

ALLSTOM

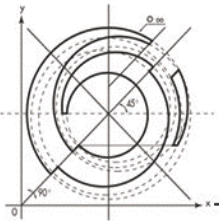
Analyst Day

La Rochelle, March 24, 2005

Transport Sector

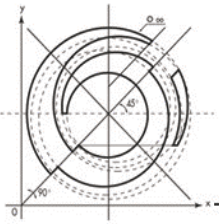
Philippe Mellier

ALSTOM



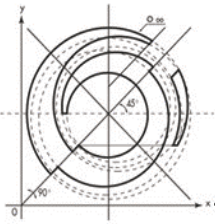
Agenda

- **Market overview**
- ALSTOM in Transport today
- Our Action Plan
- Conclusion



Agenda : Market Overview

- ▶ Market drivers
- ▶ Customers
- ▶ Market trend and Opportunities
- ▶ Products, systems and services
- ▶ Competition



Market drivers



- ▶ Global trend towards urbanisation
- ▶ Road traffic congestion
- ▶ Reduced journey times
- ▶ Environmental concerns

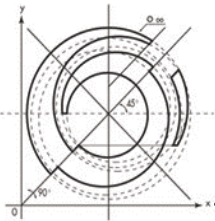


Singapore Metro Network



Singapore North-East Line Metro

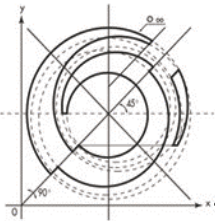




Market drivers

- ▶ Economic growth
- ▶ Internationalisation of traffic
- ▶ Regionalisation of investment decisions (passenger rail)
- ▶ Interoperability for trans-national operations (freight & passenger services in Europe)
- ▶ Freight market in North America: Asset optimisation





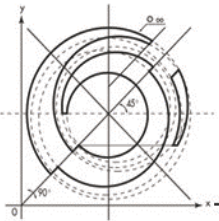
Market drivers

- ▶ Deregulation trend:
 - Outsourcing of maintenance
 - Changing customer profiles
- ▶ Greater safety & security for passengers
- ▶ Reliable & predictable service (passenger & freight)

Metro maintenance for Northern Line - UK



Metro maintenance in Bucharest



- **Mass transit :**

- ▶ **Historic metropolises : NY, London, Paris**

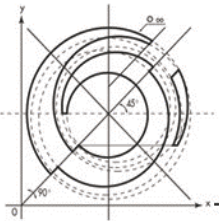
- Imposed designs
 - Huge contracts
 - Urban & Suburban networks

- ▶ **Growing metropolises : Shanghai, Cairo, Sao Paulo**

- Open to standard products
 - Medium to small contracts

- ▶ **Regional centres : Bordeaux, Kassel, Alicante**

- Tramway rather than Metro
 - Transport development with urban renewal
 - Open to outsource operations (new customers)

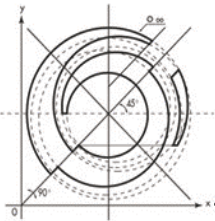


● Mainline Railways :

- ▶ Infrastructure owners : RFF, DB Netz, GIF, RFI
 - Invest to maintain and develop network (track electrification signalling)
 - Charge operators for use

- ▶ Passenger operators :
 - National / International : SNCF, DB, RENFE, TrenItalia
 - Regional
 - Decentralisation of Rolling Stock investment decisions
 - Outsource operations (CONNEX, ARRIVA)

- ▶ Freight operators :
 - Europe : Massive Investment required to compete with road
 - North America : Consolidation of operators / investment for efficiency

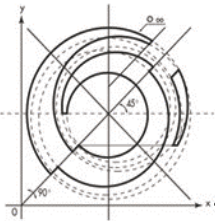


- **Market trend :**

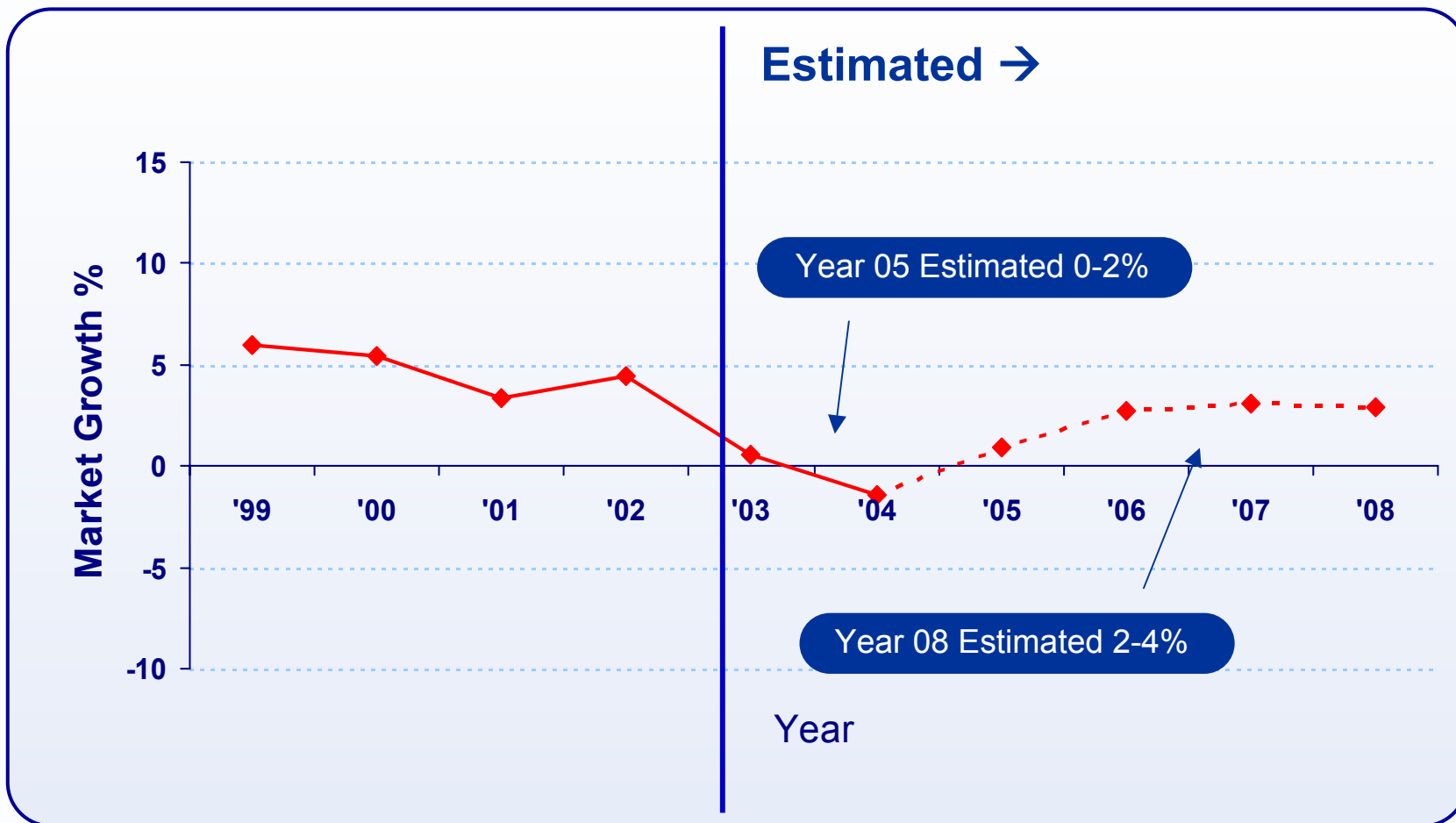
- ▶ Financial turn-down of the industry
- ▶ Market delays: Spain high speed projects, UK re-nationalisation, Eastern Europe....
- ▶ Technical uncertainties for Tram (Siemens), ERTMS (tough competition), ICE (Siemens), ...
- ▶ Limited funding for customers to invest
- ▶ Price pressure: Rotem in Americas, Alcatel in Signaling, Stadler on regional trains
- ▶ Difficulties of Siemens Transport and Bombardier

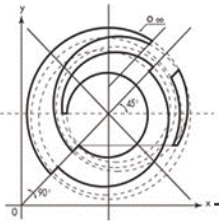
- **Main opportunities :**

- ▶ Asia: +3-5% annual growth
- ▶ Main lines - new corridors in Europe
- ▶ European funding for infrastructure (200 B€ over 15 years)
- ▶ Italy, Spain and France active still



- Growth Rates :

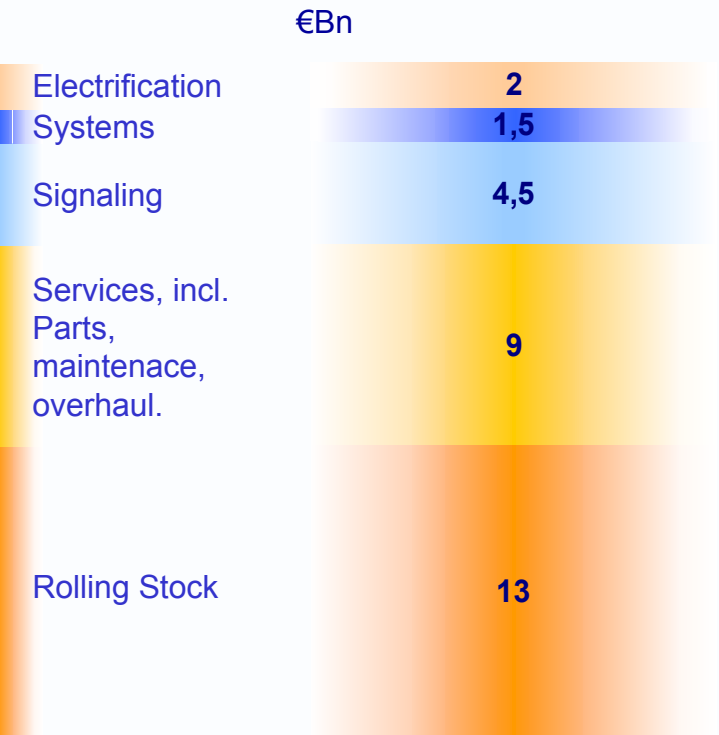




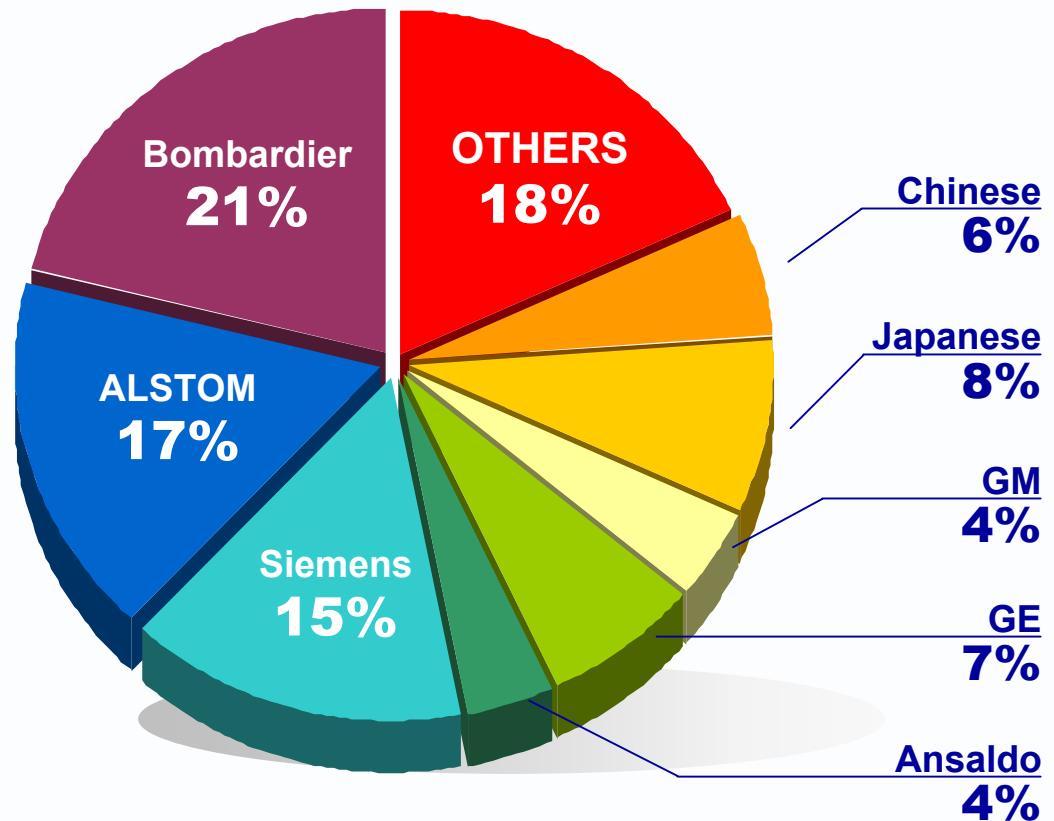
Products, systems & services

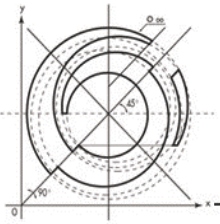


- The Market that ALSTOM addresses : € 30 bn



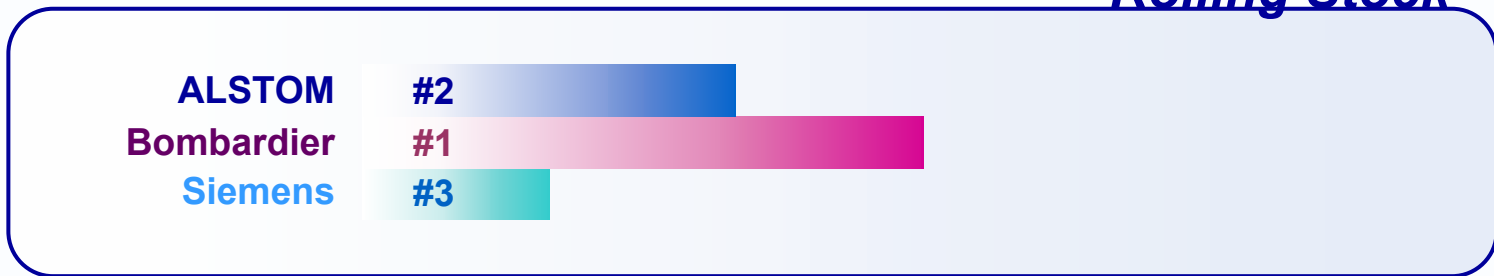
Based on average new orders booked 2000 / 2004



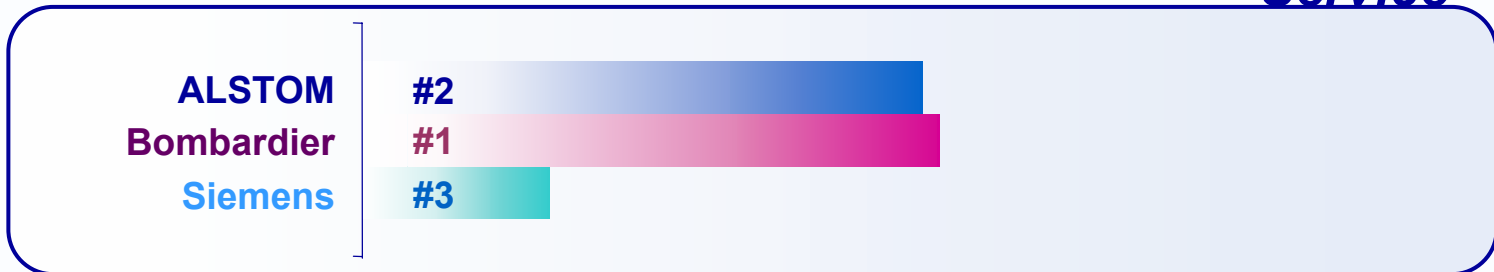


- Position by market segment

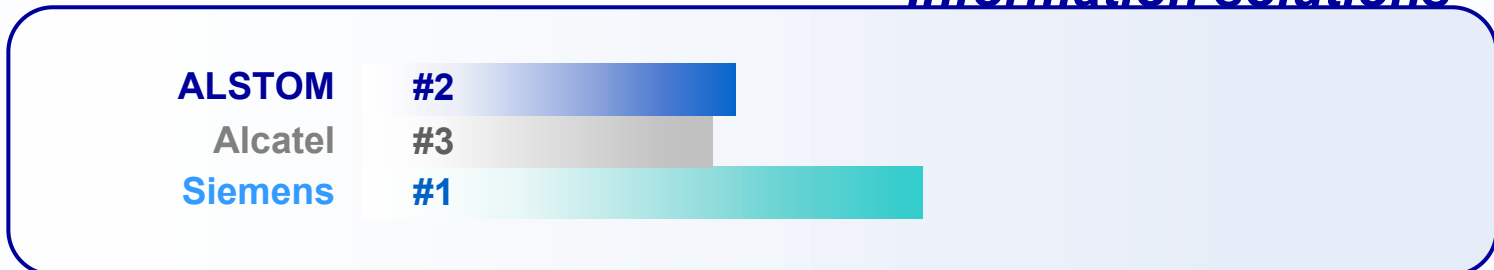
Rolling Stock

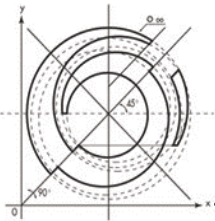


Service



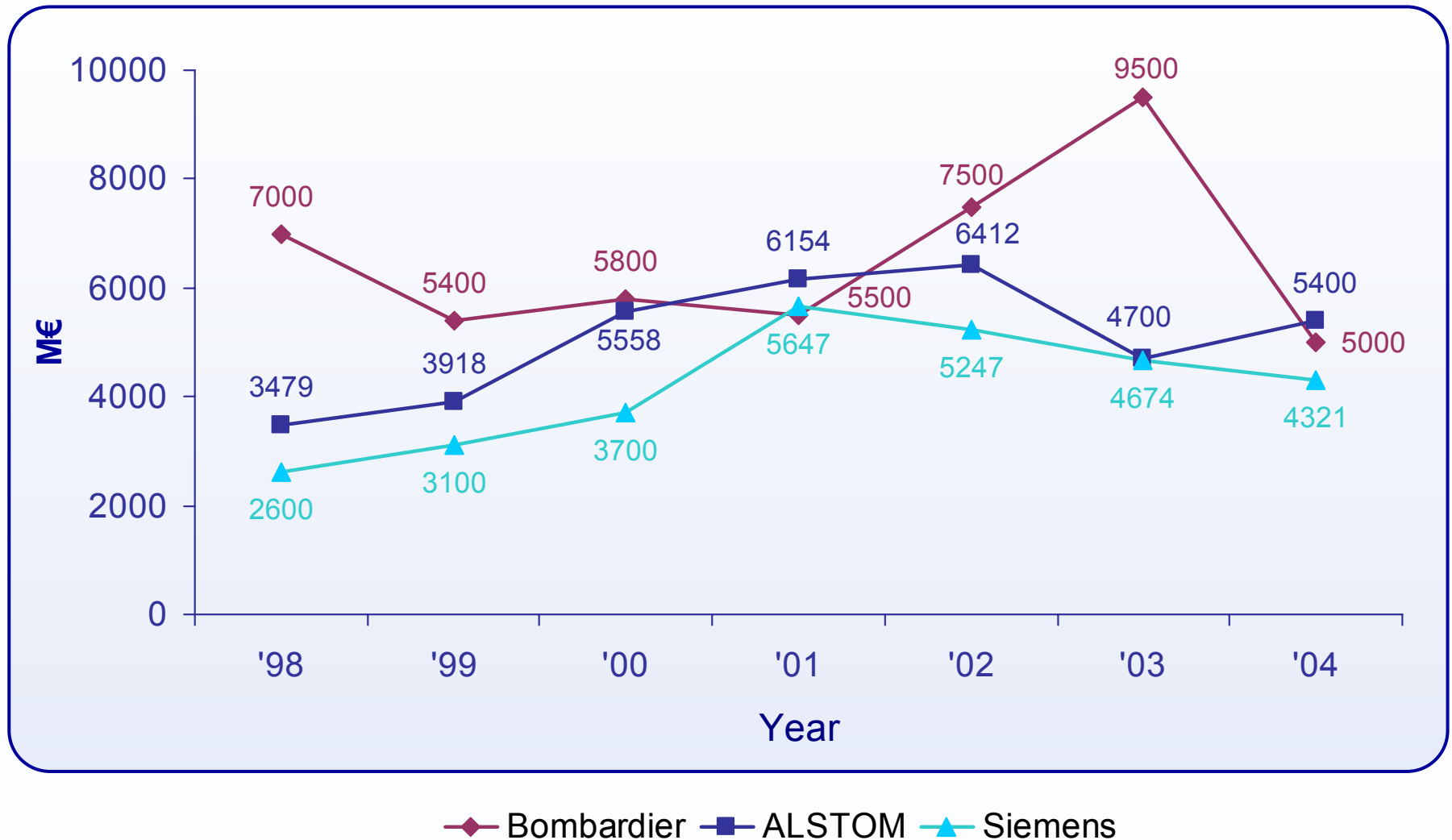
Information solutions

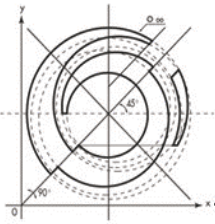




Competition

● Competitor Orders :

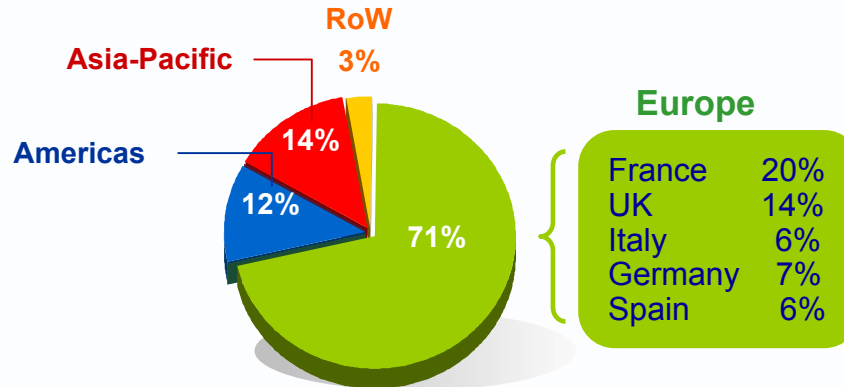




Competition

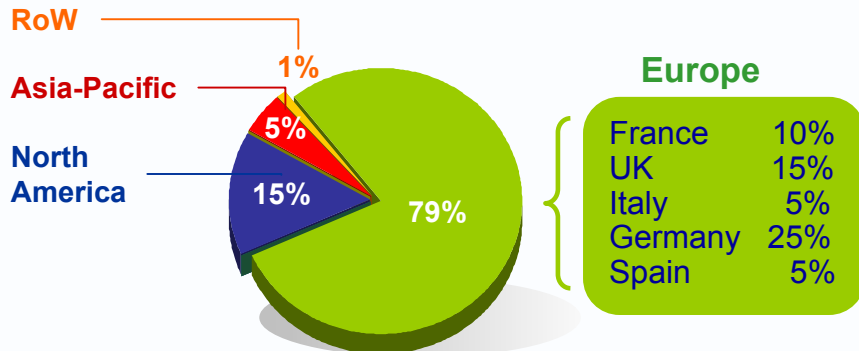
- Sales breakdown per region 2005 :

ALSTOM



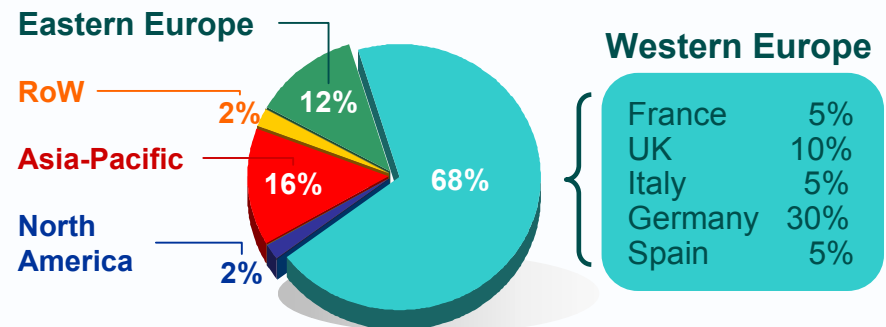
Around 5,250 M€

Bombardier

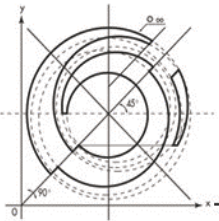


6,000 M€

Siemens



4,310 M€



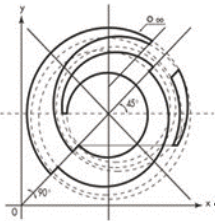
Agenda

- Market overview

- **ALSTOM in Transport today**

- Our Action Plan

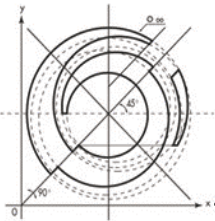
- Conclusion



Agenda : ALSTOM in Transport



- ▶ Key figures
- ▶ Customers
- ▶ Employees
- ▶ Organisation
- ▶ Range of products, systems and services
- ▶ Competitive Advantages

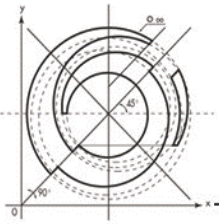


Key figures

€ million

	H2 02/03	H1 03/04	H2 03/04	2003/04	H1 04/05
<i>Orders</i>	3,112	1,672	3,037	4,709	2,886
<i>Sales</i>	2,339	2,297	2,565	4,862	2,485
<i>Backlog</i>	14,675	13,795	14,321	14,321	14,681
<i>Operating Income</i>	(114)	(37)	101	64	119
<i>Operating Margin</i>	(4.9)%	(1.6)%	3.9%	1.3%	4.8%

Same Scope & exchange rate

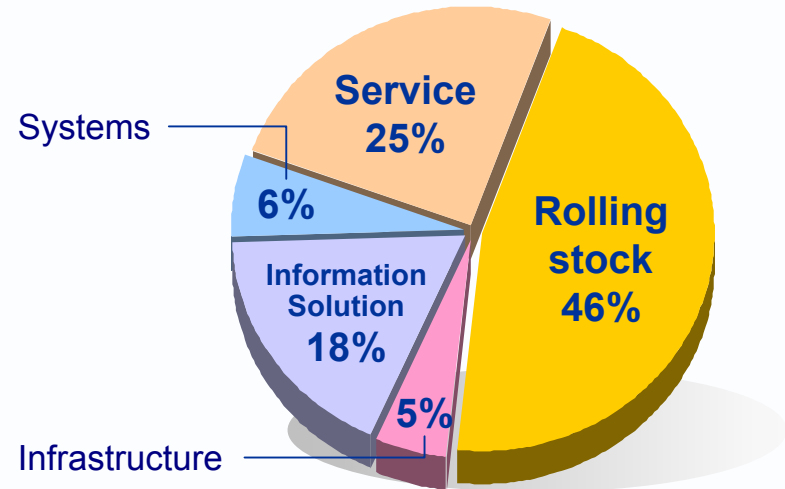
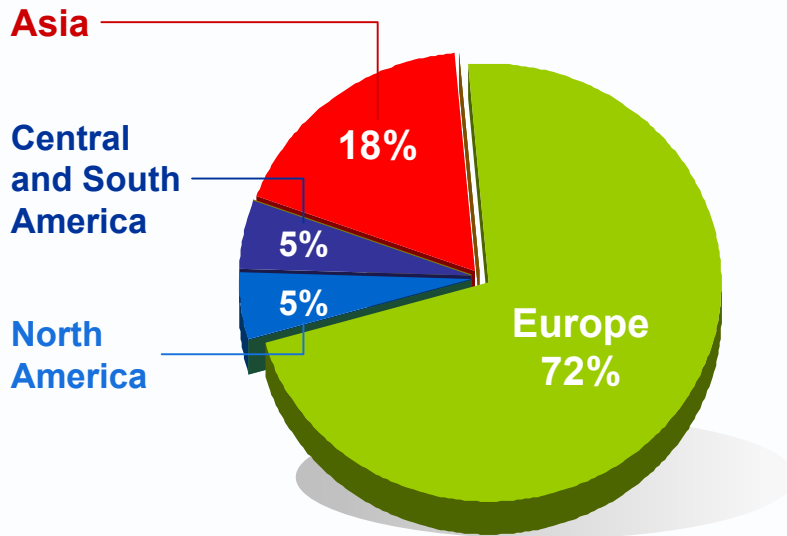


Customers



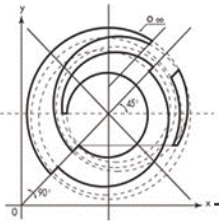
► Who and where

► What



Based on March 04 orders of €4.7Bn

Top 10: Nearly 40% of order intake



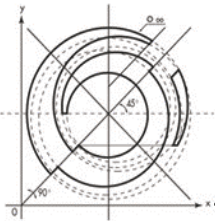
● Top 10 Customers :

▶ 2005/2008 Orders ...

- SCNF
- RENFE
- MOR (Ministry of Railway)
- TrenItalia
- RATP
- RFI (Rete Ferroviaria Italiana)
- Dubai Municipality
- SNCB
- Network Rail
- EMA (Entreprise du Métro d'Alger).

▶ 2004/2008 Sales ...

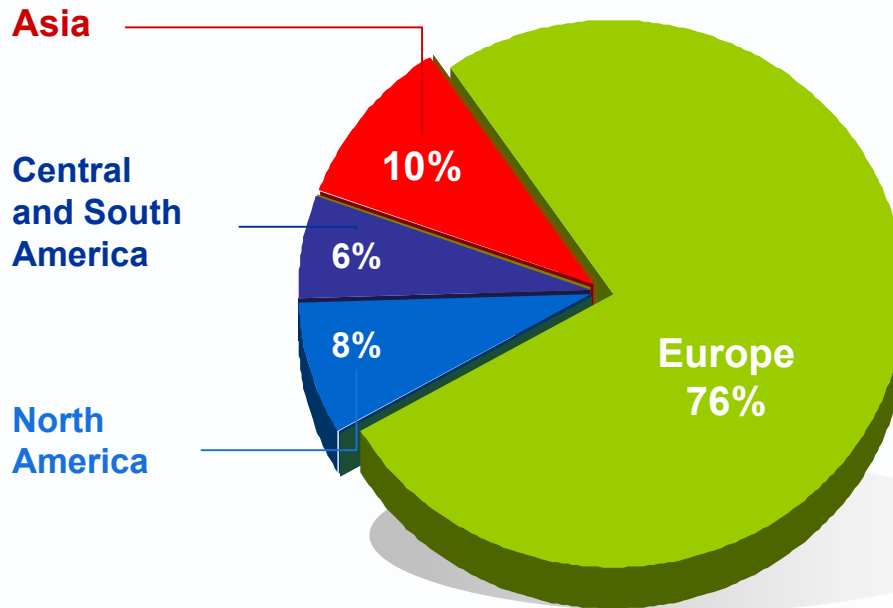
- SNCF
- TrenItalia
- VIRGIN Train
- WMATA
- RENFE
- SL (SL Infrateknik SA, Sweden)
- DB AG
- MOR
- SJ (Statens Jaernvaegar / Swedish Railways)
- Metro Santiago



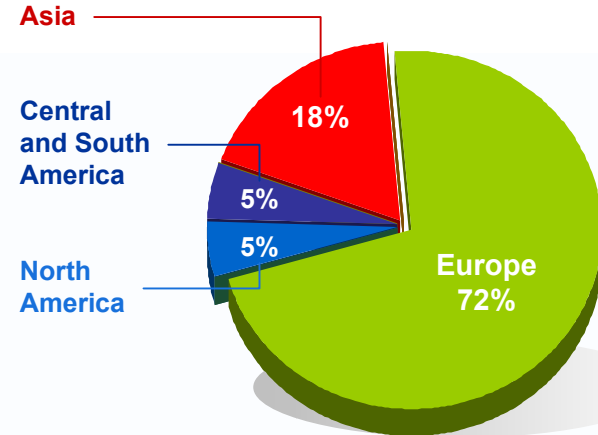
Employees



► Where

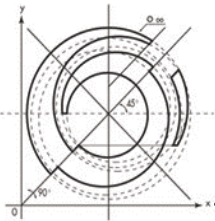


Employees End of September 2004

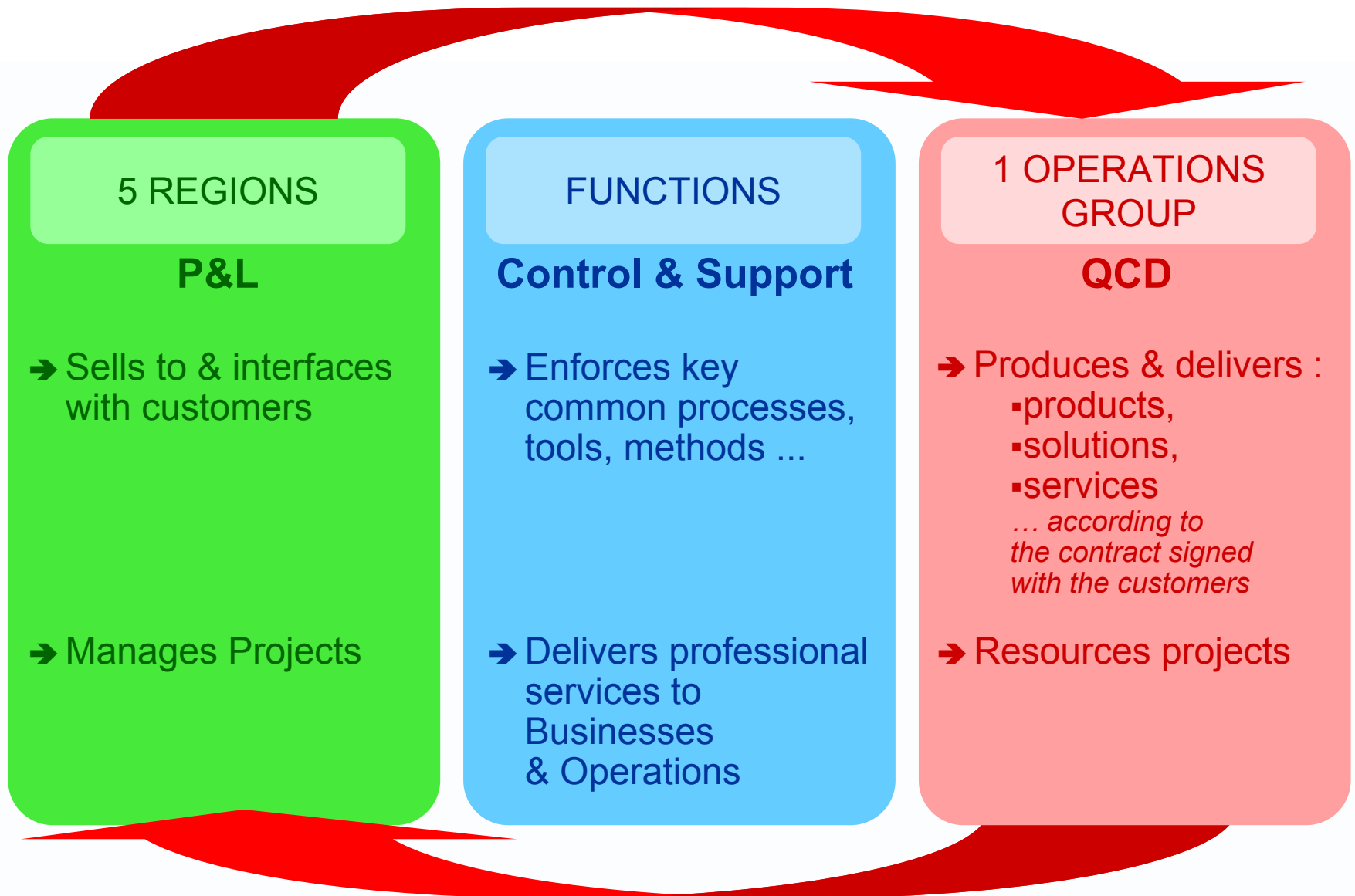


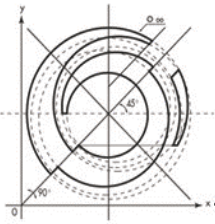
SALES : Customers ...
Well balanced
geographical presence

Around 27,000 employees around the world



Organisation

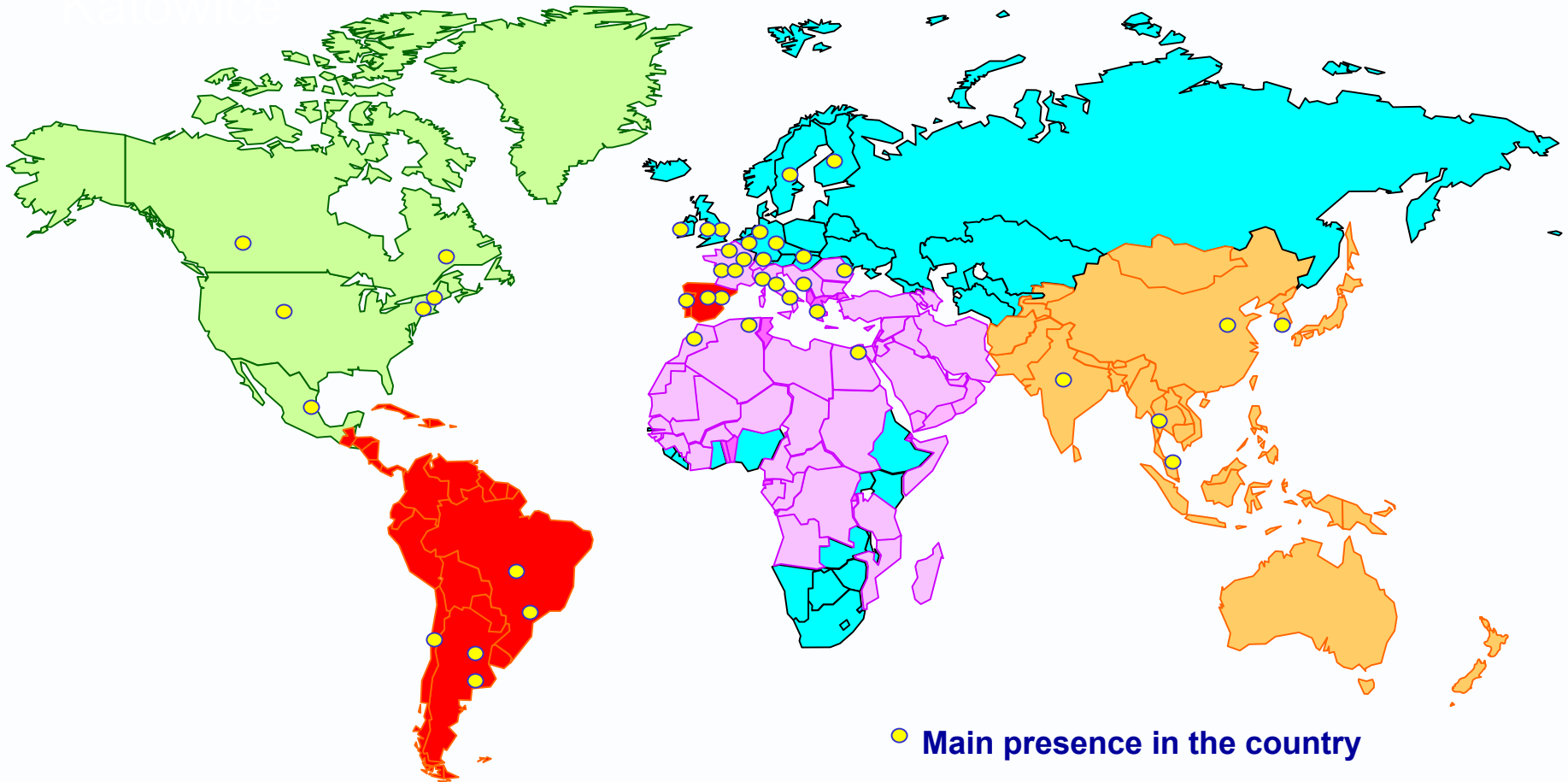




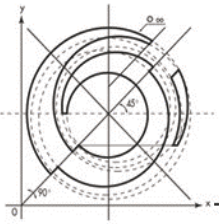
Organisation



▶ 5 Regional Profit Centres ...

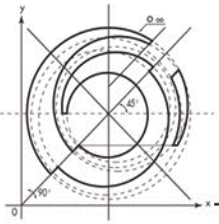


Customer & Project oriented

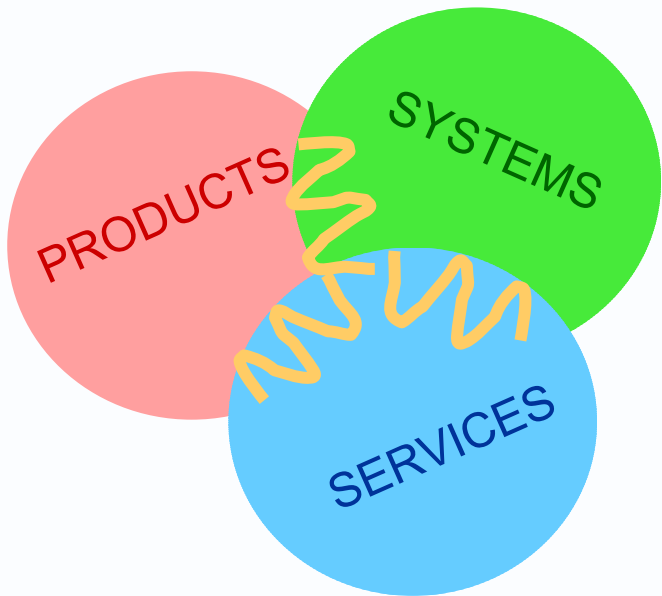


- **Operations :**



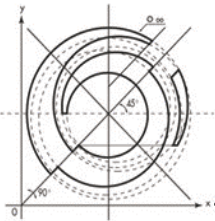


Products, systems & services



PRODUCTS	Trains, Train sub-systems, track, catenary, locos, signaling products.
SYSTEMS	Signaling systems for train traffic control
SERVICES	Maintenance, Renovation, Parts for Rolling Stock or Railway infrastructure.
SOLUTIONS	Trains + Signaling + Services, Turnkey systems.





Products, systems & services



Long distance

Loco



Very High Speed



Regional



High Speed

Intercity

Suburban



Light Rail Vehicle

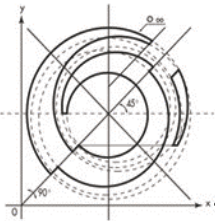


Metro



Short distance

Speed



▶ Total Trainlife Management ...



New Orders



Commissioning Warranty

ALSTOM or non-ALSTOM
original equipment
>30 years



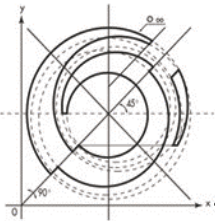
Maintenance
*Transit - Freight - Equipment -
Track*



Renovation
*Transit - Freight -
Equipment - Track*

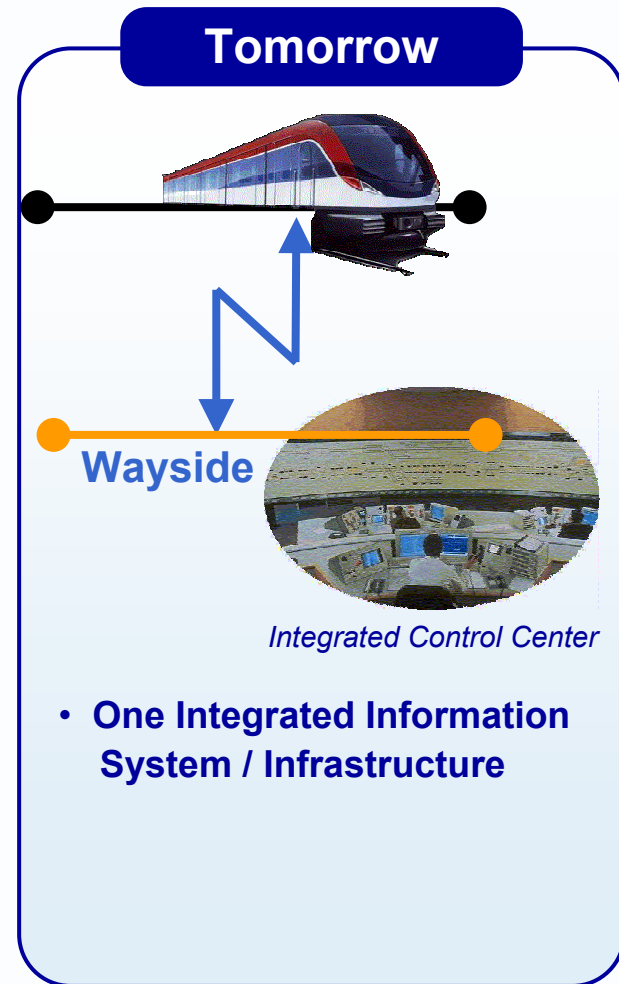
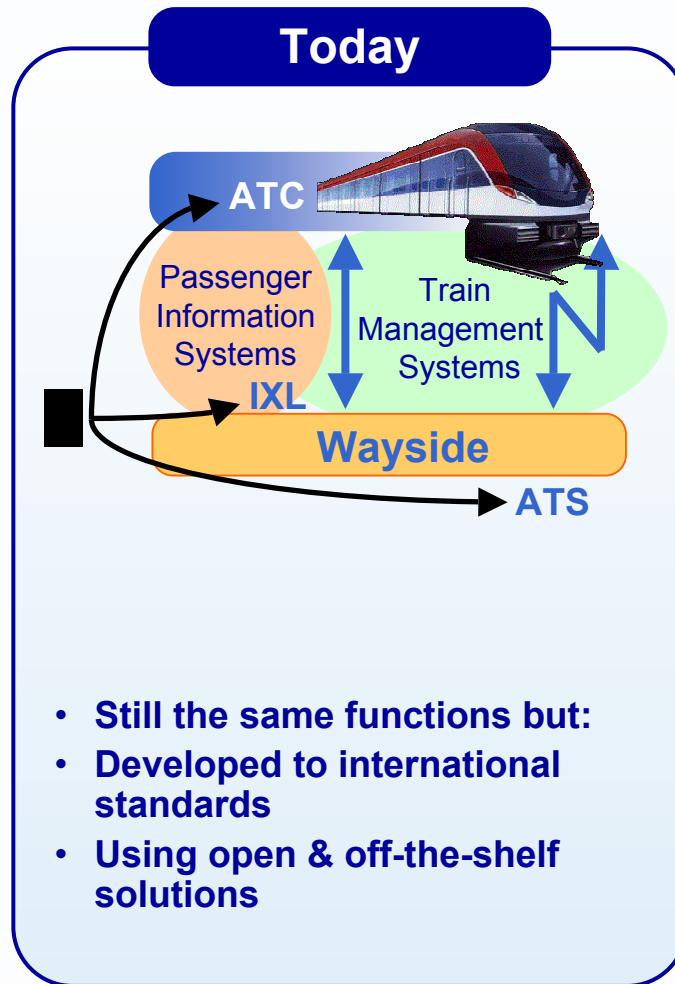
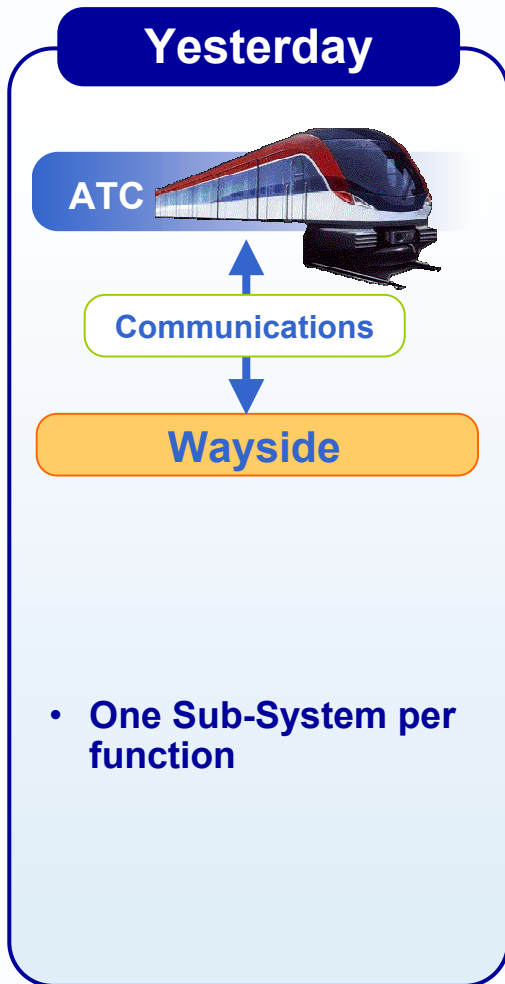


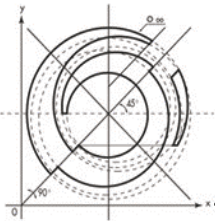
**Parts and
Replacement Units**
All makes



Products, systems & services

Information Solutions





Products, systems & services

Infrastructure



Turnkey systems

Full maintenance

Build

Maintain

Multi-lot projects



Electrification



Signalling & LV

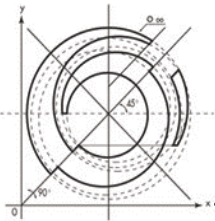


Track works



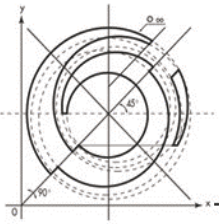
Depots & utilities





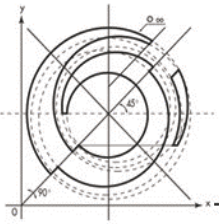
Competitive Advantages

- ▶ Product range and market coverage
- ▶ Common platforms by product
- ▶ Technological leadership
(TGV, tilting train, LRV, ERTMS, ...)
- ▶ Best geographically diversified industrial base
- ▶ Design to serviceability
- ▶ Customer centric organisation



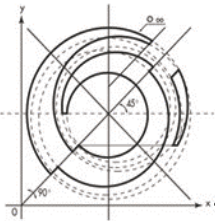
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Agenda : Action Plan

- ▶ The goal
- ▶ Customer & Contract Management
- ▶ Operations
- ▶ R&D
- ▶ Restructuring programmes



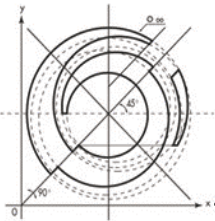
The goal ...

ALSTOM

7%

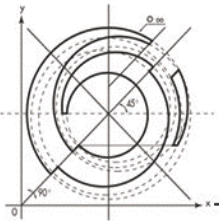
Operating Margin

March 2006



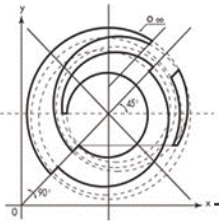
- ▶ Stay close to our customers
- ▶ Select targets for sales (profitability & cash)
- ▶ Solid Contract design
- ▶ Stringent tender and project reviews
- ▶ Industrial :
 - “ Standard product base ” and customisation
 - Integration of past acquired activities
- ▶ Cost reduction :
 - Restructuring programmes

Average 2004 Hit Rate = 40 %



- **Improving Operational Performance ...**





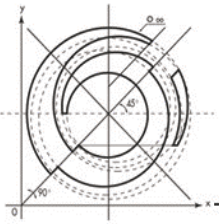
- **Standardisation**

- ▶ Engineering platforms and Centre of Excellence per product line
- ▶ Extension of transport information solutions per product standard
- ▶ Implement of Service Franchise Model
- ▶ Internal component catalogue expanded



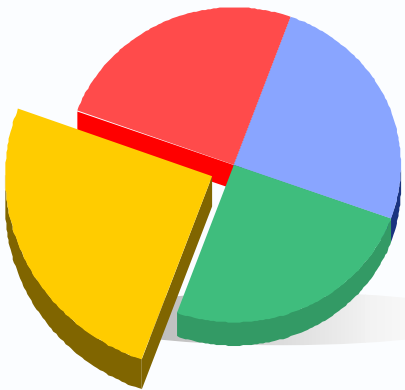
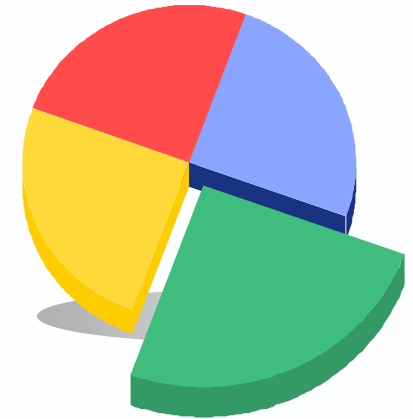
- **Cost of Non Quality**

- ▶ Design to cost, serviceability and quality
- ▶ Rationalisation of internal and external components
- ▶ Reference solutions for each standard product



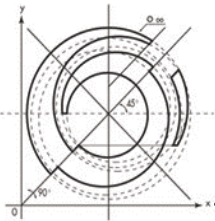
- **Project Execution**

- ▶ Complete new sector project review implementation
- ▶ Flexibility of local force in Western Europe
- ▶ Shorten transition period for maintenance activities

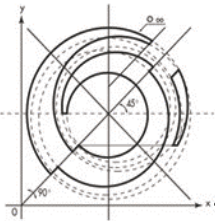


- **Sourcing**

- ▶ Develop sourcing in Low Cost Countries
- ▶ Standardise external components
- ▶ Rationalise the supplier base
- ▶ Review the “ Make or Buy “ policy



- ▶ Develop new products: AGV, ERTMS, SYNEO...
- ▶ Accelerate time to market for signalling solutions
- ▶ Standardise and optimise costs
 - Multiple unit platform
 - Components platform
- ▶ Enhance technology leadership
 - Power integration
 - Permanent magnet motor
 - Tilting platform



Restructuring programmes



▶ Situation in March 04 :

	Employees	Plans announced			Departures 2003/04
		Europe	Other	TOTAL	
Transport	28,000	1,800	700	2,500	1,300
ALSTOM	76,800	6,100	2,300	8,400	4,500

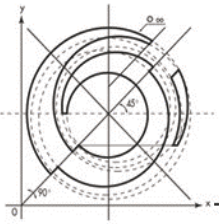
Main sites impacted In Transport:

- ▶ Belfort FRANCE
- ▶ Easleigh UK
- ▶ Birmingham/Preston UK
- ▶ Bucarest ROMANIA
- ▶ Montreal CANADA
- ▶ Neuhansen SWITZERLAND
- ▶ Ridderkerk HOLLAND

▶ Situation in March 05 :

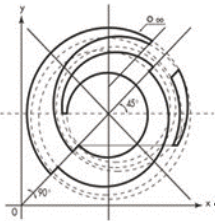
	New target	% nb employees 2004	Departures 2003/05		
				Europe	Other
Transport	3,050	750	3,800	13 %	3,000
ALSTOM	8,800	2,400	11,200	15 %	8,800

Savings in line with targets



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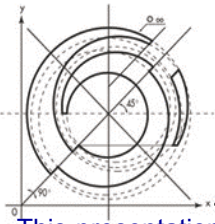


Conclusion



- ▶ Strong position on good markets
- ▶ Solid order book & technology
 - Selectivity is key
- ▶ Well balanced geographical presence
- ▶ Increased profitability from:
 - Project execution
 - Standardisation and rationalisation

7 % Operating Margin in March 06



Safe Harbour Statement

US Private Securities Litigation Reform Act 1995



This presentation contains, and other written or oral reports and communications of ours may from time to time contain, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. 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 the Group 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 risks and uncertainties that the forecasts, projections and other forward-looking statements will not be achieved. Such statements are based on our 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 we operate; (v) our 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 our restructuring and cost reduction programmes; (viii) continued validity of our 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 SEC and the French *Autorité des marchés financiers*; (xi) the outcome of the putative class action lawsuit filed against us and certain of our 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 our 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 U.K. trains; (xv) risks inherent in large contracts and/or significant fixed price contracts that comprise a substantial portion of our business, including in contract execution; (xvi) the inherent difficulty in estimating future charter or sale prices of any cruise ship in any appraisal of our exposure in respect of Renaissance Cruises; (xvii) the inherent difficulty in estimating our vendor financing risks and other credit risks, which may notably be affected by customers' payment defaults; (xviii) our ability to invest successfully in, and compete at the leading edge of, technology developments across all of our 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 our markets, particularly the Power Turbo-Systems/Environment Sector, recover from their currently depressed state; (xxi) the impact on customer confidence of our recent financial difficulties, and our ability to re-establish this confidence; (xxii) the effects of acquisitions and disposals generally and the outcome of claims related to our disposals; (xxiii) the unusual level of uncertainty at this time regarding the world economy in general; and (xxiv) our success in adjusting to and managing the foregoing risks.

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

The ALSTOM logo is centered on a white semi-circular background. The word "ALSTOM" is written in a bold, sans-serif font. The letters "A", "L", "S", "T", and "M" are dark blue, while the letter "O" is red and stylized as a circular graphic with three concentric rings. The background features a blue and white striped pattern with a large red arc on the left side.

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