Press Release of 30 May 2014

FAIVELEY TRANSPORT ANNOUNCES ITS 2013/2014 ANNUAL RESULTS

Gennevilliers, 30 May 2014

The Supervisory Board approved on 27 May 2014 the financial statements for the year ended 31 March 2014.

(€ millions)	2013/2014	2012/2013	Change
Order book	**1,672.2**	**1,615.9**	**+3.5%**
Sales	**982.4**	**987.7**	**(0.5)%**
Operating profit	**88.6**	**111.1**	**(20.3)%**
as % of sales	*9.0%*	*11.2%*	
Net financial expense	(11.4)	(13.6)	
Income tax	(27.1)	(33.9)	
Net profit – Group share	**50.1**	**59.3**	**(15.5)%**
as % of sales	*5.1%*	*6.0%*	
Free cash flow[(a)]	**20.0**	**55.1**	**€(35.1) m**
Net financial debt at 31 March [(a)]	196.6	176.5	+€20.1 m

(a) Indicators not defined under IFRS, definitions provided in the appendix

CHANGE IN GOVERNANCE

On 7 April 2014, the Supervisory Board of Faiveley Transport appointed Stéphane Rambaud-Measson as Chairman of the Management Board and Chief Executive Officer of Faiveley Transport. He joined the Group on 17 March 2014, as Group Executive Vice President.

FAIVELEY WORLDWIDE EXCELLENCE

With constantly increasing customers' requirements, the Group has made operational excellence its priority and as such launched an ambitious and innovative programme: "Faiveley Worldwide Excellence 2016" which sets objectives regarding quality, reactivity, punctuality and reliability, fundamental criteria in the operational excellence of Faiveley Transport.

GROWTH IN ORDER BOOK

The Group's order book achieved organic growth of 5.5% over the 2013/2014 financial year, reaching €1,672.2 million at 31 March 2014.

The Original Equipment order book represented approximately 29 months of sales at 31 March 2014.
The Group secured some significant contracts, with notably:

- For the Europe region:
  - ✓ Additional orders for braking systems, access doors and air conditioning systems related to the transition of all the 130 German ICx high speed trains built by Bombardier and Siemens from 10 to 12 cars,
  - ✓ Couplers and air conditioning systems to equip 100 Siemens Desiro trains for the Austrian operator OBB,
  - ✓ An additional order for doors and inverters for 150 Italian regional double-deck trains built by Ansaldo-Breda,
  - ✓ Platform doors for the new line of the Copenhagen Metro.
- The Asia-Pacific region:
  - ✓ Orders for braking systems for 260 locomotives in China built by Datong and Zhuzhou,
  - ✓ Braking systems for 158 EP20 locomotives in Russia built by Transmashholding,

- ✓ Air conditioning systems for 118 double-deck cars built by Stadler for the Aeroexpress rail link to Moscow airports,
- ✓ Couplers and access doors for 37 Hong Kong Metro trains built by Rotem,
- ✓ The supply of platform doors for the 14 stations of the new Ho Chi Minh City Metro line (Line 1),
- ✓ On-board doors for 210 cars for the Shanghai Metro (lines 3 & 4).

- For the Americas region:
  - ✓ The design, supply and installation of 1,120 full height platform doors for the two new Metro lines in Santiago, Chile,
  - ✓ Access doors for 65 trains built by CAF and IESA/Hyundai-Rotem for the city of Sao Paulo.

The Services activity achieved a record year in terms of order intake with, in particular, contracts:

- For the Europe region:
  - ✓ The revision and modernisation of access door systems for 36 X2000 high speed trains in Sweden.
- For the Asia-Pacific region:
  - ✓ The upgrade of door systems for 90 trains of the Hong Kong Metro.
- For the Americas region:
  - ✓ The maintenance of 1,120 platform doors for two new lines of the Santiago Metro in Chile for a period of 20 years,
  - ✓ The retrofit of energy inverters for 257 commuter trains for the city of Chicago.

The contract secured for the modernisation and refurbishment of 202 passenger cars for the *Société Nationale des Chemins de Fer* in Algeria was not recorded in the order book at 31 March 2014, as its signing had not yet been finalised.

In view of difficulties in completing the transaction, the Group and Transkon have decided to terminate their project to create a joint-venture to address the Russian market of HVAC systems.

SALES

During the 2013/2014 financial year, Faiveley Transport achieved sales of €982.4 million, a decrease of 0.5% in comparison with the previous financial year, with zero organic growth. The acquisition of Schwab Verkehrstechnik in May 2013 (leading Swiss designer and manufacturer of couplers and buffers for the freight and rail transit markets) made a positive contribution of 1.7% and foreign exchange rates had a negative impact of 2.2%.

(€ millions)	**2013/2014**	2012/2013	**Organic growth**	**Total growth**
Europe	595.9	563.2	+3.3%	+5.8%
Asia/Pacific	236.1	262.6	(5.7)%	(10.1)%
Americas	141.0	155.4	(4.5)%	(9.2)%
Rest of the world	9.4	6.5	+45.4%	+45.2%
TOTAL	**982.4**	**987.7**	**0.0%**	**(0.5)%**
Original equipment	581.9	585.2	(0.9)%	(0.6)%
Services	400.5	402.5	+1.2%	(0.5)%
TOTAL	**982.4**	**987.7**	**0.0%**	**(0.5)%**

On a like-for-like basis:

- In Europe (61% of 2013/2014 sales) growth was 3.3%, with a healthy level of project deliveries in France and the UK, and a notable recovery in Spain;
- The Asia-Pacific region (24% of 2013/2014 sales) recorded a decline of 5.7%, primarily due to China where the recovery in locomotive activity did not offset the decline in the metro segment; and
- The Americas region (14% of 2013/2014 sales) reported a decline of 4.5%, due to the phasing of transit projects and stable freight business.

The Services activity achieved organic growth of 1.2% over the financial year, mainly concentrated in India, China, the UK, Germany and Spain.

Original equipment activities recorded a 0.9% decline in sales on a like-for-like basis.

OPERATING PROFIT

The Group's operating profit totalled €88.6 million (9.0% of sales) for the year to 31 March 2014, compared with €111.1 million (11.2% of sales) for the previous financial year. This decrease of 20.3% was due to a reduction in gross margin combined with an increase in sales, general and administrative costs.

Gross profit totalled €235.7 million (24.0% of sales), compared with €248.3 million over the 2012/2013 financial year (25.1% of sales). This decline in gross margin was primarily due to execution issues encountered by the Group on certain of its major projects, and which gave rise to the posting of provisions related to engineering and technical development costs. In addition, sharp variations in the seasonality of production schedules resulted in reduced operational efficiency and thus led to extra costs.

Moreover, sales, general and administrative costs rose 2.9%, primarily due to two strategic initiatives launched by the Group during the financial year: the strengthening of operational management teams and the implementation of the Faiveley Worldwide Excellence programme (which includes substantial investments in IT tools), despite a rigorous policy of cost management.

NET PROFIT

Financial expenses decreased by 16.2% to €11.4 million, thanks to lower rates and efficient hedging.

The income tax charge totalled €27.1 million for the year to 31 March 2014. The effective tax rate (ETR) reached 35.1% for the period to 31 March 2014 (34.8% for the period to 31 March 2013) mainly impacted by new tax measures in France (notably the 2 percentage point increase in the tax rate and the non-deductibility of financial charges).

The Group share of net profit reached €50.1 million, down 15.5% in comparison with the previous financial year. Net earnings per share was €3.50 in 2013/2014, representing a 16.1% decrease over the financial year (€4.17 in 2012/2013).

CASH FLOW AND FINANCIAL POSITION

Self-financing capacity was €76.7 million, down 19.4% in comparison to the previous financial year (€95.2 million). This change was caused by the decline in net profit for the financial year.

At 31 March 2014, the working capital requirement (WCR) after factoring of receivables totalled €116.5 million, an increase in comparison with the previous financial year (€81.0 million). This increase was primarily due to the combined growth of trade receivables, inventories and work-in-progress on projects.

Net investment (CAPEX) totalled €15.6 million, 1.6% of the financial year's sales (1.9% of sales excluding asset sale), compared with 2.0% at 31 March 2013 (€20.2 million).

Free cash flow totalled €20.0 million, down compared with the end of the previous financial year. Adjusted for the fall in factoring of receivables, it would have been €29.2 million.

The Group's net financial debt reached €196.6 million at 31 March 2014, an increase of €20.1 million, mainly due to:

- free cash flow of €20.0 million generated,
- the acquisition of Schwab Verkehrstechnik in May 2013 for €27,4 million (CHF 37 million), and
- the payment of dividends totalling €16.4 million.

Press Release of 30 May 2014 - continued

On 5 March 2014, Faiveley Transport successfully secured a “Schuldschein” type loan (private placement under German law) for a total sum of €130 million. This transaction allowed the Group to continue diversifying its sources of funding and extend the maturity of its debt under very favourable conditions.

DIVIDEND

The Group will propose to the Annual General Meeting the payment of a dividend of € 0.80 per share for the 2013/2014 financial year, corresponding to 23% of net profit, consistent with the Group’s policy of a pay-out ratio ranging between 20% and 25% of net profit.

2014/15 OUTLOOK

Highlights of the year 2014/2015 should include the ramp up in deliveries of major new projects (Régiolis, Regio2N, Zefiro, etc.) and the implementation of the Faiveley Worldwide Excellence 2016 action plan based on client satisfaction through quality and excellence in projects execution.
In terms of opportunities for new orders, numerous projects are currently out to tender in Europe, the Middle East and Asia, and reflect the dynamism of the markets in which the Group operates. The Group should also benefit from options included in the major contracts currently in progress.

Within this context, for the 2014/15 financial year, the Group expects at constant perimeter:

- organic sales growth of between 1% and 4%; and
- an operating margin of between 9.7% and 10.3% of sales.

Analyst/investor presentation

The analyst/investor presentation will take place in English on Monday 2 June 2014 at 2pm CEST, at the Centre de Conférences Edouard VII, 23 square Edouard VII, 75009 Paris.
The slideshow will be available on the Group’s website.
The conference will be broadcast both live and recorded on the site: http://www.faiveleytransport.com

Next events:

24 July 2014 (after market close), 2014/2015 Q1 Financial Information
12 September 2014, Annual General Meeting
26 November 2014 (after market close), 2014/2015Half-Year Results
28 January 2015 (after market close), 2014/2015 Q3 Financial Information
28 May 2015 (before market close), 2014/2015 Full-Year Results

About Faiveley Transport:

Faiveley Transport is a global supplier of high added value integrated systems for the railway industry. With around 6,000 employees in 24 countries, Faiveley Transport generated sales of €982 million for the 2013/2014 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 and power collectors), Access & Information (passenger access systems, platform doors and passenger information systems), 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 60 indices.
Compartment B, ISIN: FR0000053142, Tickers: Bloomberg: LEY FP / Reuters: LEY.FP

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EXTRACTS OF THE 2013/2014 CONSOLIDATED FINANCIAL STATEMENTS

Extracts of the financial statements at 31 March 2014, audited and approved by the Supervisory Board of 27 May 2014. Audit procedures on the consolidated financial statements have been carried out. The Statutory Auditors' report is currently being drawn up.

CONSOLIDATED INCOME STATEMENT

(€ millions)	2013/2014	2012/2013
Sales	**982.4**	**987.7**
Cost of sales	(746.7)	(739.4)
Gross Profit	**235.7**	**248.3**
As % of sales	*24.0%*	*25.1%*
General & Administrative costs	(80.2)	(76.5)
Sales and marketing costs	(43.6)	(43.8)
Research and development costs	(14.0)	(13.4)
Other operating income and expenses	(8.0)	(2.3)
Profit from recurring operations	**89.9**	**112.3**
As % of sales	*9.1%*	*11.4%*
Restructuring costs	(1.2)	(1.0)
Gain/(loss) on disposal of non-current assets	(0.1)	(0.2)
Operating profit	**88.6**	**111.1**
As % of sales	*9.0%*	*11.2%*
Net cost of financial debt	(9.3)	(10.6)
Other financial income and expenses	(2.1)	(3.0)
Net financial expense	**(11.4)**	**(13.6)**
Share of profit of associates	-	-
Profit before tax	**77.2**	**97.5**
Income tax	(27.1)	(33.9)
Net profit	**50.1**	**63.6**
Minority interests	-	*4.3*
Net profit – Group share	**50.1**	**59.3**
As % of sales	*5.1%*	*6.0%*
Earnings per share, in €:		
Net [a]	3.50	4.17
Net, diluted [b]	3.44	4.06

(a) Basic earnings per share takes into account the deduction of treasury shares held by Faiveley Transport (292 258 as of 31 March 2014 and 382 050 as of 31 March 2013).

(b) Diluted earnings per share takes into account on one hand the deduction of treasury shares held by Faiveley Transport and on the other hand the addition of exercisable shares linked to shares grants (256 896 as of 31 March 2014 and 361 290 as of 31 March 2013)

CONSOLIDATED BALANCE SHEET

(€ millions)	**31 March 2014**	31 March 2013
Goodwill	663.9	651.2
Intangible assets	50.6	43.0
Property, plant and equipment	68.8	71.6
Shareholdings in unconsolidated subsidiaries	0.2	0.2
Deferred tax assets	52.4	46.4
Other non-current financial assets	2.5	5.6
Total non-current assets	**838.4**	**818.0**
Inventories	154.5	144.5
Work-in-progress on projects	111.4	98.5
Advances and prepayments paid	2.9	3.9
Trade receivables	207.6	184.2
Other current assets	30.9	34.9
Taxation receivable	13.2	7.4
Current financial assets	7.9	9.3
Short-term investments	69.8	22.0
Cash	173.7	152.9
Total current assets	**771.9**	**657.6**
TOTAL ASSETS	**1,610.3**	**1,475.6**
Share capital	14.3	14.2
Consolidated reserves and net profit for the year	535.6	507.7
Equity – Group share	**549.9**	**521.9**
Minority interests	27.7	32.8
Total equity	**577.6**	**554.7**
Provisions for non-current liabilities and charges	38.2	39.8
Deferred tax liabilities	34.1	28.3
Non-current borrowings and financial debt	408.0	314.8
Total non-current liabilities	**480.3**	**382.9**
Current provisions for liabilities and charges	97.5	83.9
Current borrowings and financial debt	50.9	62.6
Advances and prepayments received	124.1	120.8
Current liabilities	265.7	257.9
Current tax payable	14.2	12.8
Total current liabilities	**552.4**	**538.0**
TOTAL EQUITY AND LIABILITIES	**1,610.3**	**1,475.6**

2012/2013 figures have been restated to reflect the impact of the change in accounting policies (IAS 19 revised).

CONSOLIDATED CASH FLOW STATEMENT

(€ millions)	**2013/2014**	2012/2013
Net profit for the year - Group share	50.1	59.3
Minority interests	-	4.3
Depreciation and amortisation charges	16.3	16.3
Cost of performance-based shares	2.8	2.4
Asset impairment (including goodwill)	-	-
Change in provisions	11.3	5.1
Change in value of cash equivalents	(1.2)	3.6
Deferred tax	(2.2)	4.4
Net loss/(gain) on asset disposals	-	0.2
Grant income	(0.4)	(0.4)
Share of profit of associates	-	-
Dilution profit	-	-
Self-financing capacity	**76.7**	**95.2**
Changes in working capital requirement	(41.1)	(19.9)
Cash flow from operating activities	**35.6**	**75.2**
Purchase of property, plant and equipment and intangible assets	(18.7)	(20.5)
Disposal of property, plant and equipment and intangible assets	0.4	Ns
Proceeds from capital grants	0.2	0.2
Purchase of financial assets	(0.5)	(0.5)
Disposal of financial assets	3.0	0.6
Free cash flow [a]	**20.0**	**55.1**
Other	(27.4)	-
Cash flow used in investment activities	**(43.0)**	**(20.2)**
Proceeds from new share issues	-	-
Change in treasury shares	1.7	0.5
Movement in share and merger premiums	-	-
Other movements in equity (cash-flow hedge)	1.3	0.2
Dividends paid	(16.4)	(15.4)
Proceeds from new borrowings and other financial debt	135.8	106.9
Repayment of borrowings and other financial debt	(42.4)	(185.1)
Cash flow from/(used in) financing activities	**80.0**	**(92.9)**
Net foreign exchange difference	3.8	(3.1)
Net increase/(decrease) in total cash and cash equivalents	**76.4**	**(40.9)**
Cash and cash equivalents at start of period	165.9	206.8
Cash and cash equivalents at end of the year	**242.3**	**165.9**

[a] Indicator not defined under IFRS, definition provided in the appendix

SALES FOR THE FOURTH QUARTER 2013/2014

(€ millions)	2013/2014	2012/2013	Organic growth	Total growth
Europe	174.0	157.5	+8.1%	+10.5%
Asia/Pacific	73.6	76.5	+2.2%	(3.9%)
Americas	37.2	42.4	(7.2)%	(12.2)%
Rest of the world	4.2	1.5	n/a	n/a
TOTAL FOURTH QUARTER	**289.0**	**278.0**	**+5.1%**	**+4.0%**
Original equipment	173.2	162.0	+7.6%	+7.0%
Services	115.8	116.0	+1.7%	(0.2)%
TOTAL FOURTH QUARTER	**289.0**	**278.0**	**+5.1%**	**+4.0%**

FINANCIAL INDICATORS NOT DEFINED UNDER IFRS

Free cash flow

Free cash flow is defined as self-financing capacity restated for the change in working capital requirement and investments in property, plant and equipment and intangible assets made by the Group.

(€ millions)	2013/2014	2012/2013
Self-financing capacity	**76.7**	**95.2**
Change in working capital requirement	(41.1)	(19.9)
Capital expenditures	(15.6)	(20.2)
Free cash flow	**20.0**	**55.1**

Net financial debt

Net financial debt is defined as consolidated financial debt less financial receivables and cash

(€ millions)	2013/2014	2012/2013
Consolidated financial debt	**447.6**	**361.2**
Financial receivables	(7.4)	(9.7)
Cash and marketable securities	(243.5)	(175.0)
Net financial debt	**196.6**	**176.5**