



## FAIVELEY TRANSPORT ANNOUNCES ITS 2016 HALF-YEAR RESULTS:

SALES OF €520 MILLION  
ADJUSTED GROUP OPERATING MARGIN<sup>(a)</sup> OF 9.4%  
CONFIRMATION OF OUTLOOK FOR THE YEAR

Gennevilliers, 17 November 2016

At its meeting of 17 November 2016, the Supervisory Board reviewed the financial statements prepared by the Management Board for the first half of the 2016 financial year.

(€ millions)	HY1 2016/17	HY1 2015/16	% change
<b>Order book at 30 September</b>	<b>1,792.3</b>	<b>1,814.7</b>	<b>(1.2)%</b>
<b>Sales</b>	<b>520.5</b>	<b>532.8</b>	<b>(2.3)%</b>
<b>Adjusted Group operating profit<sup>(a)</sup></b>	<b>49.0</b>	<b>51.8</b>	<b>(5.4)%</b>
<i>as % of sales</i>	9.4%	9.7%	
<b>Net profit – Group share</b>	<b>(33.1)</b>	<b>23.2</b>	
<b>Free cash flow<sup>(b)</sup></b>	<b>14.7</b>	<b>28.7</b>	

(a) **Adjusted Group operating profit** is defined as operating profit including the share of profit of equity-accounted entities, restated for restructuring costs and impairments and costs related to the planned combination with Wabtec.

(b) **Free cash flow** is defined as self-financing capacity before interest and tax restated for tax paid, net financial interest paid, and the change in working capital requirements and net capital expenditure

**Stéphane Rambaud-Measson, Chairman of the Management Board and Chief Executive Officer of Faiveley Transport,** commented:

*"The first half-year of 2016 was marked by the achievement of critical milestones in the proposed combination of Faiveley Transport and Wabtec, allowing us to envisage completion before the end of year.*

*Results for the half year are on the whole in line with our expectations and we have been able to largely offset the significant reductions in volume related to the American freight market via strong growth in our European sales.*

*We are expecting high levels of both sales and order intake in the last quarter and are confirming our full-year outlook. "*

### SIGNIFICANT EVENTS

On 25 October 2016, Faiveley Transport, the Faiveley family and Wabtec announced they had modified the terms and conditions of their agreements concluded on 6 October 2015. As a reminder, Wabtec's firm offer relates to the acquisition of the entire Faiveley Transport share capital, valuing it at an enterprise value of approximately €1.7 billion, and would give rise to one of the world's leading rail equipment manufacturers with combined sales of approximately €4 billion.

The shares held by the Faiveley family, representing approximately 51% of the company's share capital, will be acquired by Wabtec:

- For between 25% and 45% of this stake, for cash consideration of €100 per share; and
- For the remainder of the Faiveley family stake, by means of exchange against Wabtec common stock based on a ratio of 1.125 Wabtec shares per Faiveley Transport share, plus 150,000 shares of Wabtec common stock.

The Faiveley family will be able to designate the definitive allocation between cash and shares five days prior to closing. In the event that the Faiveley family exchanges less than 75% of its Faiveley Transport shares against Wabtec common stock, it commits to purchase Wabtec common stock directly in the market in order to hold at least 6.3 million shares of Wabtec common stock.

As a consequence of this modification to the initial agreements, the mandatory public tender offer for all remaining Faiveley Transport shares to be filed by Wabtec, would offer the shareholders an election between:

- A cash offer at a price of €100 per share; and
- An alternative Wabtec common stock offer, where shareholders may tender their Faiveley Transport shares in exchange for Wabtec common stock, at a ratio equivalent to the ratio at which the Faiveley family exchanged their shares, this offer being capped at the same percentage of the publicly-held shares as the percentage of shares exchanged by the Faiveley Family.

The project has received the conditional approvals of the European Commission and the US Department of Justice. Completion of the proposed combination of Faiveley Transport and Wabtec remains subject to the approval of the potential buyer of Faiveley Transport Gennevilliers by the European Commission. On 2 November, Faiveley Transport entered into exclusive negotiations with an industrial company for the sale of Faiveley Transport Gennevilliers.

The acquisition of the controlling interest from the Faiveley family by Wabtec is expected in the 4<sup>th</sup> quarter of 2016 and the proposed public tender offer will be filed with the *Autorité des Marchés Financiers* (AMF – French financial markets authority) in the weeks following this change in control.

## ORDER BOOK

At 30 September 2016, the Group's order book stood at €1,792.3 million, a slight fall of 1.2% (including a 2.0% organic fall) in comparison with 30 September 2015. This decline was primarily the result of the cancellation of an order of more than €35 million linked to the decision by an Asian client to abandon the modernisation of a fleet of trains, independent of the performance of Faiveley Transport.

The Group secured some significant contracts over the period, with notably in the second quarter:

### In the Europe region:

- Heating, ventilation and air conditioning (HVAC) systems for 106 new generation S-Bahn trains built by Stadler for the city of Berlin;
- Repeat orders for braking systems for French regional Regio2N trains built by Bombardier Transport, in particular for the Midi-Pyrénées and Brittany regions;
- A contract for discs and brakes overhaul for the fleet of EMU class 395 trains in the United Kingdom;
- An order for heating, ventilation and air conditioning (HVAC) systems for 84 cars of the Nuremberg metro, built by Siemens;

### In the Americas region:

- Braking systems, access doors and heating, ventilation and air conditioning (HVAC) systems for 25 tramways for the city of Edmonton built by Bombardier Transport.

In addition, since the end of the first half-year, the Group has won a series of significant orders:

- Couplers, air conditioning systems and pantographs for the fleet of 800 electric freight locomotives that will be built by Alstom for the Indian rail ministry, in a new factory in Madhepura in India;
- Door systems for trains of Line 17 of the Shanghai metro;
- An additional order for braking systems, couplers and heating, ventilation and air conditioning systems for M7 double deck cars built by Alstom Transport in consortium with Bombardier, for the operator SNCB in Belgium.

## SALES

Over the first half of the financial year, Faiveley Transport achieved sales of €520.5 million, an organic decline of 0.4% compared with the first half of 2015/16, and a decline of 2.3% including the impact of exchange rates.

(€ millions)	2016/17	2015/16	Organic growth	Total growth
Europe	307.3	297.4	+4.7%	+3.3%
Asia/Pacific	114.2	120.6	-1.2%	-5.3%
Americas	89.5	111.3	-18.4%	-19.6%
Rest of the world	9.5	3.5	+169.4%	+169.4%
<b>TOTAL HY1</b>	<b>520.5</b>	<b>532.8</b>	<b>-0.4%</b>	<b>-2.3%</b>
Original Equipment	298.3	296.5	+2.2%	+0.6%
Services	222.2	236.3	-3.6%	-5.9%
<b>TOTAL HY1</b>	<b>520.5</b>	<b>532.8</b>	<b>-0.4%</b>	<b>-2.3%</b>

On a like-for-like basis over the half-year:

- Europe (59% of sales) posted organic growth of 4.7%, thanks to the delivery of projects in Germany and to the momentum of Services in Italy;
- The Asia-Pacific region (22% of sales) slightly decreased 1.2% in organic terms, due to the fall in deliveries of original equipment in China, which was not fully offset by the strong growth in India;
- The Americas region (17% of sales) posted an organic decline of 18.4% as a result of the sharp slowdown in the North American freight market. This market should represent approximately 50,000 new wagons in 2016 as against a record level of more than 80,000 wagons the previous year.

The Services Division posted an organic decline of 3.6% over the half-year, as a result of the fall in American freight traffic which led to lower service needs in relation to wagon and locomotive fleets. The outlook remains positive, with a book to bill ratio in excess of 1x over the half-year.

The Original Equipment Divisions recorded 2.2% growth in sales on a like-for-like basis, supported in particular by sales in Northern Europe (Germany, UK and Belgium).

## GROUP OPERATING PROFIT

Gross profit stood at €136.7 million (26.3% of sales), compared with €131.7 million over the first half of 2015/16 (24.7% of sales). This improvement in the gross margin was primarily due to improved project execution, as a result of the initiatives under the *Execute* section of the Group's strategic plan.

Sales, general and administrative expenses continued to grow moderately (up 5%) following two years of strengthening as part of the implementation of the *Creating Value* 2018 strategic plan.

Adjusted Group operating profit (including the share of profit in joint ventures) totalled €49.0 million (9.4% of sales) at 30 September 2016, against €51.8 million (9.7% of sales) for the first half of 2015/16, representing a decline of 5.4%.

Group operating profit amounts to a loss of €29.1 million for the first six months of the financial year. It was impacted by significant non-recurring charges, including primarily:

- €14.4 million in transaction costs related to the proposed combination with Wabtec Corporation; and
- €63 million impairment of assets held for sale as part of the transaction with Wabtec; these asset disposals, primarily the joint-venture with Amsted Rail in the United States and the brake pads subsidiary Faiveley Transport Gennevilliers in Europe, are divestments required by the competition authorities and as a result are occurring under particularly unfavourable conditions.

## NET PROFIT

Financial expenses rose slightly to €4.9 million, against €4.5 million over the first half of 2015/16.

The income tax charge totalled €8.7 million, compared with €11.1 million for the year to 30 September 2015. The decrease in the effective tax rate (32.1% before impairment of assets, against 33.7% in the first half-year of 2014) was



primarily due to the transaction costs related to the proposed combination with Wabtec, and to a favourable country mix.

Net result group share was a loss of €33.1 million. Restated for the impairment of assets held for sale and costs related to the transaction with Wabtec, the Group share of net profit would have been €28.3 million.

## CASH FLOW AND FINANCIAL POSITION

Self-financing capacity before interest and tax was €52.1 million, an increase of 12% in comparison with the first half of 2015/16 (€46.4 million).

At 30 September 2016, working capital requirements (WCR) after factoring of receivables totalled €141.0 million, up €20.1 million in comparison with 31 March 2016. This change includes a seasonal decrease in the factoring of receivables, normal for the first half-year, of €16 million in comparison with 31 March 2016. Excluding this effect, the €4.2 million increase in WCR is explained by an increase in inventory, a fall in customer advances, partially offset by an improvement in trade receivables.

Capital expenditure (CAPEX) reached €13.1 million, a slight decrease on the first half of the previous financial year (€15.8 million) but temporarily remaining at a high level as a result of investments related to the Creating Value 2018 strategic plan.

Free cash-flow stood at €14.7 million, equating to a solid level of €31 million excluding the seasonal fall in trade receivables.

The Group's net financial debt was €154.1 million at 30 September 2016, stable over the half-year.

## 2016 OUTLOOK

In accordance with the decisions taken by the Shareholders' General Meeting, Faiveley Transport has changed the date of the financial year end to 31 December. As a result, the current financial year will last for nine months, from 1 April 2016 to 31 December 2016.

Faiveley Transport confirms its full-year outlook in terms of sales and adjusted Group operating profit. This outlook for the nine-month financial year ending 31 December 2016 includes:

- Sales of between €795 and €810 million;
- Adjusted Group operating profit (before restructuring costs and costs related to the combination with Wabtec, and excluding impairment of assets) of between €74 and €78 million.

### Analyst/investor presentation:

The analyst/investor presentation will be conducted in English on Wednesday 17 November 2016 at 6pm via an audioconference accessible on +33(0)1 70 77 09 40. The presentation will be available via the Group's website: <http://www.faiveleytransport.com>.

### Next communications:

16 February 2016 (after close of trading), 2016 Full-Year Results.

### About Faiveley Transport:

*Faiveley Transport is a global supplier of high value added integrated systems for the railway industry. With more than 6,000 employees in 24 countries, Faiveley Transport generated sales of €1,105 million in the 2015/16 financial year. The Group supplies manufacturers, operators and railway maintenance bodies worldwide with the most comprehensive range of systems in the market: Energy & Comfort (air conditioning systems, power collection and passenger information), Access & Mobility (passenger access systems and platform doors), Brakes & Safety (braking systems and couplers) and Services.*

*Faiveley Transport is listed on Euronext Paris and is a component of the CAC Allshare and CAC Mid & Small indices. Compartment B, ISIN: FR0000053142, Tickers: Bloomberg: LEY FP / Reuters: LEY.FP*





## DISCLAIMER:

*This press release includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause expected results to differ.*

*Although Faiveley Transport believes that its expectations and the information in this press release were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the expected results will be as set out in this press release.*

*Neither Faiveley Transport nor any other company within the Faiveley Transport Group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the press release, and neither Faiveley Transport, any other company within the Faiveley Transport Group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the press release.*

*The public tender offer planned by Wabtec will be submitted to examination and visa by the French Autorité des Marchés Financiers. Wabtec and Faiveley Transport will respectively establish a draft offer memorandum and a draft memorandum in response which will be available on their respective websites and that of the Autorité des Marchés Financiers.*

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## EXTRACTS OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 September 2016

### CONSOLIDATED INCOME STATEMENT

(€ millions)	HY1 2016/17	HY1 2015/16
<b>Sales</b>	<b>520.5</b>	<b>532.8</b>
Cost of sales	(383.8)	(401.1)
<b>Gross Profit</b>	<b>136.7</b>	<b>131.7</b>
<i>as % of sales</i>	26.3%	24.7%
Administrative costs	(51.0)	(47.1)
Sales and marketing costs	(26.2)	(26.5)
Research and development costs	(8.3)	(8.6)
Other operating income and expenses	(18.4)	(10.7)
<b>Profit from recurring operations</b>	<b>32.8</b>	<b>38.7</b>
<i>as % of sales</i>	6.3%	7.3%
Restructuring costs	(0.6)	(1.3)
Gain/(loss) on disposal of PPE and intangible assets	-	-
<b>Operating profit before Impairment of assets</b>	<b>32.1</b>	<b>37.4</b>
<i>as % of sales</i>	6.2%	7.0%
Impairment of assets	(63.0)	-
<b>Operating profit</b>	<b>(30.9)</b>	<b>37.4</b>
<i>as % of sales</i>	-5.9%	7.0%
Share of profit of joint ventures	1.8	3.5
<b>Operating profit after share of profit of joint ventures</b>	<b>(29.1)</b>	<b>40.9</b>
<i>as % of sales</i>	-5.6%	7.7%
Net cost of financial debt	(4.7)	(5.1)
Other financial income and expenses	(0.2)	0.6
<b>Net financial expense</b>	<b>(4.9)</b>	<b>(4.5)</b>
Share of profit of other equity-accounted entities	-	-
<b>Profit before tax</b>	<b>(34.0)</b>	<b>36.4</b>
Income tax	(8.7)	(11.1)
<b>Net Profit :</b>	<b>(42.7)</b>	<b>25.3</b>
<b>Attributable to Company shareholders</b>	<b>(33.1)</b>	<b>23.2</b>
<b>Attributable to minority interests</b>	<b>(9.6)</b>	<b>2.2</b>
<b>Earnings per share, in €:</b>		
Basic <sup>(a)</sup>	(2.29)	1.61
Diluted	(2.29)	1.59

(a) Basic earnings per share takes into account the deduction of the average treasury shares held by Faiveley Transport (122,835 at 30 september 2016 and 216,303 at 30 september 2015).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)

	September 2016	March 2016
Goodwill	647.0	688.6
Intangible assets	54.3	63.6
Property, plant and equipment	73.9	77.7
Shareholdings in associates	22.3	20.7
Deferred tax assets	65.8	62.3
Other non-current financial assets	2.5	2.9
<b>Total non-current assets</b>	<b>865.8</b>	<b>915.7</b>
Inventories	177.3	161.2
Work-in-progress on projects	130.6	123.4
Advances and prepayments paid on others	5.1	2.3
Trade and other receivables	195.0	215.8
Other current assets	39.1	37.9
Taxation receivable	14.1	18.0
Current financial assets	12.5	33.9
Short-term investments	15.0	15.0
Cash	210.7	221.0
Assets held for sale	21.7	7.5
<b>Total current assets</b>	<b>821.0</b>	<b>836.2</b>
<b>TOTAL ASSETS</b>	<b>1 686.8</b>	<b>1 751.9</b>
Share capital	14.6	14.6
Consolidated reserves and net profit	593.0	642.1
<b>Equity – Group share</b>	<b>607.6</b>	<b>656.8</b>
Minority interests	16.6	32.1
<b>Total equity</b>	<b>624.2</b>	<b>688.9</b>
Provisions for non-current liabilities and charges	48.6	43.1
Deferred tax liabilities	54.5	51.1
Non-current borrowings and financial debt	362.0	360.9
<b>Total non-current liabilities</b>	<b>465.1</b>	<b>455.2</b>
Provisions for current liabilities and charges	114.4	112.4
Current borrowings and financial debt	34.4	57.7
Advances and prepayments received on orders	141.1	158.7
Current liabilities	287.0	269.6
Current tax payable	6.8	9.5
Liabilities related to Assets held for sale	13.9	-
<b>Total current liabilities</b>	<b>597.5</b>	<b>607.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 686.8</b>	<b>1 751.9</b>

## CONSOLIDATED CASH FLOW STATEMENT

(€ millions)	HY1 2016/17	HY1 2015/16
Net profit – Group share	(33.1)	23.2
Minority interests	(9.6)	2.2
Depreciation and amortisation charges	9.6	9.0
Charges related to share-based payments	6.4	1.2
Asset impairment (including goodwill)	63.0	-
Change in provisions	(2.8)	1.5
Unrealized net loss/(gain) on derivative instruments and revaluation of monetary assets and liabilities	5.6	(3.3)
Other calculated income and expenses	-	(0.1)
Net loss/(gain) on asset disposals	0.1	0.1
Grant income	-	-
Share of profit of equity –accounted entities	(1.8)	(3.5)
Dividends received from equity-accounted entities	1.3	-
Dilution profit	-	-
Net cost of financial debt	4.7	5.1
Income tax charge (including deferred tax)	8.7	11.1
<b>Self-financing capacity before interest and tax</b>	<b>52.1</b>	<b>46.4</b>
Change in working capital requirements	(14.0)	4.3
Tax Paid	(7.1)	(2.7)
Net financial interest paid	(3.2)	(3.5)
<b>Cash Flow from operating activities</b>	<b>27.8</b>	<b>44.5</b>
Purchase of property, plant and equipment and intangible assets	(16.6)	(15.8)
Disposal of property, plant and equipment and intangible assets	0.8	-
Proceeds from capital grants	-	-
Purchase of financial assets	(0.2)	(0.2)
Disposal of financial assets	2.8	-
<b>Free cash flow <sup>(a)</sup></b>	<b>14.7</b>	<b>28.7</b>
Net cash outflows / inflows related to acquisitions/disposals of subsidiaries and minority interests	(1.1)	(1.3)
<b>Net cash from investment activities</b>	<b>(14.3)</b>	<b>(17.1)</b>
Proceeds from new shares issues	0.4	-
Change in treasury shares	-	2.0
Premiums paid/received on financial derivatives	5.2	5.5
Dividends paid to parent company shareholders	-	-
Dividends paid to minority interests	(5.9)	(1.8)
Proceeds from new borrowings	0.3	4.2
Repayment of borrowings	(15.6)	(18.9)
<b>Cash flow from financing activities</b>	<b>(15.6)</b>	<b>(9.0)</b>
Net foreign exchange difference	(6.4)	(0.8)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(8.5)</b>	<b>17.6</b>
<i>Of which cash and cash equivalents transferred to Assets held for Sale</i>	<i>(0.1)</i>	
Cash and cash equivalents at start of the period	233.9	234.7
<b>Cash and Cash equivalents at the end of the period</b>	<b>225.4</b>	<b>252.3</b>

<sup>(a)</sup> **Free cash flow** is defined as self-financing capacity before interest and tax restated for tax paid, net financial interest paid, and the change in working capital requirements and net capital expenditure



## 2016/17 SECOND QUARTER SALES

(€ millions)	2016/17	2015/16	Organic growth	Total growth
Europe	145.0	147.8	-0.1%	-1.9%
Asia/Pacific	60.9	65.0	-3.7%	-6.3%
Americas	48.8	59.3	-17.9%	-17.7%
Rest of the world	5.8	1.4	+306.8%	+306.9%
<b>TOTAL 2<sup>nd</sup> Quarter (Q2)</b>	<b>260.5</b>	<b>273.5</b>	<b>-3.2%</b>	<b>-4.8%</b>
Original Equipment	147.9	151.7	-1.6%	-2.5%
Services	112.6	121.8	-5.3%	-7.6%
<b>TOTAL 2<sup>nd</sup> Quarter (Q2)</b>	<b>260.5</b>	<b>273.5</b>	<b>-3.2%</b>	<b>-4.8%</b>

## FINANCIAL INDICATORS NOT DEFINED UNDER IFRS

### Adjusted Group operating profit

**Adjusted Group operating profit** is defined as operating profit including the share of profit of equity-accounted entities, restated for restructuring costs, impairment of assets and costs related to the planned transaction with Wabtec Corporation.

(€ millions)	HY1 2016/17	HY1 2015/16
<b>Operating profit</b>	<b>(30.9)</b>	<b>37.4</b>
Share of net profit of equity-accounted entities	1.8	3.5
<b>Group operating profit</b>	<b>(29.1)</b>	<b>40.9</b>
Restructuring costs	0.6	1.3
Impairment of Assets	63.0	
Costs related to the Wabtec transaction	14.4	9.5
<b>Adjusted Group operating profit</b>	<b>49.0</b>	<b>51.8</b>

### Free cash flow

Free cash flow is defined as self-financing capacity before interest and tax restated for tax paid, net financial interest paid, the change in working capital requirements and net investments.

(€ millions)	HY1 2016/17	HY1 2015/16
<b>Self-financing capacity before interest and tax</b>	<b>52.1</b>	<b>46.4</b>
Tax paid	(7.1)	(2.7)
Net financial interest paid	(3.2)	(3.5)
Change in working capital requirements	(14.0)	4.3
Investments	(13.1)	(15.8)
<b>Free cash flow</b>	<b>14.7</b>	<b>28.7</b>