

Gennevilliers, 28 May 2015

FAIVELEY TRANSPORT PRESENTS ITS 3-YEAR STRATEGIC PLAN: CREATING VALUE 2018

During the presentation of its 2014/15 Full-Year results, Faiveley Transport unveiled its strategic three year plan. Stéphane Rambaud-Measson, Chairman of the Management Board and Faiveley Transport Group's Chief Executive Officer and Guillaume Bouhours, Member of the Management Board and Chief Financial Officer, presented the Group's strategic ambition, its action plans, and financial targets for the 2015/16 – 2017/18 period: CREATING VALUE 2018.

Faiveley Transport targets value creation for all its main stakeholders, its customers, its shareholders and its employees through the implementation of the Plan CREATING VALUE 2018, built around five strategic building blocks:

- **Shape:** adapt our industrial footprint and our organisation,
- **Execute:** aim for operational excellence,
- **Create:** invest in Product and System innovation,
- **Develop:** focus and boost our commercial actions,
- **Grow Talent:** create a shared culture and develop our talents.

With the following financial targets:

- **Sales of €1.3 billion in 2017/18,**
- **Group operating profit before restructuring representing between 11% to 12% of sales in 2017/18,**
- **More than €110 million free cash flow generated over the three years of the plan**

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

"Faiveley Transport is proud to present its strategic plan for the three years to 2018. This plan was designed and built with all our teams from all sites and all divisions. This major corporate project will bring together all teams and create value for everyone. It covers actions to transform fundamentally or to continuously progress in all domains: organisation, industrial footprint, operational excellence, innovation, sales momentum and talent management over the Group. This plan reflects our long-term ambition to be one of the world leaders in the supply of rail equipment systems."

Five strategic building blocks

The Group aims to be one of the three leaders in the rail equipment market in each of its key strategic geographies and for each of its product lines globally. To achieve this, all the Group's teams have been involved during the 2014/15 fiscal year in developing Faiveley Transport Group's new 2017/18 strategic ambition. The Group has defined a set of action plans based on the following 5 operational pillars:



SHAPE: Adapt our industrial footprint and our organisation to improve our performance and our competitiveness

Industrial footprint: develop manufacturing and procurement bases in low cost regions whilst retaining control of engineering and project management within internationally-recognised historical centres of expertise.

- For example, the Group is investing in a brand new industrial site in Plzen, in the Czech Republic, which will at initial stage concentrate the pantograph assembly activities, and then will be further developed for brake, couplers and doors components assembly.
- The Group is also planning to develop its existing industrial base in India to support the growth of the local market and as a manufacturing base for exports to support certain major train manufacturer customers who have chosen this country as their strategic industrial base.

Organisation: adapt our organisation and redefine governance to improve performance.

- Strengthening the Products Divisions by giving them full responsibility for their allocated scope and sites with significantly increased resources (Project management, Engineering, Quality, Procurement, Supply Chain, etc.).
- Creation of the China Division with its own management to ensure complete alignment with the Chinese market in terms of responsiveness, products, costs and the specific requirements of Chinese customers.
- Hierarchical integration of each of the Finance and Human Resources functions to strengthen their independence and their control role, whilst contributing further support to the Divisions (Business Partner).

EXECUTE: Aim for operational excellence, particularly in terms of quality, project management, on-time delivery and competitiveness, the main aim being to fully satisfy the demands of our customers, with the related objective of improving our financial performance.

Faiveley Worldwide Excellence: the continuation of this programme which was launched in 2013/14 remains a major action plan to achieve the operational excellence target the Group has set itself. As a reminder, this programme is structured around the standardisation of management models (rollout of Faiveley Management System's best practices), the major strengthening of internal control and the harmonisation of key operational management tools (ERP, PDM, CRM).

Strengthening operational functions thanks to the introduction of a Project Management Office and a supplier development programme, the creation of a Group Operations Department, and the strengthening of Procurement and Supply Chain initiatives. The Project Management Office will for example play a key role in defining best practices in Project Management, in the training and monitoring of project managers, and in field audits of major projects.

CREATE: Invest in Product and System Innovation to maintain a technological edge, meet customers' needs and improve our competitiveness.

The Group's key **innovation and research priorities** are energy efficiency and mass reduction, systems reliability and availability, original equipment product cost reduction and total life cycle cost optimisation for operators.

DEVELOP: Focus and accelerate our commercial initiatives to achieve steady and profitable growth that outpaces the rail market.

Four priority regions in the Group's commercial strategy: China, India, North America and Western Europe. The first three key markets offer significant growth potential for Faiveley Transport, either through their intrinsic growth, or due to the Group's potential to make market share gains. Western Europe remains the Group's core market, and is key due both to its size and to major car-builders engineering teams being localised in Europe, including for emerging markets projects (Middle East, South-East Asia, etc.).

Services: continuation and acceleration of the successful strategy to expand the Group's range of Services, which will be accompanied by a strengthening of sales teams and dedicated operational initiatives.

External Growth: the Group aims to take advantage of acquisition opportunities to consolidate its position in market segments or specific regions or in complementary technologies with a clear aim of creating value over the medium-term.

GROW TALENT: Promote a shared culture and a working environment which foster talent development and team commitment.

Talent management: develop a more proactive policy of identifying, developing and motivating the Group's key talents.

Values: Roll out our framework of shared values "Reliable – Collaborative – Passionate", to bring together all the Group's teams.

Financial objectives

Thanks to the Strategic Plan's initiatives, Faiveley Transport has set itself the following 2018 financial objectives:

SALES GROWTH

Faiveley Transport targets **2017/18 sales of €1.3 billion** broken down as follows:

- Sales at actual rates and constant perimeter of €1.15 billion reflecting an **annual average sales growth of 4%** in 2016/17 and 2017/18 fiscal years (following slight growth in 2015/16), underpinned in particular by the stronger growth expected from the Services division over the next few years; and
- An **additional contribution from acquisitions and external growth** over the duration of the plan.

INCREASE IN OPERATING PROFIT

The Group's objective is to achieve a **Group operating margin before restructuring of between 11% and 12% of Group Sales (between €125 million and €140 million of Group operating profit before restructuring, excluding external growth).**

To implement its Strategic plan and achieve this objective, the Group will devote significant additional means, in particular for the industrial initiatives, the organisation and the information systems. The Group anticipates the non recurring part of these extra resources and additional restructuring costs to be at €10 million per year between 2015/16 and 2017/18. Restructuring costs are estimated at approximately €5 to €7 million per annum for the duration of the plan and mainly relate to the actions related to the "Shape" pillar of its three-year plan.

FREE CASH FLOW

To achieve its Strategic Plan, the Group plans to increase its **level of capital expenditure to an exceptional average of €3.5% of Group sales per annum over the course of the 2015/16 and 2016/17 financial years before returning in 2017/18 to a similar level to that seen historically (2% of Group sales).**

The Group has set itself the objective of **generating cumulative free cash flow of more than €110 million over the three years of the plan** despite this substantial increase in investments. Growth in Group operating profit before restructuring and a better management of its inventories should be the main levers on the free cash flow.

DIVIDEND POLICY

The Group is maintaining its **pay-out policy of 20 to 25% of consolidated net profit.**

Analyst/investor presentation:

The analyst/investor presentation of the 2014/15 annual results and the 2018 strategic plan will take place in English today, Thursday 28 May 2015 at 2pm, at the Centre de Conférences Edouard VII, 23 square Edouard VII, 75009 Paris.

The presentation will be available on the Group's website.

The conference will be broadcast live and available for subsequent viewing on the site:

<http://www.faiveleytransport.com/fr>.

Next communication:

23 July 2015 (after close of trading), 2015/16 first quarter financial information

18 September 2015, Shareholders' Annual General Meeting

30 November 2015 (after close of trading), 2015/16 Half-Year Results

28 January 2016 (after close of trading), 2015/16 third quarter financial information

26 May 2016 (before start of trading), Annual results 2015/16.

About Faiveley Transport:

Faiveley Transport is a global supplier of high added value integrated systems for the railway industry. With more than 5,700 employees in 24 countries, Faiveley Transport generated sales of 1,048 million in the 2014/15 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, power collectors and converters, 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



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