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Environment

During the last six months, economic slowdown in Europe has followed the slowdown in the USA, the US Dollar has decreased by 9% against the Euro, and the stock market has fallen accompanied by a dramatic increase in volatility.

During this period, the market remained very buoyant for Transport. Markets were sustained for Transmission and for the Service and Environment Segments of Power. They were less favourable than in the same period of last fiscal year for the Gas and Steam Segments of Power, for Distribution and also for Marine.

Restore Value

After six months, we have achieved significant progress in implementing our strategic plan, "Restore Value".

Restoring operating margin

Restore Value target is an operating margin of 6% in March 2005.

Operating margin is defined as operating income divided by sales.

For the first half of fiscal year 2003, the operating margin was 5.0%. On a comparable basis (same business composition and same foreign exchange rates as at 30 September 2002, see Key Performance Indicators on pages 6-7 for more details), operating margin was 4.5% and 3.5% for the first and the second halves of fiscal year 2002 respectively.

1 Variation of the average rate.

This improvement in operating margin resulted from the phasing out of certain contracts with negative margins during fiscal year 2002, from the improvement in operational performance and from the reduction of administrative and selling expenses. On a comparable basis, these costs were lower by 52 million and by 101 million against the first and second halves of fiscal year 2002 respectively.

We are on track to achieve the Restore Value target of an operating margin of 6% in March 2005. Our order backlog shows an improvement in our business mix, with an increase in higher-growth and higher-margin activities. We are also on track to reduce overheads by 250 million per year by March 2005.

On a comparable basis, all Sectors showed an improvement in operating margin against those of the second half of fiscal year 2002 and are in line with the internal targets established to meet the March 2005 Restore Value targets.

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Marine's current and March 2005 target margins are affected by the phasing-out of government subsidies but through our Restore Value cost reduction programme we are on track to reach a 5% operating margin by March 2006.

Restoring a positive cash flow

Restore Value target is to generate a total free cash flow from operations of 1.3 billion by March 2005.

Free cash flow from operations is defined as net cash provided by operating activities less capital expenditure and net of proceeds from minor disposals of property, plant and equipment.

The Restore Value target includes:

- o a forecast cash outflow of 840 million by March 2005 related to the GT24/26 gas turbines issue (total of 1,440 million of provisions and accrued contract costs, net of 600 million of cash to be received from our customers), and
- o an exceptional cash outflow on three contracts in Power and one contract in Transport, which had benefited from exceptional down payments of 200 million.

Net cash provided by operating activities

Net cash provided by operating activities for the first half of fiscal year 2003 was positive by 83 million, compared with a negative 238 million and 341 million respectively for the first and second halves of fiscal year 2002.

The 83 million included an exceptional cash outflow of 574 million, comprising the provisions and accrued contract costs for the GT24/26 gas turbines of 398 million and a 176 million cash outflow in customers' deposits and advances which finance work in progress on three Power contracts and one Transport contract that had previously benefited from exceptional down payments. There was a reduction of 152 million in securitisation of existing receivables, compared with an increase of 138 million and 2 million respectively for the first and second halves of fiscal year 2002. The underlying free cash flow for the first half of fiscal year 2003 was consequently positive by 809 million.

This improvement is mainly due to continuous action throughout ALSTOM to improve the cash profiles of contracts, reduce working capital requirements and to secure a good level of customer deposits and advances.

Free Cash Flow from operations

Capital expenditure net of proceeds from minor disposals of property, plant and equipment for the first half of fiscal year 2003 was 160 million compared with 236 million and 196 million respectively for the first and second halves of fiscal year 2002.

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Free cash flow from operations for the first half of fiscal year 2003 was negative by 77 million compared with a negative 474 million and negative 537 million respectively for the first and the second halves of fiscal year 2002.

Adjusting for the 726 million exceptional cash outflows described above, underlying free cash flow from operations was positive by 649 million.

Restoring the balance sheet: one-off proceeds

Restore Value target is to generate one-off proceeds of 2.1 billion by March 2003 from real estate sales, non-core disposals and a capital increase.

Of the 2.1 billion of one-off proceeds targeted in March 2002, 667 million has already been achieved with the capital increase (617 million) and the disposal of our activities in South Africa (50 million).

- o As announced in the Restore Value plan, the capital increase by way of a rights issue was completed in July 2002. Despite unfavourable stock market conditions, the issue was oversubscribed.

66.3 million new shares were issued, at a ratio of 4 new shares for every 13 existing shares. The price of each new share, at 9.6, was set on the basis of the average of the 20 preceding closing prices (13.2). Following the subscription period, which ran from 5 June to 17 June, the new shares were listed on 5 July 2002. The net proceeds of the transaction amounted to 617 million.

The capital of the Company was composed of 281 660 523 shares as at 30 September 2002.

- o In the first step in the disposal programme, our South African activities were sold to local empowerment participants and financiers for total proceeds of 50 million. The sale contract was signed with effect from 1 October 2002. Proceeds from the sale were received in October 2002 and are not included in our Consolidated Cash Flow Statement as of 30 September 2002.

Progress has been made on the sale, and sale and leaseback of real estate. We received two offers, which met our cash target but were not on acceptable economic terms. We therefore decided to modify the process into several separate transactions. The sale portfolio has been reduced from 70 sites to 55 sites and new negotiations are in progress. We now expect to realise total proceeds of around 600 million, compared to 750 million estimated for the initial sale portfolio. Of this 600 million, we anticipate receiving 400 million by March 2003.

We have received firm offers for several non-core businesses. Active sales negotiations are underway based on the offers received. We expect the total proceeds from the non-core business disposals to be 1,000 million before the end of March 2003, compared with our initial estimate of 900 million.

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Given the momentum to date, we are in a position to generate one-off proceeds of 2.1 billion by March 2003 as announced in Restore Value.

Restore Balance Sheet: Debt and Gearing Ratio

Restore Value target is to achieve a gearing ratio of 20% by March 2005, with no further securitisation of future receivables.

The gearing ratio is defined as net debt divided by the sum of shareholders' equity and minority interests.

Net Cash Flow

Net cash flow is defined as the total of net cash provided by (used in) operating activities, investing activities and financing activities.

The net cash generated over the six-month period was 394 million, compared with an outflow of 331 million and 100 million respectively for the first and second halves of fiscal year 2002.

Net cash inflow at 30 September 2002 included the successful capital increase of 617 million completed in July 2002, despite the depressed stock market environment. It also included 166 million of net cash expenditure on acquisition of investments, mainly the 49% remaining in ALSTOM Ferroviaria Spa for 154 million.

The net outflow for full fiscal year 2002 included 113 million of net cash expenditure on acquisition of investments and net receipts of 772 million from the sale of investments, principally Contracting (689 million) and GTRM (66 million).

Net debt and gearing ratio

On 30 March 2001, a wholly-owned subsidiary of ALSTOM Holdings issued perpetual, cumulative, non-voting preferred shares for a total amount of 205 million. In July 2002, the capital increase triggered the contractual redemption of the preferred shares at 31 March 2006. We have therefore reclassified this amount as long-term financial debt (See Notes 1(v) and 11 to our Consolidated Financial Statements). This reclassification has no impact on the net cash generated over the period, but has an impact on net debt variation.

The variation in net debt is defined as the total net cash flow, together with the net effect of exchange-rate and other changes (mainly reclassifications).

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Without the exceptional reclassification of preferred shares, but including the effect of exchange-rate variations and other changes, net debt at 30 September 2002 would have decreased by 347 million, and the gearing ratio would have been 75%.

Future receivables increased by 27 million (cash effect of 41 million offset by a reclassification) from 1,735 million in the second half of fiscal year 2002 to 1,762 million in the first half of fiscal year 2003.

Without the reclassification of preferred shares, the total of net debt and future receivables would have decreased by 320 million from 3,799 million in the second half of fiscal year 2002 to 3,479 million in the first half of fiscal year 2003.

With the reclassification of preferred shares, net debt at 30 September 2002 decreased by 142 million. The gearing ratio decreased significantly to 84%. After adjusting for the movements in future receivables and including the reclassification of preferred shares, the total of net debt and future receivables decreased by 115 million from 3,799 million at 31 March 2002 to 3,684 million at 30 September 2002.

Given the continuing improvement in our free cash flow from operations, together with the one-off proceeds to be received in the current year, we are confident of reaching the targeted gearing of 20% in March 2005 and to close the future receivables programmes.

Key performance indicators

Comparable basis

The presentation of our consolidated accounts is impacted by the translation effects of our accounts in Euros following the depreciation of foreign currencies against the Euro. Our real exposure to foreign exchange-rate variations is minimal, as we hedge all the risks related to firm commitments. We have restated the actual figures for the first and second halves of fiscal year 2002 using 30 September 2002 exchange rates for order backlog, orders received, sales and operating income.

Adjustments due to changes in business composition have also been made to order backlog, orders received, sales and operating income for the first and second halves of fiscal year 2002, to provide a basis comparable with the first half of fiscal year 2003.

In summary:

- o The first and second halves of fiscal year 2002 have been restated using September 2002 foreign currency exchange rates.
- o Contributions of activities sold since 30 September 2001 have been excluded from the first and second halves of fiscal year 2002 (mainly GTRM and Contracting).
- o No adjustments have been made to fiscal year 2003 figures.

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Tables are included both on an as reported basis and on a comparable basis.

Key financial figures

The following table sets forth, on a consolidated basis, key financial figures:

On a comparable basis, the order backlog and orders received decreased by 6% in the first half of fiscal year 2003 compared with the first half of fiscal year 2002. The first half of fiscal year 2002 generated a high level of orders received at 11.2 billion, with a number of large individual orders. However, orders received increased by 15% in the first half of fiscal year 2003 compared with the second half of fiscal year 2002, with order backlog and sales both stable.

On an actual basis, the order backlog included 5.8 billion of operation and maintenance contracts in the first half of fiscal year 2003 compared with 5.8 billion in the second half of fiscal year 2002.

Service accounted for 29% of orders received, as compared with 25% and 27% respectively for the first and second halves of fiscal year 2002.

Operating income and operating margin both increased compared with the first and second halves of fiscal year 2002 on a comparable and actual basis. This increase resulted from the improvement of the margins in our order backlog, better control of costs and the first results of the restructuring launched as a part of the Restore Value plan.

Net income after goodwill amortisation was positive at 11 million for the first half of fiscal year 2003, compared with a gain of 92 million for the first half and a loss of 231 million recorded for the second half of fiscal year 2002.

Capital employed remained stable.

Recent developments

There have been no major developments since 30 September 2002.

2. CHANGES IN BUSINESS COMPOSITION AND PRESENTATION OF ACCOUNTS

Change in business composition

We acquired the remaining 49% of ALSTOM Ferroviaria Spa in April 2002 for 154 million. It had already been fully consolidated from 1st October 2000.

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South Africa was disposed of on 30 September 2002. It was de-consolidated with effect from 30 September 2002. This business generated annual sales of 170 million and had 4,000 employees.

Power Conversion was operationally merged into the T&D Sector with effect from 1 April 2002 and is therefore no longer presented as a separate Sector. T&D figures include Power Conversion for the periods presented.

Change in presentation of accounts

The following changes have been made to the presentation of our accounts (please refer to Note 1 of the Consolidated Financial Statements for more details):

- o Amortisation of goodwill is now presented immediately above net income and no longer included in Earnings Before Interest and Tax (EBIT).
- o Future receivables are now presented separately in the balance sheet and no longer included in "Customer deposits and advances".
- o The cost of future securitisation is accounted for in "Net financial income" rather than in "Other income net".
- o Cash effects of securitisation of receivables (both existing and due in the future) are shown separately in the cash flow statement.
- o Deferred tax assets and liabilities are shown net to reflect the effects of tax groupings within the same scope.
- o Preferred shares have been reclassified in long-term financial debt (See Notes 1(v) and 11 of the Consolidated Financial Statements).

Last year's figures have been restated accordingly.

In addition, we now disclose EBIT, Capital Employed and Return on Capital Employed (ROCE) by Sector:

- o EBIT by Sector does not include restructuring costs.
- o Capital employed is defined as the closing position of the total of tangible, intangible and other fixed assets nets (including goodwill), current assets (excluding net amount of securitisation of existing receivables), less provisions for risks and charges and less current liabilities.
- o ROCE is the Return on Capital Employed defined as the annual EBIT divided by Capital Employed. For the first half of fiscal year 2003, we have multiplied the actual EBIT by 2 to calculate this ratio.

3. KEY PERFORMANCE INDICATORS BY SECTOR

Power

Market environment

In Europe, electricity demand continues to grow in Spain and Italy, while Combined Heat & Power installations are being encouraged in Germany through new government incentives. The Middle East continues to be stable on both power and oil & gas activities. Asia also continues to be an important market.

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Customer services and environmental markets are growing world-wide and especially in the USA.

Demand for new gas-fired power plants in the USA has slumped following a dramatic boom over the past three years, which resulted in over-ordering. Many of these gas projects are now being cancelled. This downturn has limited direct implications for ALSTOM as, due to our GT24/26 technical issues, we have not been marketing or selling large gas turbines in the USA for the past two years. New coal-fired power plants are still being ordered in the USA.

In South America, the Brazilian economy has deteriorated reducing the possibility for infrastructure investments in the near future.

Key performance indicators

For Power, the difference between actual and comparable figures is due to exchange-rate variations.

Orders received in the first half of fiscal year 2002 were higher than in the second half, mainly due to four large orders for the Termo Rio Conversion, Perlis, Al Hidd and Seward contracts.

On a comparable basis, orders received for the first half of fiscal year 2003 were 19% higher than the previous six months, but 20% lower than for the same period of the last fiscal year. The increase in orders received over the previous half year reflects the impact of the large Dunkirk gas turbine combined-cycle contract secured in April and the continuing growth in services and environmental control. The decrease in orders received compared with the first half of last year is mainly in gas turbines and related Heat Recovery Steam Generators.

Customer Service finished the first half of fiscal year 2003 ahead of the same period last year in terms of orders received, supported by improved O&M (Operation and Maintenance) business and continuous strong performance in Western European markets and in America.

Orders received in Hydro during the first half of fiscal year 2003 show a decrease against the same period in the previous year, due to a lower proportion of large contract awards.

Orders received for Industrial Turbines decreased in the first half of fiscal year 2003 compared with the same period last year due to the downturn in the US gas and combined-cycle markets.

Orders received for Steam Power Plants remained stable on a comparable basis. Although the turnkey market has been low during these first six months, a number of opportunities exist, but it is difficult to predict the timing of financial close. The retrofit market worldwide has been strong, supported by demand for nuclear power plant life-extension, mainly

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in the USA.

During the first half of fiscal year 2003, Power booked the following major orders:

In the Customer Service Segment

- o The Piratininga operating & maintenance contract for Petrobras in Brazil
- o A power plant refurbishment contract for CS Energy in Australia

In the Steam Segment

- o Turnkey contract for Gaz de France to supply an 800 MW combined-cycle power plant to be built at Dunkirk, France, which includes the delivery of 2 x GT13E2 together with an operation and maintenance contract
- o Steam turbine retrofit order for Dominion Virginia Power in the US consisting of 4 steam turbines (2 x 822 MW & 2 x 944 MW) for a nuclear power plant

In the Boilers & Environment Segment

- o The Santee Cooper contract in the US for a 1 x 642MW sub-critical coal-fired boiler for the South Carolina Public Service Authority

In the Gas Turbine Segment

- o Contract for a combined-cycle power plant for EVN in Vietnam, including 1 x GT13E2 gas turbine (450 MW)
- o The Hormozgan contract in Iran for MAPNA including 6 GT13E2 gas turbines (990MW)
- o 2 x GT13 E2 gas turbines (330 MW) for Naoc JV in Nigeria

On a comparable basis, sales for the first half of fiscal year 2003 were stable for Power compared with the second half of fiscal year 2002, and down by 9% compared with the first half. Lower sales in the Gas Segment were due to the decline in order intake and in the Steam Power Plant Segment due to the phasing of large turnkey project deliveries. Boilers & Environment Segment sales increased, due to higher demand for environmental control and heat recovery systems. Due to a high past order intake, Hydro Segment sales also increased as the order backlog converted into sales. Customer Service Segment sales also increased compared with the first half of fiscal year 2002, while Industrial Turbine sales remained stable.

On a comparable basis, the operating margin of Power at 4.7% increased by 0.4% compared with the same period of fiscal year 2002 and by 0.3% compared with the second half of fiscal year 2002, reflecting the continuing restructuring and overhead reduction benefits and the improved business mix with a higher service component.

Capital employed at 3,529 million for the first half of fiscal year 2003 increased by 18% on an actual basis compared with the first half of fiscal year 2002, mainly resulting from the application of provisions and accrued contract costs for the GT 24/26 of 398 million and the impact of the exceptional cash outflows on contracts over-financed (87 million).

Update on GT 24/26 Gas Turbine Issues

GT24 and GT26 gas turbines, with outputs of 180 MW and 260 MW

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respectively, are the largest of our extensive range of gas turbines. The technology was originally developed by ABB in the mid-1990s, with most sales made prior to the acquisition by ALSTOM. These turbines are based on an advanced design concept. At the start of commercial operation of the second generation, or "B" version turbines, in 1999 and 2000, a number of technical issues were identified.

In response, we set in motion high-priority initiatives to design and implement modifications across the fleet. We also embarked on a comprehensive programme to discuss and resolve any contractual issues with customers. Both technically and commercially these initiatives are proceeding as planned.

We have implemented a variety of technical improvements, which have enabled highly flexible and reliable operation of the fleet. This is confirmed by third-party statistics showing GT24 fleet reliability better than 98% in this calendar year. Operational reliability and flexibility are important competitive advantages for our customers, particularly for those in merchant markets.

Modifications aimed at delivering further enhancements to output and efficiency have already been designed and tested:

- o High Efficiency Compressor - Successful demonstration of 5% electrical output improvement at our full scale test facility in Birr, Switzerland. Components are now being delivered to the first GT24 customer field validation site.
- o High Fogging Inlet System - Successful demonstration of better than 6% electrical output in both the test facility and field validation units. The system can be applied to both existing and new gas turbine installations.
- o Dual Fuel Capability - Successful demonstration in both the test facility and field validation units. The system is now available for commercial application on both existing and new gas turbine installations.

Reduction of design risk and the speed of development and implementation of these programmes have been aided by the technology agreement with Rolls-Royce.

We have now satisfied contract requirements or negotiated commercial settlements on over 70% of the units. We have still to conclude settlements in respect of 22 units (including 7 units which are the subject of litigation). With the increasing number of units gaining final acceptance by owners in the past six months we have been able to accelerate the hand-over of units to our customer service organisation, signifying normalisation of handling for GT24 and GT26 plants.

We have established provisions to cover the anticipated costs of making modifications to the turbines and for the additional expenditure not already covered within contract costs that we expect to incur in reaching settlements with our customers, including the costs of fulfilling contractual conditions. We retained 1,042 million of provisions and accrued contract costs at 30 September 2002 in respect of these turbines compared with 1,440 million at 31 March 2002.

Sales of GT 24/26 gas turbines (430 million) represented approximately 7% of Power's sales during the first half of fiscal year 2003, compared with 14% during the first half of fiscal year 2002. Sales of GT 24/26 gas

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turbines do not contribute to the gross margin, which means that Power's operating margin will mechanically improve with the phasing out of these contracts.

T&D

Market environment

T&D market trends differ: while Transmission is still sound, the Distribution market is more difficult. Geographically, market growth is continuing in fast-developing countries such as China and Eastern Europe, while Western Europe is flat and the USA experiencing a slowdown in deregulation.

Key performance indicators

Orders received in Transmission & Distribution totalled 2,067 million, an increase of 19% on a comparable basis compared with the second half of last year and 5% compared with the first half of last year. High voltage equipment and systems maintained a high activity level, whereas Medium Voltage products were weaker.

Orders remained stable in Europe: the slight decrease in Western Europe was offset by an increase in Eastern Europe, where T&D has expanded its presence. Markets in Central and Southern America as well as Africa / Middle East were dynamic as a result of large Transmission projects. In the USA, activity was flat on a comparable basis: the increase in drive activity offset a decrease in energy management markets, resulting from a slowdown in the deregulation process. Finally, despite continuing growth in China and Singapore, the relative share of Asia has decreased, as a result of the absence of major projects in India.

Major orders received in the first half of fiscal year 2003 include:

- o Refurbishment of substations, implementation of a Telecom network for BCC Sonelgaz in Algeria
- o Substations (extension 200 kV and 500 kV + Turnkey 500 kV) for Transelec in Chile
- o 18 distribution sub-stations for CFE, Mexico's state electricity utility
- o Supply of protection and control products for the National Grid Company in the UK

T&D sales totalled 1,778 million for the first half of fiscal year 2003. On a comparable basis, sales decreased by 10.0% compared with the

second half of fiscal year 2002 and increased by 6.0 % compared with the first half of fiscal year 2002. Lower activity in the first half of the year is due to a smaller number of working days in this period in Europe.

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Growth was particularly strong in the Middle East, as a result of the important transmission project and energy management market contracts signed in Qatar and the United Arab Emirates last year and traded this year.

On a comparable basis, service represented 11.7 % of T&D sales (221 million) for the first half of fiscal year 2003, compared with 10.3% for the first half of fiscal year 2002.

T&D operating income amounted to 110 million, compared with 100 million on a comparable basis in the first half of fiscal year 2002. The operating margin stands at 6.2% as compared with 6.0% in the first half of fiscal year 2002, on a comparable basis.

The increase in margin was the result of strong monitoring of overhead expenditure and reflects the first results of our cost reduction programmes. This has more than offset continuing price pressure. Systems activity improved as a result of tighter risk management, while profits from medium-voltage products were impacted by lower volumes.

EBIT amounted to 94 million, compared with 95 million on an as reported basis in the first half of fiscal year 2002. For the first half of fiscal year 2003, EBIT was mainly impacted by increased pension costs.

Capital employed amounted to 1,028 million for the first half of fiscal year 2003, as compared with 1,158 million for the first half of fiscal year 2002 and 1,044 for the second half of fiscal year 2002.

Transport

Market environment

During the first half of fiscal year 2003, the rail market maintained sustained growth, both in Europe, where the main networks had previously delayed major procurement of rail equipment, and in the USA, especially in urban transportation. Environmental and Safety policies are pushing for more efficient modes of transport, which benefits our signaling and control system activities.

Key performance indicators

Orders received by Transport in the first half of fiscal year 2003 amounted to 3,300 million, a 26% increase compared with the same period of last year, on a comparable basis. Transport won a major contract with the New York Metropolitan Transportation Authority, not yet included in the order backlog. The contract is for the supply of 660 Subway cars (with ALSTOM's part valued at 650 million). An option exists for 1,000 additional cars. The cars will be produced in the USA, Canada and Brazil.

Services, which include maintenance and renovation contracts, represent 14% of the orders received for the first half of fiscal year 2003, as compared with 17% for the first half of fiscal year 2002. In October 2002

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we were awarded a 500 million services contract in Spain which will be booked in the third quarter. Total orders received for maintenance and renovation contracts were 465 million, compared with 552 million in the first half of fiscal year 2002.

The growth in orders received was largely due to the booking of rolling stock contracts, particularly in North and South America.

As a percentage of total orders received, Asia remained stable at 14%, while North America grew to 21% compared with 10% for the same period last year. Europe continues to represent a very significant market with 65% of orders received.

Major orders received in first half of the fiscal year 2003 include:

- o Design and manufacture of 62 new heavy rail subway cars for WMATA in Washington
- o 135 new passenger rail coaches for the expanding New Jersey transit fleet
- o 50 regional trains for Trenitalia
- o 55 regional trains for Sweden for service in the greater Stockholm area
- o 20 Coradia (commuter trains) for traffic in Helsinki, Finland
- o 60 Metro cars for Santiago in Chile
- o Supply and construction of electrical and mechanical elements for a new suburban line between ATHENS and the new airport
- o 8 new tilting trains for Finland
- o Project management and supply of equipment for a new airport railway link between Incheon and Seoul, South Korea.

On a comparable basis, sales for Transport amounted to 2,339 million for the first half of fiscal year 2003, a 35% increase on the first half of fiscal year 2002.

Transport's sales breakdown remains stable: Europe (63%), the Americas (19%) and Asia (16%).

Operating income in the second half of fiscal year 2002 was impacted by the provisions for losses related to the UK regional Train contracts. In the first half of fiscal year 2003, operating margin recovered to the same level as in the first half of fiscal year 2002.

EBIT followed the same trend as operating income. The decrease in EBIT compared with the first half of fiscal year 2002 resulted from a non-recurring capital gain on the disposal of GTRM of 43 million last year.

On an actual basis, capital employed was 759 million for the first half of fiscal year 2003, compared with 1,041 million and 1,155 million respectively for the first and second halves of fiscal year 2002. This is a direct result of increasing customer deposits, in line with orders received.

UK Regional Trains

At the end of March 2002, we reported that difficulties had been encountered on the five contracts for UK Regional Trains received in 1997, following the privatisation of the UK rail industry.

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Measures taken to address the various technical and contractual issues have enabled us to work with the operators and the rail authorities to deliver.

At 30 September 2002, 6 of the 119 trains remain to be delivered compared with 29 at 31 March 2002. These 6 trains will be delivered by the end of the 2002 calendar year.

Marine

Market environment

The passenger cruise liner holiday market has recovered from the aftermath of the 11 September 2001 events. The cruise liner shipbuilding market has been impacted since May 2002 by the decrease of the US dollar exchange rate against the Euro. Cruise operators, whose base currency is USD, reacted by delaying their orders in the hope that the weakness of the US dollar would not last for long. Marine Sector competitors are essentially European and are facing the same environment. The market has also stalled in the last few months, pending the outcome of takeover and merger discussions involving the three major cruise-shipowners, which together account for the bulk of new-build orders. Thanks to our substantial order backlog, we have been able to cope with these market uncertainties, and we have therefore not been forced to make offers for prospective contracts at unacceptable margins. For the same reasons, we have chosen not to extend certain options formerly granted to P&O Princess.

The LNG market is very active but the specialist European and Japanese yards are facing tough competition from Korean shipbuilders on a less than open-market basis. After several attempts to find a compromise, the European Commission recently decided to lodge a claim with the World Trade Organisation for unfair competition.

Naval and other specialist ship markets remained stable.

Key performance indicators

All Marine Units are in France and the scope of the Marine business has not changed since last year. The figures are the same on both a reported and comparable basis.

Orders received by Marine in the first half of fiscal year 2003 amounted to 26 million and included no new construction contracts. Orders received in the first half of fiscal year 2002 were 223 million, comprising French Naval Vessels. The Marine order backlog represents approximately 18 months of sales.

Marine completed and delivered in the first half of fiscal year 2003 two cruise-ships:

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- o "European Stars" to Festival Cruises,
- o "Constellation" to R.C.C.L. for its "Celebrity" brand.

In the first half of fiscal year 2002, Marine delivered two similar cruise-ships to the same owners, plus two high-speed ferries.

In the first half of fiscal year 2003, Marine also progressed with the construction of other cruise ships (mainly Coral Princess, MSC Lirica, Crystal Serenity and the super cruise liner Queen Mary 2) for several shipowners, a surveillance frigate for the Royal Moroccan Navy and a hydrographical and oceanographic vessel for the French Navy.

Operating income amounted to 16 million. Comparison with the previous two periods are not significant, since total lead-time for cruise-ship contracts averages 2.5 years and margins are traded according to construction milestones, the number of which may be quite different from one period to another. Operating margin was higher for the first half of fiscal year 2003 compared with the second half of fiscal year 2002, mainly due to the European Stars cruise-ship.

Capital employed decreased as a result of the financing obtained for the cruise-liner Queen Mary 2 (See Note 13 of the Consolidated Financial Statements).

Others

"Others" comprises all units accounting for Corporate costs, the International Network and the overseas entities in Australia, New Zealand, South Africa (prior to its disposal) and India, that are not reported by Sectors.

All restructuring costs are recorded against the EBIT of Corporate Units and not Sectors' EBIT.

Capital employed in "Others" consists mainly of loans and cash deposits in respect of Marine Vendor Financing, pensions prepaid assets and other long-term deposits (See Note 7 to our Consolidated Financial Statements).

4. GEOGRAPHIC ANALYSIS

We have a permanent industrial or commercial presence in more than 70 countries around the world. The table below sets forth the geographic breakdown of orders received and sales by country of destination for the two halves of fiscal year 2002 and the first half of fiscal year 2003:

For the first half of fiscal year 2003, the geographic breakdown was

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broadly equivalent to the first half of fiscal year 2002.

Europe remains the most important market in terms of orders received, with 49% of the total. On an actual basis, orders received in this region decreased by 13% compared with the first half of fiscal year 2002, due to the decreases in France and Germany resulting from the sale of Contracting, and to the decrease in the United Kingdom, resulting from the sale of GTRM.

Nevertheless, on a comparable basis, orders received in France decreased by 24% due to a 74% decrease in Transport and despite a 571 million increase in Power, and increased in Germany and in the UK due to orders received for Transport.

Approximately 9% of the 32% decrease in orders received in America is due to the devaluation of the dollar against the Euro. The decrease is attributable to Power, but nonetheless North America represented 25% of Power's orders received.

Orders received decreased in Far East Asia and in the Middle East, mainly due to Power.

5. FINANCIAL STATEMENTS

Profit and Loss

For the first half of fiscal year 2003, the EBIT of the Group was as set out in the table below:

Sales

Sales have already been analysed by Sector above. On a comparable basis, overall sales remained stable compared with both the first and second halves of fiscal year 2002.

Cost of sales

Our cost of sales consists primarily of labour, raw materials and

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components, transport and freight, production overheads including depreciation, as well as provisions on contracts.

Gross margin, defined as sales less cost of sales, improved in the first half of fiscal year 2003 on a comparable basis, compared with the second half of fiscal year 2002.

Both on a comparable and actual basis, gross margin increased to 17.3% in the first half of fiscal year 2003.

Operating income

Operating income is measured before taxes, interest income and expense, restructuring costs, goodwill amortisation and other items, which include foreign-exchange gains and losses, gains and losses on sales of assets, pension expense and employee profit sharing.

On a comparable basis, the improvement in the operating margin, 5% compared with 4.5% and 3.5% in the first and second halves respectively of fiscal year 2002, resulted from reduced administrative and selling expenses. On a comparable basis, administrative and selling expenses decreased by 52 million and 101 million compared with the first and second halves of fiscal year 2002. This reduction resulted from synergies, the impact of restructuring and from actions launched to reduce costs under our Quality Focus 6-Sigma Programme.

This gives us confidence that we will achieve our target of a 10% annual reduction in overhead expenses over the next three years, to reach an estimated saving of 250 million per year in March 2005.

Research and Development expenses were substantially the same as for the immediately preceding half-year. They increased from the first half of fiscal year 2002 as we maintain our investment in this field in order to prepare for the future.

Other income/(expenses)

Other income (expenses) net comprise gains or losses on disposal of fixed assets and investments, restructuring expenses, pension costs, employee profit-sharing and others.

The increase in other expenses compared with the first half of fiscal year 2002 results from the exceptional capital gains in the first half of fiscal year 2002 on the disposals of Contracting (106.4 million) and GTRM (43.0 million). No such gain occurred in the first half of fiscal year 2003.

On an actual basis, restructuring costs were 79.6 million, compared with 65.2 million during the first half of fiscal year 2002. The

early benefits of these restructuring costs are shown in the improvement in the operating margin. As part of the Restore Value plan, we intend to spend 200 million per year in restructuring.

On an actual basis, pension costs were 96.9 million, compared with 74.2 million during the first half of fiscal year 2002. This increase was primarily due to the exceptional impact of the disposal of Contracting in July 2001 and to an increase in the amortisation of the unrecognised

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actuarial difference between pensions obligations and the fair market value of the assets following the fall in the global stock market.

We do not expect an increase in the amortisation of unrecognised difference between pensions obligations and fair market value of the assets for the second half of fiscal year 2003. If in March 2003 the fair market value of the assets remains the same as in March 2002, i.e. shows an increase of 20% on the market value in September 2002, amortisation will remain stable for fiscal year 2004. If the March 2003 fair market value of the assets is the same as in September 2002, the amortisation cost could be increased by around 40 million for fiscal year 2004.

The effect of pensions on cash will remain stable.

Earnings Before Interest and Tax (EBIT)

EBIT is defined as operating income less other income (expenses) net and the amortisation of other intangible assets. Goodwill amortisation is accounted for below the EBIT line.

EBIT was 322 million for the first half of fiscal year 2003. EBIT for the first half of fiscal year 2002 included exceptional capital gains of 149.4 million as described above. EBIT for the second half of fiscal year 2002, at 19 million, was impacted by exceptional provisions for Marine. Operational profitability improved due to higher operating margins and reduced overheads.

For the first half of fiscal year 2003, the net income of the Group was as set out in the table below:

Financial income/(expenses)

Our financial expenses in the first half of fiscal year 2003 were 128 million, compared with 145 million for the first half and 150 million for the second half of fiscal year 2002.

This improvement was due to a decrease in market interest rates, net gains on exchange-rate variations, partially offset by an increase in securitisation costs and by the reclassification of interest costs on preferred shares (See Notes 1(v) and 3 of the Consolidated Financial Statements).

Income tax

The effective tax rate of 18.4% for the period is principally affected by favourable differences between book and taxable income. In the previous period the rate of 19.1% was principally affected by reduced tax rates on capital gains.

Net income

Net income in the first half of fiscal year 2003 was 11 million, compared with a gain of 92 million in the first half and a loss of 231 million in the second half of fiscal year 2002.

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Balance Sheet

The main elements of our Balance Sheet are:

Variations of Balance Sheet accounts are due to operations and to exchange rate variations.

Goodwill

Goodwill as reported decreased to 4,586 million at 30 September 2002 compared with 4,612 million at 31 March 2002, due to the net effect of the acquisition of Fiat Ferroviaria (157 million) offset by goodwill amortisation (144 million). (See Note 6 of the Consolidated Financial Statements for more details).

Working capital

Working capital (defined as current assets less current liabilities and provisions) at 30 September 2002 was (4,144) million compared with (4,545) million as reported at 31 March 2002. This variation was due to the decrease in provisions, mainly for the GT24/26 turbines, partially offset by tighter working capital management. Changes to working capital are presented in the Consolidated Cash flow Statement.

Net translation effects on working capital were not significant.

Equity

Shareholders' equity at 30 September 2002 was 2,289 million, including minority interests, compared with 1,844 million at 31 March 2002 on a reported basis. The increase was mainly due to:

- o the capital increase (+ 617 million),
- o the result for the period (+ 11 million), and
- o the negative impact of Cumulative Translation Adjustments (CTA), mainly due to the evolution of the Peso and the Pound Sterling against the Euro (- 184 million).

See "Changes in Shareholders' Equity" in the Consolidated Financial Statements.

Accrued pension and retirement obligations

At 30 September 2002, accrued pension and retirement obligation provisions made to cover the difference between obligations in respect of pension benefits due to our employees and the fair market value of the plan assets, were 983.5 million compared with 994.0 million at 31 March 2002. The pre-paid pension assets classified in other fixed assets were 451.8 million at 30 September 2002 compared with 469.3 million at 31 March 2002.

As a result, the net accrued pension obligations were 532 million for the first half of fiscal year 2003. They were 525 million in the second half

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of fiscal year 2002. They are a very long-term liability.

The net amounts in the balance sheet relating to pension assets and liabilities were the following:

(See Note 10 of the Consolidated Financial Statements).

Provisions

At 30 September 2002, the provisions for risks and charges were 3,197 million compared with 3,849 million at 31 March 2002.

This net decrease is accounted for by the following movements:

- o decrease of 295 million in GT24/26 provisions (and by 103 million of accrued contract costs)
- o decrease of 79 million in other provisions, mainly restructuring
- o increase of 57 million in other movements on provisions on contracts
- o decrease of 118 million in foreign currency translation effects, change in scope and other changes.

Debt

Net Debt

We define net debt as financial debt less short-term investments, cash and cash equivalents.

Net debt was 1,922 million at 30 September 2002, compared with 2,064 million at 31 March 2002. Without the reclassification of preferred shares, the net figure would have decreased to 1,717 million at 30 September 2002 as compared with 2,064 million at 31 March 2002.

(See Note 11 of the Consolidated Financial Statements for further analysis on nature and maturity).

Securitisation of future receivables

In order to finance working capital and to mitigate cash negative profiles of some contracts, we sell to third parties the future receivables due from our customers. This action has had the additional benefit of reducing the ALSTOM exposure to its customers and applies to Marine and Transport.

The total securitisation of future receivables at 30 September 2002 was 1,762 million compared with 1,735 million at 31 March 2002. The objective of Restore Value is to reimburse all securitisation of future receivables by March 2005. The slight increase in September 2002 does not mean a change in this policy.

Marine: At 30 September 2002 the amount of future receivables securitised in Marine was 879 million compared with 1,072 million at 31 March 2002. The decrease represents the net effect of the reimbursement of an existing contract partially offset by the signature of a new contract.

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Recourse against us for these future receivables is capped at 250 million, comprising up to 82 million in respect of a customer's order for one cruise-ship, and 168 million in respect of two cruise-ships to a second customer.

Transport: At 30 September 2002 there were 883 million of future receivables securitised compared with 663 million at 31 March 2002. The increase is a net effect of the reimbursement of existing contracts and the signature of new contracts. There is no recourse against ALSTOM under these securitisations, assuming that we perform our contractual obligations in the ordinary course of business.

The total of net debt and securitised future receivables was 3,684 million compared with 3,799 million at 31 March 2002 on a reported basis, representing a reduction of 115 million. Currency movements increased this total by 67 million, and the reclassification of preferred shares by 205 million. Without these effects, the total of net debt and future receivables would have reduced by 387 million.

Cash flow

Cash Flow statement

Net cash provided by operating activities

Net cash provided by operating activities, for the first half of fiscal year 2003, derived from the net profit of 11 million. Adjustments with no cash effect (depreciation and amortisation, pensions costs) amounted to 397 million. Changes in working capital generated a net cash outflow of 325 million.

The principal movements in working capital were due to:

- o An increase of 435 million in customer deposits and advances in Transport and Marine (Queen Mary 2), partially offset by the impact of the exceptional cash outflows on over-financed Power and Transport contracts (176 million). This increase was a consequence of our policy to negotiate positive contract cash profiles and of the high level of orders received in Transport.

- o A decrease of 111 million in inventories and trade receivables.

- o A decrease of 420 million in contract-related provisions and accrued contract costs due to the application of provisions and accrued contract costs, in particular 398 million relating to the GT24/26 gas turbines.

- o A decrease of 152 million in existing receivables, essentially in Transport.

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Net cash provided by investing activities

Cash used for acquisitions, net of cash acquired, was 166 million for the first half of fiscal year 2003, including 154 million due to the acquisition of the remaining 49% of ALSTOM Ferroviaria Spa in April 2002.

Capital expenditures net of proceeds were 160 million for the first half of fiscal year 2003. Our capital expenditures relate principally to acquisitions of machinery, equipment, tools and fixtures for maintaining our manufacturing base.

Net cash provided by financing activities

Cash Flow from financing activities for the first half of fiscal year 2003 was 658 million, due to the capital increase of 617 million and an increase in securitisation of future receivables of 41 million.

Liquidity and maturity

As at 30 September 2002, we have total gross outstanding financial debt of 4,312 million. Net debt was 1,922 million after netting 2,390 million of available cash and cash equivalents and short-term investment.

Liquidity

Total liquidity was 3,210 million at 30 September 2002, compared with 3,896 million at 31 March 2002. This total liquidity represents the cash available in the Company together with available unused credit lines.

Liquidity is comprised of:

- o Liquidity at parent company level, which amounted to 1,628 million at 30 September 2002, compared with 1,827 million at 31 March 2002.

- o Liquidity at subsidiary level, which amounted to 1,582 million at 30 September 2002, compared with 2,069 at 31 March 2002. The parent company has access to cash in subsidiaries as they are fully-owned, although local constraints can delay this access. Our policy is to centralise liquidity of subsidiaries at parent company level; this is underway.

Maturity

The maturities of the committed funds available to the Company are as follows:

	Level	Sept. 02	Dec. 02	March 03	June 03	Sept. 03
Preferred share	Parent C.	205	205	205	205	205
Bonds	Parent C.	1,200	1,200	1,200	1,200	1,200
Committed bilaterals	Parent C.	758	758	358	283	283
Syndicated central	Parent C.	2,226	2,226	2,226	2,226	1,972
Local facilities in subsidiaries	Subsidiaries	75	75	75	75	75

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Committed end of period		4,464	4,464	4,064	3,989	3,735
Local facilities in subsidiaries	Subsidiaries	441	0	0	0	0
(1) Commercial paper (2)	Parent C.	227	0	0	0	0
<hr style="border-top: 1px dashed black;"/>						
Uncommitted, end of period		668	0	0	0	0
<hr style="border-top: 1px dashed black;"/>						
Total		5,132	4,464	4,064	3,989	3,735

(1) Numerous credit lines, of variable maturity, considered as non committed and short term by prudence at central level

(2) Roll over

None of the facilities (except commercial paper, which is rolled over, and local overdrafts, which are also rolled over) mature before 31 March 2003. At 31 March 2003, we will have to reimburse 400 million. In fiscal year 2004, we will have to reimburse 804 million, of which 254 million is due by September 2003 and 550 million by March 2004.

6. VENDOR FINANCING

In some instances, we have provided certain financial assistance to institutions which finance some of our customers and also, in some cases, directly to our customers for their purchases of our products. We refer to this financial assistance as "vendor financing".

We have decided that we will not make commitments to provide additional vendor financing guarantees to our customers.

Vendor financing totalled 1,381 million at 30 September 2002 compared with 1,493 million at 31 March 2002. The decrease is due to exchange-rate translation effects.

The table below provides a breakdown of the outstanding vendor financing (total of on and off balance sheet) by Sector at 30 September 2002, 31 March 2002 and 30 September 2001 (See Note 16 of the Consolidated Financial Statements for more details on this table and split between on and off balance sheet exposure):

Marine

In the period from fiscal years 1997 to 1999, we granted financial assistance in support of the recovery plan for the Marine Sector, in order to obtain several repeat orders for cruise-ships and to increase the productivity of the shipyard. We provided guarantees to financial institutions relating to indebtedness incurred by certain purchasers of our cruise-ships and high-speed ferries.

At 30 September 2002, the outstanding guarantees related to a total of fourteen ships, which comprise six cruise-ships delivered to Renaissance Cruises, six cruise-ships for three other customers, and two high-speed ferries for one customer. In addition, two other cruise-ships were supplied to Renaissance Cruises without such guarantees.

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Following the bankruptcy of Renaissance, the restructuring of the financing of the six cruise-ships was completed in fiscal year 2002 by the financial institutions, and our guarantees were accordingly modified. We have agreed to help the owners of the eight Renaissance cruise-ships to re-market the cruise-ships. Four of them have since been re-chartered and/or sold. The re-marketing of the four remaining ships is under negotiation, and progress is being achieved on a number of them.

Our overall exposure to Renaissance vendor financing, which was 684 million at 30 September 2001, was reduced to 432 million at 31 March 2002. It was reduced further to 387 million at 30 September 2002, mainly as result of the decrease of the US Dollar in which most of our guarantees are expressed.

In addition to our Renaissance "vendor financing exposure", our other outstanding Marine "vendor financing" guarantees amount to 588 million, relating to six cruise-ships and two high-speed ferries for four customers. Consequently, our total "vendor financing" exposure in relation to Marine amounts to 975 million at 30 September 2002 compared with 1,044 million at 31 March 2002.

There is no other vendor financing arrangement or commitment relating to any contract in Marine's order backlog.

The 144 million provision made available at 31 March 2002 to cover risks associated with the Marine "vendor financing" has been slightly decreased to 140 million at 30 September 2002.

Transport

Transport has entered into certain vendor financing arrangements to support a small proportion of their sales. Such arrangements are tailored to the specific requirements of each transaction. In every case, the potential exposure is capped as to time and as to amount, as shown in the table above.

7. CONTRACT GUARANTEES

Financial institutions such as banks or insurance companies provide to our customers guarantees during the execution of our contracts (guarantees for bidding, guarantees on deposits, guarantees on cost, performance, etc...). This is normal practice in our markets and in other similar industries. For ALSTOM, the risk is in the execution of the contract, and during its execution, ALSTOM puts aside any necessary provisions to cover any liabilities that arise. The existence of these external guarantees does not increase ALSTOM's risk.

If ALSTOM were to fail to meet its contractual obligations and if the customer cannot negotiate a solution with ALSTOM, he has the right to call the external guarantee. In this very rare case, ALSTOM repays the bank and continues to negotiate with the customer or initiates arbitration or legal proceedings under the contract to resolve the dispute.

Such external guarantees are disclosed under French GAAP, but not under German, UK and US GAAP, probably because they are not regarded as an incremental risk for the company.

Such external guarantees were 10,289 million at 30 September 2002 compared with 11,535 million at 31 March 2002 and 10,825 million in 30 September 2001.

We have observed a general contraction of the market for such guarantees as some banks and insurance companies are reducing their capacity in this activity. We

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have observed that this contraction has the effect of reducing our customers' expectations, which explains the reduction in guarantees at a time when orders received are growing. We are also examining with our core bankers the means to ensure that alternative bonding capacity is available for our business requirements.

8. EMPLOYEES

As at 30 September 2002, we employed 112,207 people world-wide (full-time equivalent), compared with 118,995 people as at 31 March 2002.

9. ASBESTOS

The Company believes it has no material liability in respect of current asbestos personal injury cases. (See Notes 6 and 17 of the Consolidated Financial Statements).

In France such liabilities are covered by the social security and publicly funded systems. In the USA, the businesses purchased from ABB are covered by an ABB indemnity. For our other US businesses, we believe our current liability is not material and we consider we have good defences to the cases filed against us. We have made no compensation payments.

It has been our policy for many years to abandon definitively the use of products containing asbestos by all of our operating units world-wide and to promote the application of this principle to all our suppliers, including in those countries where the use of asbestos is permitted. In the past we have used and sold some products containing asbestos, particularly in France in our Marine Sector and to a lesser extent in our other Sectors. As a result, we are currently subject to approximately 1,300 asbestos-related cases in France from employees, former employees or third parties. We believe, based in part on a number of court decisions, that compensation for such cases, including cases where we may be found to be at fault, is or will be borne by the general French social security (medical) funds and by the publicly-funded Indemnification Fund for Asbestos Victims.

As of 31 October 2002, we were subject to approximately 100 asbestos-related personal injury lawsuits in the United States which have their origin in the Company's purchase of ABB's power generation business, for which we are indemnified by ABB (See Notes 6 and 17 of the Consolidated Financial Statements). ABB recently announced that it was in advanced discussions concerning a possible pre-packaged settlement of the asbestos liabilities of Combustion Engineering Inc. In view of ABB's indemnity to ALSTOM, we believe that for any such settlement to be successful for ABB, it must also encompass ALSTOM in relation to power assets purchased from ABB by ALSTOM.

As of 31 October 2002, we were also subject to approximately 60 other asbestos-related personal injury lawsuits in the United States involving approximately 6,500 claimants that, in whole or in part, assert claims against the Company which are not based on the Company's purchase of ABB's power generation business. These lawsuits are currently being litigated, most of which are in the preliminary stages of the litigation process. All such lawsuits involve multiple defendants. The allegations in these lawsuits often are very general and difficult to evaluate at preliminary stages in the litigation process. In those cases where meaningful evaluation is practicable, the Company believes that it has valid defences and with respect to a number of lawsuits, the Company is asserting rights to indemnification against a third party. Approximately 5,800 of these claims are asserted in two very recently filed cases in Mississippi where the Company is one of over 200 defendants and where

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the Company asserts such indemnification rights. The Company has not in recent years suffered any adverse judgement, or made any settlement payment, in respect of any US personal injury asbestos claim.

The Company believes that the existing asbestos-related cases described above will not have a material adverse impact on its financial condition.

10. ACCOUNTS OF THE PARENT COMPANY, ALSTOM

ALSTOM, the parent company, has no industrial or commercial activity and, consequently its revenue includes mainly fees invoiced to its subsidiaries for the use of the ALSTOM name, dividends and other financial income.

Income amounted to 74 million for the first half of fiscal year 2003 and 66 million for the first half of fiscal year 2002.

11. OUTLOOK

The resilience of our first-half performance, in a challenging economic environment, is underlined by the 15% growth in our order intake. As a result, we expect orders received and sales for the full year to be broadly in line with those of last year. The positive dynamics of the transport, power retrofit, customer service and transmission markets should offset less favourable gas turbine, power plant, distribution and marine markets.

Improved profitability was delivered across all our Sectors in the first half and reflects not only the improved margins in our order intake, as our business mix improves, but also the benefits that are beginning to flow from restructuring and overhead reduction. This gives us confidence in delivering a margin close to 5% in March 2003 and puts us well on track to achieving 6% by March 2005.

Despite a generally much more difficult economic environment, we remain confident of achieving the key objectives outlined in the Restore Value plan.

* * *

Forward-Looking Statements:

This Management Report 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, income, operating margins, dividends, provisions, cash flow, debt or other financial items or ratios, (ii) statements of plans, objectives or goals of ALSTOM or its management, (iii) statements of future product or economic performance, and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "aims," "plans" and "will" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent 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.

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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 competition in the product markets and geographic areas in which ALSTOM operates; (iv) the ability to increase market share and control costs while maintaining high quality products and services; (v) the timely development of new products and services; (vi) the inherent technical complexity of many of ALSTOM's products and technologies and the ability to resolve effectively and at reasonable cost technical problems that inevitably arise, including in particular the problems encountered with the GT24/26 gas turbines; (vii) risks inherent in large contracts that comprise a substantial portion of ALSTOM's business; (viii) the effects of acquisitions and disposals; (ix) the ability to invest in successfully, and compete at the leading edge of, technology developments across all of ALSTOM's Sectors; (x) 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; (xi) timing of completion of the actions focused on cash generation contemplated in ALSTOM's "Restore Value" programme; (xii) the inherent difficulty in estimating future charter or sale prices of any relevant cruise-ship in any appraisal of the exposure in respect of the Renaissance matter; (xiii) the inherent difficulty in estimating ALSTOM's exposure to vendor financing which may notably be affected by customers' payment default; (xiv) the unusual level of uncertainty at this time regarding the world economy in general; and (xv) ALSTOM's success at adjusting to and managing the risks of the foregoing. ALSTOM cautions that the foregoing list of important factors is not exhaustive; when relying on forward-looking statements to make decisions with respect to ALSTOM, investors and others should carefully consider the foregoing factors and other uncertainties and events, as well as other factors described in other documents ALSTOM files from time to time with the Commission des Opérations de Bourse and with the Securities and Exchange Commission, including reports on Form 6-K. 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.