

Letter

NOVEMBER 2005

to shareholders

Improved first half results 2005/06*

- **March 06 targets achieved** 6 months ahead of schedule:
 - **Income from operations** more than doubled, leading to an operating margin of 5% (ahead of year-end 2005/06 target)
 - **Net income positive** at €136 million
 - **Free cash flow positive** at €115 million
- **Sound level of orders** at €7.5 billion
- **Higher sales**, up 12% from first half 2004/05 (on a comparable basis)

*Expressed for the first time under IFRS (International Financial Reporting Standards).



Dear shareholders,



Our results for the first half of fiscal year 2005/06 are satisfactory, as they clearly demonstrate that ALSTOM is now reaching its final stage of recovery: our March 2006 targets, announced in March 2003 when we launched our action plan, had already been achieved at the end of September 2005, i.e. 6 months ahead of schedule. Operating margin reached 5%; factoring in IFRS accounting changes (difference of -1.3% between IFRS and French GAAP), this level of 5% is ahead of the 6% operating margin target set for year-end 2005/06, which was stated previously in French GAAP. After 5 consecutive semesters of losses, net income was positive at €136 million, as a result of better operational performance and lower restructuring and financial expenses. Free cash flow was also positive.

ALSTOM has also further reinforced its commercial and financial visibility during the period. On the commercial side, our order intake stood at a sound level of €7.5 billion at the end of September 2005, with an increase in both Power and Transport Sectors. Since October, a number of gas power plant projects including 6 gas turbines have been awarded in Italy, Germany and Argentina. In Transport, we received a large order for an automatic metro line in Paris. Finally, in Marine, the letter of intent signed in June 2005 for 2 cruise-ships, has recently come into force with the booking of the order worth over €1 billion.

In terms of finances, ALSTOM's balance sheet has strengthened over the period. Successful negotiations have been completed for a new bonding programme with 18 banks for a syndicated amount of

€9.3 billion, which should allow the Group to cover its needs until July 2008. Lastly, ALSTOM has made considerable progress in its disposals programme: all the activities which had been identified for disposal, as part of the commitments taken with the European Commission, are now either sold or in their closing phase.

Based upon the good progress of our action plans and the positive results of the first half year, we can confirm that the Group is expected to meet or exceed the targets previously set for the full year 2005/06: operating margin should be at least at 5%, net income should exceed €250 million and free cash flow should be positive.

Beyond the current fiscal year, ALSTOM should be in a position to enter a new phase of profitable growth. We aim to further improve our operational performance, targeting a 6% to 7% operating margin in March 2008 which should lead, combined with a strict management of our working capital, to a substantial increase of our free cash flow and thus to a further reduction of our debt.

I wish to thank you for your patience and your support throughout the difficulties of the past few years. I am now convinced that they will be rewarded as the Group fulfills its recovery and enters this new phase of development.

Patrick Kron
Chairman & CEO

ALSTOM

COMMERCIAL NEWS POWER

Electrical equipment in India

ALSTOM is to supply hydroelectric equipment for the Subansiri Hydro Power project in Assam, India. At 2,000 MW, this €265 million turnkey project is the biggest hydroelectric project ever undertaken in the country.

GT13 E2 Turbines in Australia

ALSTOM has won a €130 million contract for the turnkey supply of an open-cycle power plant in Australia. The 450 MW plant will use 3 GT13 E2 turbines.

Conventional island for the Ling Ao nuclear power station in China

ALSTOM and Dongfang Electric Group Corporation are to supply 2 1,000 MW Arabelle steam turbine and generator packages for phase II of construction at Ling Ao nuclear power station in the Chinese province of Guangdong. ALSTOM's share in the project is worth €80 million.

GT26 order in Italy

ENERGIA SPA has entrusted ALSTOM with a €350 million contract for the turnkey construction of, and maintenance services for, an 800 MW combined cycle power plant in southern Italy. This project includes 2 GT26 gas turbines.

GT26 order in Germany

RWE POWER AG has awarded to ALSTOM the order for the permitting engineering, as a first part of a turnkey project of a 850 MW gas fired combined cycle power plant at Lingen, Germany. An optional second part of the contract covers the supply and erection of the plant as well as a twelve year service agreement.

First half results already at year-end 2005/06 targets

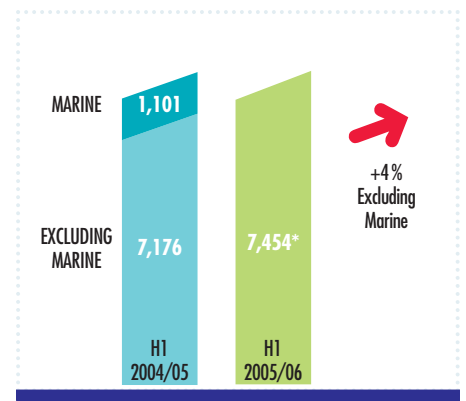
Nota: Orders, sales and income from operations are presented on a comparable basis (same scope and exchange rates).



ORDERS RECEIVED

(in € million)

Order intake stood at €7.5 billion or a 10% decrease versus last year. However, excluding the Marine Sector, which recorded an order for 2 cruise-ships last year during the first half, orders increased by 4%.

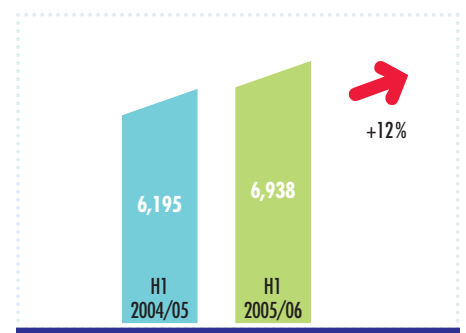


*order of over €1 billion to be booked in H2 2005/06 for Marine.

SALES

(in € million)

Sales at €6.9 billion were up 12%, reflecting last year's rebound of orders particularly in the Power Turbo-Systems/Power Environment Sector (up 33%).





COMMERCIAL NEWS TRANSPORT

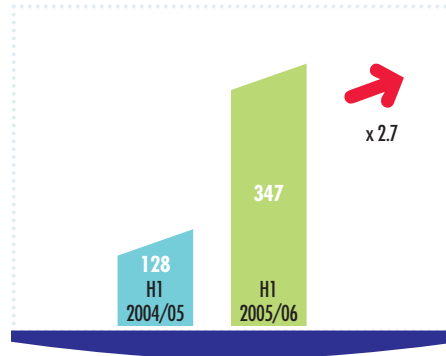
Delivery of the first tramset for the Paris tramline

On the 12th October in Paris, the first tramset from the Maréchaux tramway completed an initial test run across grass-covered tracks.

INCOME FROM OPERATIONS

(in € million)

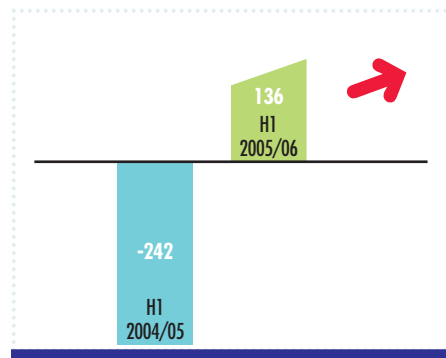
Income from operations has more than doubled, representing a 5% operating margin, which is ahead of the 6% target, stated previously in French GAAP (the difference between IFRS and French GAAP representing -1.3%). A strong improvement has been recorded in all Sectors, reflecting the combined effects of a higher level of sales, a more competitive cost base and an improvement in project execution.



NET INCOME

(in € million)

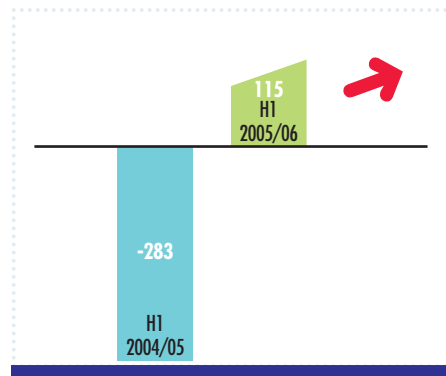
A net profit has been registered following 5 consecutive loss-making semesters. It derives from the higher operational performance and lower financial and restructuring costs.



FREE CASH FLOW

(in € million)

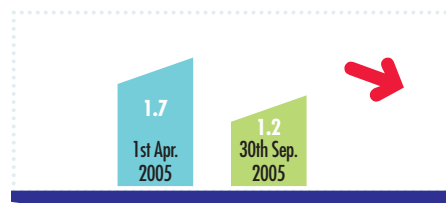
In spite of the negative impact of Marine's working capital, the free cash flow is significantly improved compared to last year.



NET DEBT

(in € billion)

This positive free cash flow combined with the proceeds from disposals have contributed to a new decrease in net debt.



Double-deck cars and Duplex TGV trains in France

The SNCF has ordered 66 ALSTOM double-deck cars for regional express trains. The €130 million follow-on order corresponds to an option in a contract signed in 2000 for 629 cars.

The SNCF has also placed two orders worth a total of €550 million with ALSTOM for the supply of 28 TGV duplex trainsets and 8 TGV power cars for the TGV Est network.

Caracas metro

FRAMECA, an ALSTOM led consortium, has been awarded a turnkey contract worth €204 million for the Caracas metro in Venezuela. ALSTOM's share in this project is about €90 million.

Santiago metro

As part of the extension programme for line 2 of the Santiago metro in Chile, ALSTOM has won a contract worth a total of €110 million.



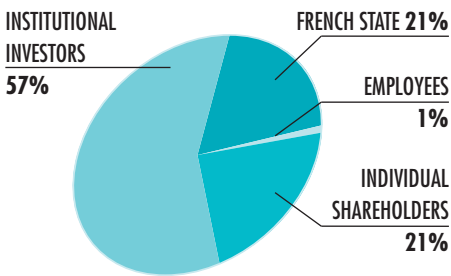
SHAREHOLDING

Update on shareholder structure

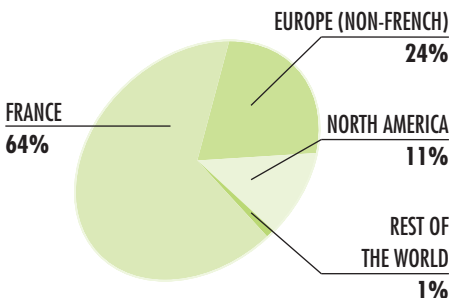
Having completed a shareholder survey in June 2005, we are now able to provide you with a broad structure of ALSTOM shareholders.

The following graphs represent the distribution of our shareholders by category and by geographical area.

BY SHAREHOLDER CATEGORY



BY GEOGRAPHICAL AREA



Tour of the La Rochelle site

On the 5th October, over 50 individual shareholders visited the Aytré-La Rochelle Transport site. This guided tour was organised by the Investor Relations team. Following a brief presentation of ALSTOM's situation and of the site's activities, the guests were able to visit the TGV Duplex car and the Citadis tram assembly lines. The participants greatly appreciated the opportunity and were impressed by both the technology employed and the know-how of the employees.



SHAREHOLDER DIARY

Key dates in the 1st semester 2006.

12th JANUARY 2006
Orders and sales for the 3rd quarter of fiscal year 2005/06

6th APRIL 2006
Shareholders' information meeting in Montpellier

17th MAY 2006
Annual results for fiscal year 2005/06

28th JUNE 2006
Annual General Meeting

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SHARE PRICE EVOLUTION SINCE JANUARY 2005

in €

