

Dear Member,

ALSTOM PENSION SCHEME – ANNOUNCEMENT TO ACTIVE MEMBERS

The purpose of this announcement is to clarify the position with regards to members taking early retirement. In the announcement dated 22 February 2006 the Trustee stated that it had in principle agreed to the phased removal of the early retirement suspension and confirmed that the intent was that **from 1 January 2007 early retirement pensions would be reinstated for members leaving at age 60 years and above.** At that time the exact detail had not been finalised.

Further consideration to the situation has been given by the Trustee and the Trustee has now agreed to the following provided that there are no significant events which affect the Scheme's finances in the intervening period:

1 January 2007 – reinstatement of early retirement for those aged 60 and over

If you will be over age 60 on 1 January 2007 you may apply for a quotation from 1 November 2006 onwards.

1 April 2007 – reinstatement of early retirement for those aged 55 and over

If you will be over age 55 on 1 April 2007 you may apply for a quotation from 1 February onwards.

1 July 2007 – reinstatement of early retirement for those aged 50 and above.

Please note that early retirement is not possible before age 55 after 6 April 2010.

If you will be over age 50 on 1 July 2007 you may apply for a quotation from 1 May 2007 onwards.

Please note that different early retirement ages apply to different sections of the Scheme and therefore it will not necessarily be possible to retire at age 50 from all sections. Where Company consent is needed to take early retirement the Company has indicated that this will not be given before age 60. If you are unsure as to whether you can take your early retirement pension then please refer to the general guidance notes provided below.

EARLY RETIREMENT (for active members in the 2006 section)

Notes for general guidance following the announcement dated September 2006

Please note that this summary is intended as a guide only. Please contact the pensions department if you wish to clarify any information contained in this note. **The early retirement provisions are very complex and as such you should not rely on this general note to take action regarding your pension benefits without obtaining an individual quotation and information from the pensions department. Please remember that if you take your pension benefits early then they will be reduced for early payment.**

Please note that quotations will be limited as follows:

Over 60's – you may apply for a quotation of your early retirement pension from November 2006 onwards

Over 55's – you may apply for a quotation of your early retirement pension from February 2007 onwards

Over 50's – you may apply for a quotation of your early retirement pension from May 2007 onwards. Please note that early retirement is not possible before age 55 after 6 April 2010.

If you are unable to take your early retirement pension when you apply for a quotation (because of the rules of your section for example) we will be unable to provide a quotation until six months prior to the date that you become eligible (you must apply for this quotation).

To use this guide you need to refer to the paragraphs that are relevant to your particular circumstance – i.e. if you are a main section member then refer to the paragraph headed "Main Section".

If a member joins the "new" 2006 section final salary scheme for future service and they transfer their deferred pension into the "new" 2006 section in exchange for a service credit then they will not be able to take early retirement before age 60.

Main Section

- Under the rules of the main section members can take early retirement from age 50. Trustee consent is needed but Company consent is not needed. However, this age will have to change to age 55 from 2010 to meet new legislation requirements.
- If a member joins the “2006 section” of the final salary scheme (the “new “ section) from 6 April 2006 for future service only and leaves their benefits built up to 5 April 2006 deferred under the main section, then they cannot take early retirement until:
 - a) they leave employment with ALSTOM. If the member is over age 60 at this time they can take both their main section deferred pension and their “new” section deferred pension as an early retirement pension. If a member is over age 50 and under age 60 at the date of leaving then they can take their main section deferred pension as an early retirement pension. The “new” section deferred pension can only be paid from age 60 as it is subject to the Company’s consent. The Company have stated that they will not give consent to early retirement before age 60.
 - b) The member reaches age 60 and remains in employment with ALSTOM. The member can then elect to take the “flexible” retirement route. They can then take their main section deferred pension and the “new” section deferred pension **together** as an early retirement pension. If a member does this they then cannot continue to accrue benefits in the final salary section. However, they can then join the new ALSTOM Defined Contribution Plan for future service (subject to the Company allowing them to do so). However they will not be covered for death in service benefits but on death the value of their individual account will be paid as a lump sum.

ABB Section

- Under the rules of the ABB section members can take early retirement from age 50. However this age will have to change to age 55 from 2010 to meet new legislation requirements.
- However, Company consent is needed. The Company have set a policy that where it consents to early retirement it will not do so before age 60. This means that although the early retirement suspension is lifted ABB members still cannot retire before the age of 60.
- In addition the rules state that ABB section members need to give six months notice of their intention to retire. Please ensure that you give the required notice in writing.
- If a member joins the “2006 section” of the final salary scheme (the “new“ section) from 6 April 2006 for future service and leaves their benefits built up to 5 April 2006 deferred under the ABB section, then they cannot take early retirement until:
 - a) they leave employment with ALSTOM. If the member is over age 60 at this time they can take both their ABB section deferred pension and their “new” section deferred pension as an early retirement pension. If a member is under age 60 at the date of leaving then they can not take early retirement as both the ABB section and the “new” section benefits can only be paid with Company consent and the Company have stated that their policy is not to consent to early retirement for those members under 60.
 - b) They reach age 60 and remain in employment with ALSTOM. The member can then take their ABB section deferred pension and their new section deferred pension **together** as an early retirement pension. If a member does this they then cannot continue to accrue benefits in the final salary section. However, they can then join the new ALSTOM Defined

Contribution Plan for future service (subject to the Company allowing them to do so). However they will not be covered for death in service benefits but on death the value of their individual account will be paid as a lump sum.

Please note that a special provision remains for ABB section members not taking a service credit but leaving their ABB pension deferred in the ABB Section. This is that a member retiring from service (not from deferred status) will have his pension reduced by the number of years and months that precede age 60.

Babcock

- Under the rules of the Babcock section members can take early retirement from age 50. Trustee consent is needed but Company consent is not needed. However, this age will have to change to age 55 from 2010 to meet new legislation requirements.
- If a member joins the “2006 section” of the final salary scheme (the “new “ section) from 6 April 2006 for future service and leaves their benefits built up to 5 April 2006 deferred under the Babcock section, then they cannot take early retirement until:
 - a) they leave employment with ALSTOM. If the member is over age 60 at this time they can take both their Babcock section deferred pension and their “new” section deferred pension as an early retirement pension. If a member is under age 60 at the date of leaving then they can take their Babcock section deferred pension as an early retirement pension. The “new” section deferred pension can only be paid from age 60 as it is subject to the Company’s consent. The Company have stated that they will not give consent to early retirement before age 60.
 - b) The member reaches age 60 and remains in employment with ALSTOM. The member can then elect to take the “flexible” retirement route. They can then take their Babcock section deferred pension and the “new” section deferred pension **together** as an early retirement pension. If a member does this they then cannot continue to accrue benefits in the final salary section. However, they can then join the new ALSTOM Defined Contribution Plan for future service (subject to Company allowing them to do so). However they will not be covered for death in service benefits but on death the value of their individual account will be paid as a lump sum.

Cegelec

- Under the rules of the Cegelec section members can take early retirement from age 55 without any consent. However members must give six months notice of their intention to retire. Before age 55 Company consent is needed and the Company have said that it will not consent to early retirement before age 60. This means that prior to age 55 a Cegelec member will not be able to take early retirement but after age 55 (as long as they give the sufficient notice period) then Cegelec members will be able to retire without consent. From 2010, the earliest age at which members can take early retirement will change to age 55.
- If a member joins the “2006 section” of the final salary scheme (the “new “ section) from 6 April 2006 for future service and leaves their benefits built up to 05 April 2006 deferred under the Cegelec section, then they cannot take early retirement until:
 - a) they leave employment with ALSTOM. If the member is over age 60 at this time they can take both their Cegelec section deferred pension and their “new” section deferred pension as an early retirement pension. If a member is under age 60 at the date of leaving but over age 55 then they can take their Cegelec section deferred pension as an early retirement pension (as long as they have given the appropriate notice). If a member is under age 55 at leaving they cannot take their Cegelec section benefit early. They can only take this benefit at age 55 or later. The “new” section deferred pension can only be paid from age 60 as it is subject to the Company’s consent. The Company have stated that they will not give consent to early retirement before age 60.
 - b) The member reaches age 60 and remains in employment with ALSTOM. The member can then elect to take the “flexible” retirement route. They can then take their Cegelec section deferred pension and the “new” section deferred pension **together** as an early retirement pension. If a member does this they then cannot continue to accrue benefits in the final salary section. However, they can then join the new ALSTOM Defined Contribution Plan for future service (subject to Company allowing them to do so). However they will not be covered for death in service benefits but on death the value of their individual account will be paid as a lump sum.

Retirement Capital Plan/DC Section

- Under the rules of the RCP section members can take early retirement from age 50. However, this age will have to change to age 55 from 2010 to meet new legislation requirements.
- However Company consent is needed. The Company have set a policy that where it consents to early retirement it will not do so before age 60. This means that although the early retirement suspension is lifted RCP members still cannot retire before the age of 60.
- All benefits under the RCP will be refunded or left as deferred in the RCP as at 5 April 2006. All members of the RCP (unless they choose not to) will join the new ALSTOM Defined Contribution Plan with effect from 06 April 2006.

- If a member retains their benefits within the RCP they cannot take early retirement until:
 - a) they leave employment with ALSTOM. If the member is over age 60 at this time they could take both their RCP section deferred pension and their Defined Contribution pension as an early retirement pension (in fact they will come from two different sources). If a member is under age 60 at the date of leaving then they could not take early retirement as both the RCP section and the ALSTOM Defined Contribution Plan require Company's consent on early retirement. This will not be given until the age of 60.
 - b) They reach age 60 and remain in employment with ALSTOM. The member can then take early retirement from the membership of the ALSTOM Defined Contribution Plan and apply to have their RCP benefits paid at the same time. They then could rejoin the DC Plan for future service (subject to Company allowing them to do so). However they will not be covered for death in service benefits but on death the value of their individual account will be paid as a lump sum.

Please note that should there be any inconsistency between these notes and The Trust Deed & Rules the latter will prevail.

Pensions Department
September 2006