are not limited to (i) projections or expectations of sales, orders received, income, operating margins, dividends, provisions, cash flow, debt or other financial items or ratios, (ii) statements of plans, objectives or goals of ALSTOM or its management, (iii) statements of future product or economic performance, and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "aims", "plans", "are confident" and "will" and similar expressions are intended to identify forward looking statements but are not exclusive means of identifying such statements. By their very nature, forward-looking statements involve risks and uncertainties that the forecasts, projections and other forward-looking statements will not be achieved. Such statements are based on management's current plans and expectations and are subject to a number of important factors that could cause actual results to differ materially from the plans, objectives and expectations expressed in such forward-looking statements. These factors include: (i) the inherent difficulty of forecasting future market conditions, level of infrastructure spending, GDP growth generally, interest rates and exchange rates; (ii) the effects of, and changes in, laws, regulations, governmental policy, taxation or accounting standards or practices; (iii) the effects of currency exchange rate movements; (iv) the effects of competition in the product markets and geographic areas in which ALSTOM operates; (v) the ability to increase market share, control costs and enhance cash generation while maintaining high quality products and services; (vi) the timely development of new products and services; (vii)the results of ALSTOM's restructuring and cost reduction programmes; (viii) continued validity of ALSTOM's new Bonding Facility to obtain bonds in amounts that are sufficient to meet the needs of our business; (ix) the timing of and ability to meet the cash generation and other initiatives of the new action plan; (x) the results of the investigations by the United States Securities and Exchange Commission's ("SEC") and the French Autorité des Marchés Financiers ("AMF"); (xi) the outcome of the putative class action lawsuit filed against ALSTOM and certain of its current and former officers; (; (xii) our ability to improve operating margins in a timely manner and to progressively increase the after-sales service and maintenance in our businesses (xiii) the availability of external sources of financing on commercially reasonable terms; (xiv) the inherent technical complexity of many of ALSTOM's products and technologies and our ability to resolve effectively, on time, and at reasonable cost technical problems, infrastructure constraints or regulatory issues that inevitably arise, including in particular the problems encountered with the GT24/GT26 gas turbines and the UK trains; (xv) risks inherent in large contracts and/or significant fixed price contracts that comprise a substantial portion of ALSTOM's business including in contract execution; (xvi) the inherent difficulty in estimating future charter or sale prices of any cruise ship in any appraisal of ALSTOM's exposure in respect of Renaissance Cruises and ships that have been seized from Festival; (xvii) the inherent difficulty in estimating ALSTOM's vendor financing risks and other credit risks, which may notably be affected by customers' payment default; (xviii) ALSTOM's ability to invest successfully in, and compete at the leading edge of, technology developments across all of its sectors; (xix) the availability of adequate cash flow from operations or other sources of liquidity to achieve management's objectives or goals, including our goal of reducing indebtedness; (xx) whether certain of ALSTOM's markets, particularly the Power Turbo-Systems/Environment Sector, recover from their currently depressed state; (xxi) the impact on customer confidence of ALSTOM's recent financial difficulties, and its ability to re-establish this confidence; (xxii) the effects of acquisitions and disposals generally and the outcome of claims related to ALSTOM's disposals; (xxiii) the unusual level of uncertainty at this time regarding the world economy in general; and (xxiv) ALSTOM's success in adjusting to and managing the foregoing risks.

The foregoing list is not exhaustive; when relying on forward-looking statements to make decisions with respect to ALSTOM, you should carefully consider the foregoing factors and other uncertainties and events, as well as other factors described in other documents ALSTOM files or submits from time to time with the SEC and/or the AMF, including our Annual Report for the fiscal year ended 31 March 2004. Forward-looking statements speak only as of the date on which they are made, and ALSTOM undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.