

Consolidated financial statements

Half-year ended 30 September 2002

CONSOLIDATED INCOME STATEMENTS

	Note	Half-year ended 30 September	
		2001 (*)	2002
			(in mil)
SALES.....		11,942.0	10,76
Cost of sales.....		(9,988.0)	(8,90
Selling expenses.....		(542.2)	(51
Research and development expenses.....		(255.7)	(31
Administrative expenses.....		(633.3)	(48

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OPERATING INCOME.....		522.8	54
Other income (expense), net	(1) & (3)	(24.1)	(18)
Other intangible assets amortisation.....	(1) & (6)	(31.0)	(3)
		-----	-----
EARNINGS BEFORE INTEREST AND TAX.....		467.7	32
Financial income (expense), net.....	(1) & (4)	(144,9)	(12)
		-----	-----
PRE-TAX INCOME.....		322.8	19
Income tax.....	(5)	(61.6)	(3)
Share in net income (loss) of equity investments.....		(0.6)	
Dividend on redeemable preference shares of a subsidiary	(1) & (11)	(7.4)	
Minority interests.....		(13.5)	(
Goodwill amortisation.....	(1) & (6)	(147.6)	(144.0)
		-----	-----
NET INCOME.....		92.1	1
		=====	=====
Earnings per share in Euro			
Basic		0.4	
Diluted.....		0.4	

(*) As published but after inclusion of the changes in presentation described in Note 1.

The accompanying Notes are an integral part of these Consolidated Financial Sta

CONSOLIDATED BALANCE SHEETS

	Note	At 31 March 2002 (*)

ASSETS		(in
Goodwill, net.....	(6)	4,612.4
Other intangible assets, net.....	(6)	1,169.6
Property, plant and equipment, net.....		2,788.1
Investments in equity method investees and other investments, net..		301.0
Other fixed assets, net.....	(7)	1,326.3

Tangible, intangible and other fixed assets, net.....		10,197.4
Deferred taxes.....		1,486.0
Inventories and contracts in progress, net.....		5,592.6

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Trade receivables, net.....	(8)	4,730.0
Other accounts receivables, net.....	(8)	3,304.1
<hr/>		
Current assets.....		13,626.7
Short term investments.....		331.3
Cash and cash equivalents.....		1,904.4
<hr/>		
Short term investments and cash and cash equivalents.....		2,235.7
<hr/>		
TOTAL ASSETS.....		27,545.8
<hr/>		
LIABILITIES		
Shareholders' equity.....		1,752.5
Minority interests.....		91.1
Redeemable preference shares of a subsidiary.....	(1) & (11)	205.0
Undated subordinated notes.....		250.0
Provisions for risks and charges.....	(9)	3,849.2
Accrued pension and retirement benefits.....	(10)	994.0
Redeemable preference shares of a subsidiary.....	(1) & (11)	-
Bonds		1,200.0
Other borrowings.....		3,099.8
<hr/>		
Financial debt.....	(11)	4,299.8
Securitisation of future receivables.....	(12)	1,735.0
Deferred taxes.....		46.3
Customers' deposits and advances.....	(13)	4,220.6
Trade payables.....		5,564.1
Accrued contract costs, other payables and accrued expenses.....		4,538.2
<hr/>		
Current liabilities.....		14,322.9
<hr/>		
TOTAL LIABILITIES.....		27,545.8
<hr/>		
Commitments and contingencies	(15) & (16)	

(*) As published but after inclusion of the changes in presentation described in Note 1.

The accompanying Notes are an integral part of these Consolidated Financial Sta

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in million)	Number of outstanding shares	Capital	Additional Paid-in Capital	Retained Earnings	Cumulated Translation Adjustment	I
				(in million)		
At 1 April 2001.....	215,387,459	1,292.3	85.2	570.3	(61.1)	
Changes in cumulative translation adjustments	-	-	-	-	(80.0)	
Net income.....	-	-	-	-	-	(
Appropriation of income.....	-	-	-	85.2	-	(
<hr/>						
At 31 March 2002	215,387,459	1,292.3	85.2	655.5	(141.1)	(
<hr/>						

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At 1 April 2002.....	215,387,459	1,292.3	85.2	655.5	(141.1)	(
Capital increase	66,273,064	397.6	220.0	-	-	
Changes in cumulative translation adjustments	-	-	-	-	(183.9)	
Net income.....	-	-	-	-	-	
Appropriation of income.....	-	-	-	(139.4)	-	
At 30 September 2002	281,660,523	1,689.9	305,2	516.1	(325.0)	

At the ordinary general shareholders' meeting held on 3 July 2002 it was decided that no dividend be paid.

In July 2002, an issue of shares was made and 66,273,064 shares having a par value of 6 were subscribed. Related costs of 18.6 million were charged against additional paid-in of 238.6 million.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March 2002	
		(in
Net income (loss).....	(139.4)	
Minority interests.....	22.9	
Depreciation and amortisation.....	792.1	
Changes in provision for pension and retirement benefits, net.....	(51.0)	
Net (gain) loss on disposal of fixed assets and investments.....	(197.9)	
Share in net income (loss) of equity investees (net of dividends received)	0.4	
Changes in deferred tax.....	(86.4)	
Net income after elimination of non cash items.....	340.7	
Decrease (increase) in inventories and contracts in progress, net.....	54.0	
Decrease (increase) in trade and other receivables, net.....	528.5	
Increase (decrease) in securitisation of existing receivables, net	139.6	
Increase (decrease) in contract related provisions,	(947.9)	
Increase (decrease) in other provisions,	2.5	
Increase (decrease) in restructuring provisions,	(122.7)	
Increase (decrease) in customers' deposits and advances.....	(1,254.6)	
Increase (decrease) in trade and other payables, accrued contract costs and accrued expenses.....	680.7	
Net cash provided by (used in) operating activities :	(579.2)	
Proceeds from disposals of property, plant and equipment.....	118.8	

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Capital expenditures.....	(550.3)
Decrease(increase) in other fixed assets ,net.....	(103.7)
Cash expenditures for acquisition of investments, net of net cash acquired	(113.2)
Cash proceeds from sale of investments, net of net cash sold.....	771.9

Net cash provided by (used in) investing activities.....	123.5

Capital increase.....	-
Increase (decrease) in securitisation of future receivables, net.....	161.1
Dividends paid including minorities.....	(136.1)

Net cash provided by (used in) financing activities.....	25.0

Net effect of exchange rate.....	(12.3)
Other changes (*).....	11.8

Decrease (increase) in net debt.....	(431.2)

Net debt at the beginning of the period (1).....	(1,632.9)

Net debt at the end of the period (1).....	(2,064.1)

(1) Net debt includes short term investments, cash and cash equivalents net of short, medium and long term debt

(*) including reclassification of redeemable preference shares of a subsidiary as disclosed in Note 1

The accompanying Notes are an integral part of these Consolidated Financial Sta

Notes to the half-year consolidated financial statements

Note 1 - Basis of preparation and Accounting policies

The unaudited interim financial statements for the six months ended 30 September 2002 have been prepared on the basis of the accounting policies and methods of computation as set out in the Company's financial statements for the year ended 31 March 2002 and according principles set forth therein. Certain presentation changes have been made as described in this Note under the heading "Changes in presentation". Benchmark treatments are generally used. Capital lease arrangements and long-term rentals are not capitalised. The Company's business is not materially affected by seasonality.

The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period.

The Company designs, manufactures and sells several products of large individual value that are used in major infrastructure projects. In response to competitive pressures, the Company is increasingly required to introduce new,

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technologically advanced products on increasingly short timetables. In some cases, the Company is also required to sell products on the basis of specifications that exceed the capabilities of currently existing commercially applied technology or under contracts containing onerous after-sales warranties and penalties related to performance, availability and delay. The Company is also assuming a greater role in its various infrastructure projects beyond that of simply a supplier of equipment.

Management reviews these contracts of large individual value on an ongoing basis using currently available information. Costs to date are considered, as are estimated costs to complete and estimated future costs of warranty obligations. Estimates of future cost reflect management's current best estimate of the probable outflow of financial resources that will be required to settle contractual obligations. The assumptions to calculate present obligations take into account the current technological situation as well as the commercial and contractual positions, assessed on a contract by contract basis. Changes in facts and circumstances may result in revised estimates.

The functional currency of the Company's foreign subsidiaries is the applicable local currency. Outside the Euro zone, assets and liabilities of foreign subsidiaries are translated into Euros at the period end rate of exchange, and their income statements and cash flow statements are converted at the average rate of exchange during the period. The resulting translation adjustment is included as a component of shareholders' equity.

Changes in presentation

(i) Amortisation of goodwill

The presentation of goodwill amortisation previously included in Earnings Before Interest and Tax has been changed and is now presented immediately above net income. This change in presentation amount to 147.6 million at 30 September 2001, 144.0 million at 30 September 2002 and 286.1 million at 31 March 2002.

The amortisation of other intangible assets continue to be shown as part of Earnings before Interest and Tax.

(ii) Securitisation of future receivables

The right to receive payment from certain customers for future receivables previously included in the line "Customer deposits and advances" have been disclosed separately in the balance sheet. This amounts to 1,735.0 million at 31 March 2002 and 1,762.4 million at 30 September 2002.

The related costs previously included in the line "Other income (expenses) net" have been reclassified and disclosed separately as part of "Financial income (expenses) net". This amounts to 46.3 million at 30 September 2001, 56.0 million at 30 September 2002 and 87.0 million at 31 March 2002.

In the Consolidated Statements of Cash Flow the net cash provided by (used in) securitisation of future receivables previously included in the "Net cash provided by (used in) operating activities" has been reclassified and disclosed separately as part of "Net cash provided by (used in) financing activities". This amounts to 161.1 million at 31 March 2002 and 40.6 million at 30 September 2002.

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(iii) Securitisation of existing receivables

In the Consolidated Statements of Cash Flow the net cash provided by (used in) securitisation of existing receivables previously included in the line "Decrease (increase) in trade and other receivables, net" has been disclosed separately as part of "Net cash provided by (used in) operating activities ". This amounts to 139.6 million at 31 March 2002 and (151.5) million at 30 September 2002.

(iv) Deferred tax

Deferred tax assets and liabilities have been netted either by tax grouping or by legal entity. This netting decrease the deferred tax asset and liability positions by 658.0 million at 31 March 2002 and 724.3 million at 30 September 2002.

(v) Redeemable preference shares of a subsidiary

The issue of shares by the company in July 2002 was an event triggering the requirement to redeem the 205 million preference shares of a wholly

owned subsidiary. Therefore the instrument has been re-classified as long-term debt with a maturity in March 2006 and the related interest cost disclosed as "net interest income/expense" in the accounts for the 6 months ended 30 September 2002.

No reclassification of previous periods has been made reflecting the triggering event occurring during the 6 months to September 2002.

Note 2 - Changes in consolidated companies

The main changes in the consolidated companies for the first 6 months 2002 are as follows :

- (i) In April 2002, the Company acquired the remaining 49% of the share capital in Fiat Ferroviaria Spa now renamed ALSTOM Ferroviaria Spa for 154 million. This Company is fully consolidated since the acquisition date.
- (ii) In September 2002 operations in South Africa were sold to local empowerment participants and financiers. A 10 % interest in the acquiring Company has been retained. Gross proceeds from the sale are 50 million paid in October 2002. It is de-consolidated with effect from 30 September 2002.

Note 3 - Other Income (Expense) Net

	Half-year ended 30 September	
	2001	2002
	(in million)	
Net gain (loss) on disposal of fixed assets.....	8.6	(1.4)

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Net gain (loss) on disposal of investments (1).....	143.6	(9.0)
Restructuring costs.....	(65.2)	(79.6)
Employees' profit sharing.....	(8.5)	(8.6)
Pension costs.....	(74.2)	(96.9)
Others, net (2).....	(28.4)	7.3
Other income (expense), net.....	(24.1)	(188.2)
	=====	=====

(1) In the half-year ended 30 September 2001 it reflects the net gains on the disposal of Contracting Sector and GTRM. In the year-end 31 March 2002 it reflects net gains Contracting Sector and GTRM and a net loss on disposal of the Waste to Energy business .

(2) Of which, in the year ended March 31, 2002 is 90 million set aside as additional Marine vendor finance provisioning.

Note 4 - Financial Income (Expense)

	Half-year ended 30 September	
	2001	2002
		(in million)
Interest income.....	114.1	83.4
Interest expense (1).....	(201.5)	(167.7)
Net interest income (expense).....	(87.4)	(84.3)
Securitisation expenses.....	(46.3)	(56.0)
Foreign currency gain (loss).....	1.3	35.0
Other financial income (expense)	(12.5)	(22.5)
Financial income (expense).....	(144.9)	(127.8)
	=====	=====

(1) Including in the half year ended 30 September 2002, 6.7 million of interest on redeemable preference shares of a subsidiary (see Note 1).

Note 5 - Income tax

(a) Analysis of income tax charge

	Half-year ended 30 September	
	2001	2002
		(in million)
Current income tax charge.....	119.5	51.3
Deferred tax (income) charge.....	(57.9)	(15.5)
		96.

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Income tax charge.....	61.6	35.8
Effective tax rate.....	19.1%	18.4%

(b) Effective income tax rate

The effective income tax rate can be analysed as follows :

	Half-year ended 30 September 2002
Pre-tax income.....	194.3
Statutory income tax rate of the parent company.....	35.43%
Expected tax charge.....	68.9
Impact of :.....	
- reduced taxation of capital gain	(1.2)
- (utilisation) non recognition of tax loss carryforwards.....	(5.4)
- net change in estimate of tax liabilities.....	(9.7)
- Intangible assets amortisation.....	11.3
- other permanent differences.....	(28.4)
- non recoverable withholding taxes, etc.....	8.1
- differences in rates.....	(7.8)
Income tax charge.....	35.8
Effective tax rate.....	18.4 %

The effective tax rate in the current half-year is principally affected by favourable differences between book and taxable income.

Note 6 - Goodwill and other intangible assets, net

(in million)	At 31 March 2002	Acquisitions	Disposals	Amortisation
Power (i)	3,524.1	-	(2.7)	(97.7)
Transmission & Distribution *.....	563.9	-	-	(18.1)
Transport (ii).....	448.7	156.7	-	(18.2)
Marine.....	2.5	-	-	(0.1)

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Others (iii).....	73.2	-	(9.7)	(9.9)
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Goodwill , net.....	4,612.4	156.7	(12.4)	(144.0)
<hr style="border-top: 3px double black;"/>				
<hr style="border-top: 1px dashed black;"/>				
Other intangible assets, net (iv)...	1,169.6	39.2	-	(32.2)
<hr style="border-top: 3px double black;"/>				

* includes 93.2 Million of Power Conversion goodwill integrated into the Transmission and Distribution sector as of 1 April 2002.

(i) Power

The goodwill is related to the acquisition of ABB ALSTOM Power in a two step process in 1999 and 2000.

In setting up the ABB ALSTOM Power joint venture the Company contributed its Energy business, except the Heavy Duty Gas Turbine business, and ABB contributed substantially all of its power generation business, except for its nuclear operations, Combustion Engineering Inc., a subsidiary of ABB, and its asbestos liabilities for which ABB indemnified the Company.

(ii) Transport

The additional goodwill of 156.7 million is related to the acquisition of the remaining 49% of the share capital in Fiat Ferroviaria Spa now renamed ALSTOM Ferroviaria Spa. The acquisition cost paid in April 2002 was 154 million (Note 2).

(iii) Others

In September 2002 the Company sold its interest in its South African entities reducing the net goodwill by 12.4 million (Note 2).

(iv) Other intangible assets

Other intangible assets results from the allocation of the purchase price following the acquisition of ABB's remaining 50% shareholding in Power. It includes technology, an installed base of customers and licensing agreement for gross amounts of 1,242 million.

In addition it includes payments under a technology sharing agreement.

The goodwill and other intangible assets are amortised over a period of 20 years in all Sectors due to the long term nature of the contracts and activities involved.

Note 7 - Other fixed assets, net

At 31 March
2002

At 30
2

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		(in million)
Loans to third parties.....	251.3	249.1
Long term deposits and retentions.....	527.1	566.3
Prepaid assets - pensions (see note 10).....	469.3	451.8
Others.....	78.6	59.9
	-----	-----
Other fixed assets, net.....	1,326.3	1,327.1
	=====	=====

Other fixed assets, net include 561 million at 31 March 2002 and 536 million at 30 September 2002 of loans and cash deposits in respect of Marine vendor financing (see Note 16).

Note 8 - Securitisation of existing receivables

The following table shows amounts of trade receivables securitised :

	At 31 March 2002

	(in mill)
Trade receivables securitised.....	1,388.1
Retained interests (1).....	(352.1)

Net cash proceeds from securitisation of trade receivables.....	1,036.0
	=====

(1) included in "other accounts receivables, net"

The Company sold trade receivables in the normal course of business in revolving period securitisations within which it irrevocably and without recourse transferred eligible receivables. Under the terms of these agreements the Company continues to service, administer and collect the receivables on behalf of the purchaser. Certain receivables are retained by the banks as a credit enhancement. Amounts of trade receivables securitised net of retained interests are 1,036 million at 31 March 2002 and 884 million at 30 September 2002.

Note 9 - Provisions for risks and charges

	At 31 March 2002	Additions	Releases	Applied	Translat adjustme and other
	-----	-----	-----	-----	-----
			(in million)		
Warranties.....	1,617.6	113.8	(63.6)	(399.9)	(17.3)
Penalties and claims.....	773.7	103.8	(9.0)	(159.6)	(7.6)
Contract loss	490.4	220.0	(35.7)	(200.0)	20.2
Other risks on contracts....	333.5	55.3	(31.4)	(49.4)	16.9
Provisions on contracts.....	3,215.2	492.9	(139.7)	(808.9)	12.2
Restructuring	177.9	23.2	(3.3)	(57.3)	(3.1)
Other provisions	456.1	16.8	(21.3)	(36.7)	(127.1)
	-----	-----	-----	-----	-----
Total.....	3,849.2	532.9	(164.3)	(902.9)	(118.0)

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segregated into defined benefit pension plans sponsored directly by the Company. The surplus arising at that time was accounted for as a prepaid expense. This prepayment is not offsettable against accruals on other pension schemes.

The balance sheet position of these liabilities and assets, which are predominantly long term, are presented below :

	At 31 March 2002	At
		(in million)
Accrued pension and retirement benefits.....	(994.0)	
Prepaid assets - pensions (see note 7).....	469.3	
Net (accrued) prepaid benefit cost	(524.7)	

The components of the pension cost are the following :

	Half-year ended 30 September	
	2001	2002
		(in million)
Service cost.....	52.2	56.0
Expected interest cost.....	111.0	106.2
Expected return on plan assets.....	(104.0)	(96.4)
Amortisation of unrecognised prior service cost.....	(4.0)	-
Amortisation of actuarial net loss (gain).....	5.0	12.7
Curtailments / Settlements.....	(14.0)	-
Total defined benefits net periodic pension cost	46.2	78.5
Other defined contributions and multi-employer.....	28.0	18.4
Pension cost.....	74.2	96.9

Note 11 - Financial Debt

(a) Analysis by nature

	At 31 March 2002	At
		(in million)
Redeemable preference shares (1)	-	
Bonds (2).....	1,200.0	
Syndicated loans.....	1,550.0	
Bilateral loans.....	283.0	
Facilities in subsidiaries.....	811.7	

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Commercial paper (3).....	455.1	
Financial debt.....	4,299.8	
Long-term.....	2,762.9	
Short-term.....	1,536.9	

(1) On 30 March 2001, a wholly owned subsidiary of ALSTOM Holdings issued perpetual, cumulative, non voting, preference shares for a total amount of 205 million.

The preference shares have no voting rights. They are not redeemable, except at the exclusive option of the issuer, in whole but not in part, on or after the 5th anniversary of the issue date or at any time in case of certain limited specific pre identified events. Included in those events, are changes in tax laws and the issuance of new share capital.

In July 2002 an issue of shares was made triggering the contractual redemption of the preferred shares at 31 March 2006 at a price equal to par value together with dividends accrued, but not yet paid. Therefore this instrument has been re-classified as long term debt and its related interests have been classified as interests and shown as "financial income (expenses)".

(2) On July 26, 1999, ALSTOM issued bonds for a principal amount of 650 million with a 7 year maturity, listed on the Paris and Luxembourg Stock Exchanges, bearing a 5 % coupon and to be redeemed at par on July 26, 2006.

On February 6, 2001, ALSTOM issued bonds for a principal amount of 550 million with a 3 year maturity, listed on the Luxembourg Stock Exchange, bearing a 5.625 % coupon and to be redeemed at par on February 6, 2004.

(3) The total authorised commercial paper program is 2,500 million, availability being subject to market conditions

(b) Analysis by maturity and interest rate

	Short Term			Long Term		
	TOTAL	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years
	(in million)			(in million)		
Redeemable preference shares.....	205.0	-	-	-	205.0	-
Bonds	1,200.0	-	550.0	-	650.0	-
Syndicated loans.....	1,970.0	-	1,250.0	-	720.0	-
Bilateral loans.....	233.0	-	-	-	-	233.0
Facilities in subsidiaries.....	476.4	399.6	47.6	3.3	3.7	3.5
Commercial Paper.....	227.7	227.7	-	-	-	-
Total.....	4,312.1	627.3	1,847.6	3.3	1,578.7	236.5

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Interest rates on substantially all short-term debt are based on EURIBOR and EONIA for euros and LIBOR for relevant currencies. Interest rates on substantially all long-term debt are fixed rates.

(c) Analysis by currency

	At 31 March 2002	At 30 September 2002
	(in million)	
Euro.....	3,940.6	4,103.0
US dollar.....	125.4	32.5
Mexican peso.....	58.7	32.4
Pound sterling.....	24.3	4.1
Other currencies.....	150.8	140.1
Total.....	4,299.8	4,312.1

Note 12 - Securitisation of future receivables

The Company sold for a net amount of 1,735 million at 31 March 2002 and 1,762 million at 30 September 2002, the right to receive payment from certain customers for future receivables.

Within the total of 1,762 million at 30 September 2002, a net amount of 879 million is for securitised Marine transactions including two transactions pertaining to the sale of three cruise-ships to two customers. Such transactions, which substantially limit the Company's exposure during the cruise-ship construction period, provide for limited recourse only in the event of customer default prior to the delivery of the cruise-ships to cover eventual losses of the investors upon the resale of the cruise-ship in question, subject to a maximum of 82 million in respect of one cruise-ship sold to one customer and subject to a maximum of 168 million in respect of two cruise-ships sold to the other customer. Included in the total above is a further Marine securitisation involving the sale of future receivables from one customer for 95.2 million net.

Total securitisations on Transport at 30 September 2002 were 883 million net, covering thirteen contracts with four customers.

Note 13 - Customers deposits and advances

During the period the Company's marine subsidiary entered into a construction finance contract in respect of one ship presently under construction. Under the terms of this contract finance is made available against commitments to suppliers and to work in progress. The amounts financed are secured against the ship involved and the future receivable is collateralised by way of a guarantee of the prefinancement.

Cash received has firstly been applied against amounts included in trade receivables then against work in progress and where commitments made have not yet become work in progress cash is shown as part of customer deposits and advances.

At 30 September 2002 cash received on this pre-financing was 287.5 million of which 206.0 million has been applied and the balance of 81.5 million included

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in customers deposits and advances.

Note 14 - Sector and geographic data

a) Sector data

The Company is managed through Sectors of activity and has determined its reportable segments accordingly.

The Company is organised in four Sectors:

- o The Power Sector offers a wide range of products and services related to electrical power generation including design, manufacture, construction, turnkey project management and related services;
- o The Transmission & Distribution Sector offers equipment and customer support for the transmission and distribution of electrical energy. From 1 April 2002 Power Conversion has been integrated within the Transmission & Distribution Sector and provides solutions for manufacturing processes and supplies high-performance products including motors, generators, propulsion systems for Marine and drives for a variety of industrial applications.
- o The Transport Sector offers equipment, systems, and customer support for rail transportation including passenger trains, locomotives, signalling equipment, rail components and service;
- o The Marine Sector designs and manufactures cruise and other speciality ships.

The composition of the Sectors may vary slightly from time to time. As part of any change in the composition of its sectors, Company management may also modify the manner in which it evaluates and measures profitability. It evaluates internally their performance on Earnings Before Interest and Tax.

Some units, not material to the sector presentation, have been transferred between sectors. The revised segment composition has not been reflected on a retroactive basis as the Company determined it was not practicable to do so.

Orders received (in million)	Half-year ended 30 September	
	2001	2002
Power	6,598	5,031
Transport	3,259	3,300
Transmission & Distribution(1)	2,051	2,067
Marine	223	26
Corporate & others (2)	1,062	113
TOTAL	13,193	10,537

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Sales (in million)	Half-year ended 30 September	
	2001	2002
Power	6,671	5,812
Transport	2,022	2,339
Transmission & Distribution(1)	1,737	1,778
Marine	606	725
Corporate & others (2)	906	115
TOTAL	11,942	10,769

Operating income (in million)	Half-year ended 30 September	
	2001	2002
Power	284	271
Transport	88	90
Transmission & Distribution(1)	103	110
Marine	42	16
Corporate & others (2)	6	56
TOTAL	523	543

EBIT (3) (in million)	Half-year ended 30 September	
	2001	2002
Power	188	154
Transport	113	66
Transmission & Distribution(1)	95	94
Marine	40	13
Corporate & others (2)	32	(5)
TOTAL	468	322

Capital employed (4) (in million)	At 30 September	
	2001	2002
Power	2,996	3,529
Transport	1,155	759
Transmission & Distribution(1)	1,158	1,028
Marine	(195)	(220)
Corporate & others (2)	1,908	1,601
TOTAL	7,022	6,697

(1) Power Conversion is integrated into the Transmission and Distribution sector as of 1 April 2002. Previous years comparative figures have been restated accordingly.

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(2) Corporate & others include all units accounting for Corporate costs, the International Network and the overseas entities in Australia, New Zealand, South Africa (before disposal) and India, that are not allocated to Sectors. The figures for the half-year ended 30 September 2001 and the year ended 31 March 2002 include the Contracting sector. Sales, operating income and EBIT were 759 million, 30 million and 18 million respectively.

(3) Restructuring costs have not been included in the EBIT by Sector.

(4) Capital employed is defined as the closing position of the total of tangible, intangible and other fixed assets net, current assets (excluding net amount of securitisation of existing receivables) less current liabilities and provisions for risks and charges.

b) Geographic data

The table below set forth the geographic breakdown of Sales by country of destination

Sales (in million)	Half-year ended 30 September	
	2001	2002
France.....	1,085	942
UK	879	801
Germany.....	627	517
Rest of Europe.....	2,364	2,042
USA.....	2,234	2,215
Other Americas.....	1,442	1,233
Asia / Pacific.....	2,290	1,833
Middle East / Africa.....	1,021	1,186
TOTAL	11,942	10,769

Note 15 - Commitments and contingencies

(a) Guarantees related to contracts

In accordance with industry practice guarantees of performance under contracts with customers and under offers on tenders are given.

Such guarantees can, in the normal course, extend from the tender period until the final acceptance by the customer, and the end of the warranty period and may include guarantees on project completion, of contract specific defined performance criteria or plant availability.

The guarantees are provided by banks or surety companies by way of performance bonds, surety bonds and letters of credit and are normally for defined amounts and periods.

The Company provides a counter indemnity to the bank or surety company.

The projects for which the guarantees are given are regularly reviewed by management and when it becomes probable that payments pursuant to performance

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guarantees will require to be made accruals are recorded in the Consolidated Financial Statement at that time.

The amounts of guarantees given on contracts, in the normal course and on which the Company has contingent liabilities total 11,535 million at 31 March 2002 and 10,289 million at 30 September 2002.

Guarantees given by parent or group companies relating to liabilities included in the consolidated accounts are not included.

(b) Capital and operating leases commitments

(i) Long term rental

Pursuant to a contract signed in 1995 with a major European metro operator, the Company has sold 103 trains and associated equipment to two leasing entities. These entities have entered into an agreement by which the Company leases back the trains and associated equipment from the lessors for a period of 30 years. The trains are made available for use by the metro operator for an initial period of 20 years, extendible at the option of the operator for a further ten year period. The trains are being maintained and serviced by the Company. These commitments are in respect of the full lease period and are covered by payments due to the Company from the metro operator.

If this lease was capitalised it would increase long-term assets and long-term debt by 757 million and 735 million at 31 March 2002 and 30 September 2002, respectively

(ii) Capital leases

Commitments relating to capital leases are as follows:

	At 31 March 2002	At 30 September 2002

(in million)		
less than 1 year.....	14.6	20.3
1-2 years.....	16.6	18.8
2-3 years.....	12.1	16.7
3-4 years.....	10.3	13.3
4-5 years.....	7.9	10.8
+5 years.....	59.6	62.2

Total.....	121.1	142.1
=====		

If capital leases had been capitalised, it would increase long term assets (property plant and equipment) by 112 million and 117 million, increase long term financial debt by 119 million and 121 million and decrease of shareholder's equity of 7 million and 4 million at 31 March 2002 and 30 September 2002, respectively.

(iii) Operating leases

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Commitments relating to operating leases are as follows:

	At 31 March 2002	At 30 September 2002

	(in million)	
less than 1 year.....	83.4	58.6
1-2 years.....	82.4	64.8
2-3 years.....	63.1	50.8
3-4 years.....	50.3	37.1
4-5 years.....	41.6	31.5
+5 years.....	158.1	156.1

Total.....	478.9	398.9
	=====	

A number of these operating leases have renewal options. Rent expense was 46 million in the half-year ended 30 September 2002.

Note 16 - Vendor financing

In periods up to 31 March 2002, the Company provided financial assistance, referred to as vendor financing, to financial institutions and granted financing to certain purchasers of its cruise-ships and other equipment. The total exposure was 1,493 million at 31 March 2002 and 1,381 million at 30 September 2002.

The table below set forth the breakdown of the outstanding vendor financing by Sector at 31 March 2002 and 30 September 2002 :

	At 31 March 2002			At 30 September 2002	
	Balance sheet (1)	Off balance sheet (2)	Total	Balance sheet (1)	Off balance sheet

	(in million)				
Marine.....	561	483	1,044	536	432
Renaissance Cruises.....	291	141	432	265	127
Other customers.....	270	342	612	271	315
Transport	-	416	416	-	392
European metro operator.	-	289	289	-	289
Others.....	-	127	127	-	103
Power.....	-	29	29	-	1
T&D	-	4	4	-	-

TOTAL.....	561	932	1,493	536	842
	=====				

(1) Balance sheets items are included in "other fixed assets" (Note 7)

(2) Off-balance sheet figures correspond to the total guarantees and commitments, net of related cash deposits, which are shown as balance-sheet items.

Marine

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Renaissance Cruises

The "vendor financing" related to Renaissance Cruises amounted to 432 million at 31 March 2002 and 387 million at 30 September 2002 as hereafter described :

- Subsidiaries of Cruiseinvest LLC, a Marshall Islands company belonging to Cruiseinvest (Jersey) Ltd, an entity in which the Company owns no shares, acquired in fiscal year 2002 six cruise-ships initially delivered to Renaissance Cruises. The Company guaranteed some of the financing arrangements up to US \$ 173 million (197 million at 31 March 2002 and 175 million at 30 September 2002) of which US \$ 84 million (96 million at 31 March 2002 and 85 million at 30 September 2002) are materialised by a cash deposit in the balance sheet.
- Cruiseinvest LLC has been provided with a 40 million line of credit, of which 8 million has been drawn down at 30 September 2002.
- The Company purchased US \$ 170 million (195 million at 31 March 2002 and 172 million at 30 September 2002) of subordinated limited recourse notes issued by Cruiseinvest (Jersey) Ltd. These subordinated limited recourse notes are composed of a series of five notes bearing interest at 6 % per annum payable half yearly in arrears, and maturing in December 2011. The right of the Company as note-holder is limited to amounts that shall become payable up to the value of the notes.

Other customers

The Company has guaranteed the financing arrangements of four cruise-ships and two high speed ferries delivered to three customers for an amount of 342 million at 31 March 2002 and 344 million at 30 September 2002. These guarantees are supported by a cash deposit amounting to 27 million at 30 September 2002.

The Company also participates in the financing arrangements of two cruise-ships delivered to one customer for an amount of 270 million at 31 March 2002 and 244 million at 30 September 2002. These loans are secured by ship mortgages.

The provision retained in respect of Marine Vendor financing is 144 million at 31 March 2002 and 140 million at 30 September 2002.

Transport

Guarantees given as part of vendor financing arrangements in Transport Sector amount to 416 million at 31 March 2002 and 390 million at 30 September 2002.

Included in this amount are guarantees given as part of a leasing scheme involving a major European metro operator as described in Note 15. If the metro operator decides in year 2017 not to extend the initial period the Company has guaranteed to the lessors that the value of the trains and associated equipment

at the option date should not be less than GBP 177 million (289 million at 31 March 2002 and 281 million at 30 September 2002).

Other Sectors

Other guarantees totalling 33 million at 31 March 2002 and 16 million at 30 September 2002 have been given. There has been no default by any of the concerned entities under the underlying agreements.

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Note 17 - Asbestos

It has been Company policy for many years to abandon definitively the use of products containing asbestos by all of its operating units world-wide and to promote the application of this principle to all suppliers, including in those countries where the use of asbestos is permitted. In the past some products containing asbestos have been used and sold, particularly in France in the Marine Sector and to a lesser extent in the other Sectors. As a result, the company is currently subject to approximately 1,300 asbestos-related cases in France from employees, former employees or third parties. The company believes, based in part on a number of court decisions, that compensation for such cases, including cases where it 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 October 31, 2002, the Company was subject to approximately 100 asbestos-related personal injury lawsuits in the United States which have their origin in the purchase of ABB's power generation business, for which it is indemnified by ABB (see Note 6).

As of October 31, 2002 the Company was 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 of 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 defenses 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 two hundred defendants and where 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. It can, however, give no assurances that such cases will not grow in number or that those it has at present or may face in the future may not have a material adverse impact.