CREATING LONG TERM VALUE
Faiveley Transport is a world leader in products and engineering services for the rail industry.

We offer high added-value technical solutions to help our customers build and operate trains that are safe, reliable and cost-efficient throughout their life cycle. Our global footprint, with nearly 6,000 employees in 24 countries, ensures we are close to our customers, and to major rail markets.

As the rail industry evolves, we are moving forward: developing world-class production facilities, innovating to create highly efficient products, and pursuing a combination with Wabtec Corporation. Our aim: to secure our long-term leadership position and in doing so, provide the best possible components, systems and services to our customers.
IN MOTION

INCREASE IN INDIAN FOOTPRINT

In India, one of our four key markets, we extended the capacity of our site in Hosur, near Bangalore. This site utilizes our new ERP system and has been FWE certified. It will allow us to offer our full range of systems and services to our Indian customers and abroad. In 2015-16, we began manufacturing doors at the site, and increased our HVAC capacity.

SHAPE

The Faiveley Worldwide Excellence (FWE) program was launched two years ago to standardize the way we operate across the organization. Sites that implement the program’s operating model and best practices in areas such as quality and risk management become FWE certified. The certification is intended as a demonstration of excellence, and used alongside external certifications such as ISO 9001. To date, seven sites have been certified. They include sites in Germany, China, France, India and the Czech Republic.

NEW MULTI-PRODUCT MANUFACTURING SITE IN THE CZECH REPUBLIC

In 2016, Faiveley Transport opened a 20,000m² state-of-the-art industrial facility in Plzen, Czech Republic. It will be used to manufacture pantographs, power collectors and auxiliary inverters as well as to assemble buffers, couplers, and brake and door components. With improved logistics, production flow and working environment, the facility is designed to provide the highest standards of quality to our customers, and of safety to our employees.
In August 2015, we began field trials with Swiss Federal Railways (SBB) of the Faiveley NeoFlexx® Disc.

The innovative brake disc uses patented manufacturing technology to provide customers with flexibility in design and dimensions and faster time to market. Superior reliability and low weight also help optimize total cost of ownership. We are now delivering the disc to another European operator, and laying the groundwork for serial manufacturing at our plant in Witten, Germany. We expect to receive our first commercial orders for the disc in 2016-17.

A proposed combination with Wabtec Corporation reached a number of milestones, including agreement between the two parties and approval by our Works Council. Review by competition authorities in Europe and the United States is underway. The combination would secure the long-term future of Faiveley Transport by capitalizing on the complementary strengths of the two companies to create a global player with combined sales of around €4 billion. The transaction is expected to close end-2016.
NEW PLATFORM ORDERS SIGNAL REGAINED CUSTOMER CONFIDENCE

2015-16 was a bumper year for orders on new platforms, reflecting our customers’ renewed faith in our ability to deliver high quality, reliable products.

Contracts on customers’ new platforms are extremely important to Faiveley Transport. This is because new platforms are highly likely to be sold in several countries, thereby generating future opportunities for the Group. In 2015-16, we won new platform contracts with four major customers: Alstom, Siemens, Bombardier and CRRC.

In Germany, we will supply HVAC and braking systems for the 82 new Rhine-Ruhr Express (RRX) trains to be built by Siemens. The contract, which totals over €25 million, includes overhaul of brake parts for 10 years. Specific technical solutions were designed to support Siemens in delivering unrivalled levels of reliability, comfort and sustainability.

In France, we are supplying HVAC and braking systems for Alstom’s MP14 Paris metro trains. Contracts for the first 35 trains amount to nearly €15 million; more than 180 additional trains could be delivered over a 15-year period. Our energy-efficient HVAC systems and efficient brake systems contribute to the project’s objectives of low energy consumption, high performance and ease of maintenance.

In Belgium, we are supplying a wide range of products to Bombardier for their M7 double-decker train cars. The contracts*, which cover 355 cars, are worth more than €60 million and include braking systems, couplers, cabin HVAC and auxiliary converters. Bombardier has options to build an additional 710 cars.

In China, we are working with the recently-formed giant CRRC, supplying HVAC systems for MBTA’s fleet renewal metro project in Boston. The contract, which totals €15 million, reflects CRRC’s confidence that Faiveley Transport is the right supplier to provide support in its first project in the United States.

Contracts to supply auxiliary converters were signed during the 2015-2016 financial year. The contracts for all other elements were booked in the first quarter of 2016-17.

DEPLOYMENT OF OUR VALUES

2015-16 was the year in which our 5,950 people fully adhered to our values: Collaborative, Reliable and Passionate. Having worked with our employees to define these values in 2014-15, this year was about communication. We translated the values into 21 languages and explained them via information booklets and induction courses for new employees. We also included them in our performance management system. The aim: to reinforce a shared culture, and ensure our people feel part of One Faiveley.
Faiveley Transport saw solid sales in 2015-16, as the benefits of our Creating Value 2018 strategic plan started to be felt across the business. Our clear focus on both quality and employee safety contributed to our customers’ renewed confidence. This, in turn, resulted in significant orders during the year, including contracts on new customer platforms.

Looking ahead, we will continue to execute our strategic plan, led by our reinforced senior management team, as we work towards the proposed combination with Wabtec.

Faiveley Transport will play a key role in the automation of line 4 of the Paris metro, following RATP’s award of a €75 million contract to provide platform screen doors for 29 existing and new stations. Working in consortium with Eiffage Energie Ferroviaire, we will develop, supply and install semi-full-height platform edge barriers at 27 existing stations and 2 new ones. To meet RATP’s requirements for zero service interruption and maximum safety during installation and testing, we will pioneer a new modular fitting system. Full automation of the line, which is expected to deliver major improvements in passenger service, is scheduled for 2022.

Our Services Division recorded organic growth of 8.8% (13.4% at constant currencies) during 2015-16. This strong growth was the result of record order volumes the previous year, particularly on large overhaul programs in the UK, Australia and the US.

It took us one step closer to our Creating Value 2018 goal to rebalance our sales from Original Equipment towards Services: the Services Division now accounts for 45% of our total sales. Strong growth also contributed to our improved profitability* as after-sales enjoy higher margins than Original Equipment.

*Adjusted Group operating profit, excluding restructuring costs and costs related to the planned combination with Wabtec.
How would you characterize the year? 2015-16 was a very positive year for Faiveley Transport, and one of intense change. It was also a year of transition as we laid the groundwork for a proposed combination with Wabtec. We regained our customers’ confidence, winning a number of landmark projects, which I see as testimony of our growing reputation for strong execution. And we generated strong financial results in terms of sales, profitability and cash flow.

Last year you unveiled the Creating Value 2018 strategic plan. What were the key achievements in the first year? One of the key objectives of Creating Value is to create a more efficient industrial footprint and cost base in order to improve our performance, and our service to customers. In January we opened our new industrial site in Píšťany in the Czech Republic. A multi-product facility, it increases our competitiveness in Europe. In India, one of our four key markets, we extended the capacity and capabilities of our Hosur site, near Bangalore, to cover our full product portfolio and we invested to master the special processes that are unique to our industry. The site is booming, and turnover has increased sharply, demonstrating the logic of our investment. In technology, we invested in a number of areas. I would like to highlight Faiveley NeoFlex® Disc, whose innovative production process brings significant benefits to customers, including shorter time to market, reduced weight and lower lifecycle costs. Finally, I would like to stress our solid organic growth, driven by the performance of our Services business, which is a key driver of our profitability.

What were the year’s highlights in terms of contracts? Our most important wins are those where we have gained positions on our customers’ new platforms. This is because new platforms have a high probability of being sold elsewhere, making us well positioned to win more projects going forward. For example, we won a landmark project with Siemens for the new Rhine-Ruhr Express trains, the largest regional project in Germany last year. Bombardier awarded us contracts for several products for their M7 commuter train in Belgium, one of the largest European platforms today. And we won contracts on Alstom’s new Metropolis platform. We also won projects in Australia, India and the Americas demonstrating our strength in major markets outside Europe.

What is the proposed combination with Wabtec attractive? The proposed combination with Wabtec would be an excellent strategic move for Faiveley Transport. The complementary nature of our activities is striking, both in terms of product range and geographic coverage. This transaction would allow us to pursue our aim of building a global leader in rail equipment and services in the Passenger Transit field.

What is the current state of the rail market in Faiveley Transport’s key geographies? Year on year the rail market is growing in line with UNIFE projections. This steady growth masks some differences depending on product, segment and geography. We have already started to see a downturn in freight in the United States, as well as in mining-dominated countries, but this is largely offset by overall growth in the transit market. Europe has been slow during the last couple of years, but we see it stabilising, with growth coming from northern Europe.

China remains a strong market, driven by the expansion of the high-speed rail network, a large number of metro projects, and the emergence of Light Rail Vehicles, albeit with lower growth than in previous years. Finally, India is booming, driven by a large number of metro projects and a fast-paced program of modernization of Indian Railways. It is a market where we enjoy a strong reputation and position.

What progress have you made on customer satisfaction and operational excellence? We have demonstrated to our customers that we are reliable and have enhanced our control over the entire project value chain, putting in place strong governance of our projects. We have put quality at the top of the agenda, and the improvements we have made are visible in the indicators we systematically monitor. These include non-conformity reports (NCRs), a measure on which I believe we outperform the industry today.

What were the principal reasons behind your increase in profitability in 2015-16? Our contract margin has improved, driven by three factors. The first is improved project execution, which has resulted in far fewer project margin depletions. The second is our mix between services and original equipment, with higher-margin services now accounting for 45% of total sales. We also enjoyed higher sales volumes. This is important as we had taken the decision to increase our cost structure to gain better control. While we booked one-off costs relating to restructuring and the Wabtec transaction, our adjusted Group operating profit was slightly above our market guidance.

What are your priorities in 2016-17? Looking ahead to 2016-17, there are three main priorities. We will focus on closing the Wabtec deal, completing the regulatory process. We will work hard to deliver our full year guidance to the market. And we will execute our three-year strategic plan. We have delivered the first visible milestones of our transformation, but Creating Value 2018 is a mid-term change program. We have agreed with Wabtec that we will pursue the plan after closing, incorporating best practices where appropriate. In this way, we will position the combined company for the future, and serve our customers even better.

*UNIFE: Union des Industries Ferroviaires Européennes, a professional association for the railway supply industry.
**WABTEC COMBINATION: CREATION OF A GLOBAL RAIL LEADER**

On 27 July 2015, Faiveley Transport announced its entry into exclusive negotiations with Wabtec Corporation. Following review with employee representative bodies, on 6 October 2015 the Faiveley family and Wabtec Corporation signed the share purchase agreement as well as a shareholders’ agreement; Faiveley Transport and Wabtec Corporation signed the agreement related to the tender offer.

Wabtec’s firm offer relates to the acquisition of the entire Faiveley Transport share capital, valuing it at an enterprise value in the region of €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 complementary nature of the two companies’ activities is strong, both in terms of product range and geographic coverage (see opposite).

Finalization of this project is subject to the fulfilment of standard closing conditions and specifically to the approval of the competent competition authorities (the European Commission and the US Department of Justice, as well as Russia’s Federal Antimonopoly Services). In this context, the acquisition of the controlling interest from the Faiveley family by Wabtec is expected to occur in the fourth quarter of 2016 and the proposed tender offer will be filed with the Autôrie des Marchês Financiers (AMF – French financial markets authority) in the weeks following this change in control.

“The proposed combination with Wabtec secures our long-term growth. The consolidation of our customer base we have seen to date is only the beginning. As major industry players merge, we need to make sure we provide customers with the best possible offer, as well as withstanding competition.”

**STÉPHANE RAMBAUD-MEASSON, CEO of Faiveley Transport and Chairman of the Management Board**
FAIVELEY TRANSPORT STRENGTHENED ITS EXECUTIVE COMMITTEE IN 2015-16 BY APPOINTING TWO NEW MEMBERS. THEIR EXPERTISE WILL HELP US ACHIEVE THE GOALS SET OUT IN OUR CREATING VALUE 2018 STRATEGIC PLAN.

OUR EXECUTIVE COMMITTEE

Faiveley Transport’s Executive Committee oversees operational activities, notably the Faiveley Worldwide Excellence program and various initiatives in place to deliver the Creating Value 2018 strategic plan. Its members benefit from an international outlook: they represent three continents, and around half are non-French. In 2015-16, we welcomed two new members to the Committee: Mihaela Andronic, Vice-President HR and Internal Communication; and Hakim Aoudia, Vice-President Quality and HSE. The appointment of these two talented executives reflects the priority given to their two areas of expertise in the strategic plan: developing talent and improving quality are both seen as essential to the ongoing success of the business./

DELIVERING PERFORMANCE

Our Executive Committee

From left to right:

STÉPHANE RAMEAUD-NEASON
Chief Executive Officer and Chairman of the Management Board

SIMON CHARLESWORTH
Vice President Sales & Marketing

OLIVIER RAVIT
President Energy & Comfort

GUILLAUME BOURNOURS
Chief Financial Officer
Member of the Management Board

LILIAN LEROUX
President Brakes & Safety

JUN HE
President China

RALPH FÜRDERER
Chief Technology Officer

REMI CAUSSE
President Access & Mobility

MIHAELA ANDRONIC
Vice President Quality and HSE

JÉRÔME SPENCER
Vice President Corporate Development

THOMAS FESER
Vice President Corporate Development

ALAIN DESCHÊNES
Vice President Operations and IT

FAIVELEY TRANSPORT

Our Financial Performance

Organic growth in the order book

Building on last year’s record order book, the Group achieved further organic growth of +1.6% (+1.6% when including the negative 3.2% currency effect). This positive momentum reflects customers’ renewed confidence in Faiveley Transport. Major customers entrusted us with new platforms, and we won significant contracts in all regions.

Strong growth in Services

Total sales grew by 5.4%, led by a strong performance from the Services Division. Thanks to exceptional organic growth of 8.8%, Services now accounts for 45% of sales. Original Equipment Divisions’ sales declined due to the planning of deliveries on major platforms. Around the world, Americas recorded the strongest sales growth performance.

11.9% increase in adjusted Group operating profit

Better project execution and an increase in sales of higher-margin Services contributed to a significant increase in gross profit. Despite a significant increase in SG&A* linked to the implementation of the strategic plan, Faiveley Transport increased its adjusted Group operating margin to 9.8% of sales, in line with its Creating Value objectives.**

*Sales, General & Administrative costs
**11% to 12% by 2017/18.

Our Financial Performance

Order book

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<thead>
<tr>
<th>(in € millions)</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14**</th>
<th>2014/15</th>
<th>2015/16</th>
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| Sales and operating margin

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<th>(in € millions)</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14**</th>
<th>2014/15</th>
<th>2015/16</th>
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<td>988</td>
<td>957</td>
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<table>
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<th>Operating margin* (in % of sales)</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14**</th>
<th>2014/15</th>
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*Adjusted Group Operating margin. **Restated figures from IFRS 10, 11, 12 impact.

MILLION SALES

9.8%

ADJUSTED GROUP OPERATING MARGIN

EURO MILLION FREE CASH FLOW

38.5

1,105
OUR QUALITY STRATEGY IS BASED ON 3 PILLARS

Reactivity
IN HANDLING CUSTOMER ISSUES
Achieved by implementing a best practice approach to deal with customer issues rapidly and effectively using a QRQC approach (Quick Response Quality Control).

Control
OF PRODUCTION BASICS
Investment in better control throughout our supply chain of key special processes such as welding and painting. We also deploy Faiveley Transport quality representatives to client sites.

Anticipation
FOR NEW PROJECTS
Introduction of a system of “gate reviews” to track projects from the early stages of design and development and anticipate future milestones and risks. The system also takes into account previous lessons learned.

CERTIFICATION HELPS US IMPLEMENT THIS STRATEGY – AND DEMONSTRATE PROGRESS

INTERNAL

7
SITES CERTIFIED

Faiveley Worldwide Excellence

INTERNATIONAL

30
SITES CERTIFIED

ISO 9001

RAIL INDUSTRY

19
SITES CERTIFIED

IRIS

OUR APPROACH HAS BROUGHT REAL BENEFITS FOR CUSTOMERS

90% reduction in PPM
SINCE 2012, WE HAVE REDUCED OUR PARTS PER MILLION (PPM) DEFECTS MORE THAN TENFOLD

75% reduction in backlog
SINCE 2012, WE HAVE REDUCED OUR BACKLOG OF CUSTOMERS’ NON-COMFORMANCE REPORTS BY FOUR

FAIVELEY TRANSPORT’S QHSE INITIATIVES ARE INCREASINGLY FOCUSED ON PREVENTION: PUTTING IN PLACE THE RIGHT SYSTEMS UPSTREAM, AND STANDARDS AND TRAINING TO ENSURE OUR EMPLOYEES REMAIN SAFE, OUR PRODUCTS ARE OF HIGH QUALITY, AND OUR IMPACT ON THE ENVIRONMENT IS MINIMIZED.

OUR QHSE PERFORMANCE

Faiveley Transport focuses its work in quality, health & safety and the environment (QHSE) around the needs of two key stakeholders: employees and customers.

Our approach in recent years has evolved from the reactive to the truly proactive, a fact reflected in our clearly defined structure for managing QHSE across the Group. This is backed by strong and visible leadership commitment: in 2016, the Vice President for QHSE was appointed to the Group’s Executive Committee.

Putting quality at the heart of our approach
Our central objective is to provide our customers with the best possible quality by putting in place the right systems, tools and methods. Our strategy for improving our quality performance, supported by our FWE (Faiveley Worldwide Excellence) certification program, is delivering strong results for our customers (see opposite).

Improved environmental management
Finally, we take steps to minimize our environmental impacts resulting from our worldwide production. We have put in place Environmental Management Systems and certified 19 of our production sites to ISO 14001 standard, and have launched our first initiatives to reduce energy and water consumption.

New initiatives in Health & Safety
We believe our people are our greatest resource, and that their wellbeing contributes to our ability to deliver high quality products. As such, we strive to provide facilities and equipment that meet all the major international HSE standards and have also set an objective of zero workplace accidents. In 2015-2016 we launched several initiatives to emphasize a strong safety culture among all employees. Employees received regular personal messages from our CEO on the importance of safety, reinforced by Safety Days with top executives and communications campaigns deployed across all sites.

Putting quality at the heart of our approach

Faiveley Transport’s work in quality, health & safety and the environment (QHSE) is focused around the needs of two key stakeholders: employees and customers.

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Our strategic three-year plan, Creating Value 2018, is designed to bring tangible benefits to customers, shareholders and employees. It aims to help the Group become more competitive, and grow profitably. Structured around five building blocks, it encompasses all operational aspects of our business, from our industrial footprint and organization, to our growth strategy and our people. In 2015-16, the first year of the plan, we made substantial progress, driving innovation while putting in place solid processes to attain operational excellence.

Shape
Adapt our industrial footprint and our organization to improve our performance and our competitiveness.

Execute
Achieve operational excellence in terms of Quality, Project management, and On-Time Delivery in order to provide full satisfaction to our customers and improve our financial performance.

Create
Invest in Product and System innovation to maintain a technological edge, meet customers’ needs and improve our competitiveness.

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

Grow talent
Promote a shared culture and a working environment which foster talent development and team commitment.
In line with the Creating Value 2018 strategic plan, Faiveley Transport increased capital expenditure during 2015-16, to increase its footprint, and improve customer experience and efficiency. Our largest investment was the development of the industrial site at Plzen in the Czech Republic, completed in nine months. The multi-product, state-of-the-art plant replaces former installations at Blovice, around 20 km away, and increases quality as well as cost-effectiveness. We have also invested significantly in our Indian footprint, which supports both the local market, and the export market for our European customers. We have extended capacity in specific processes such as painting, and have opened an engineering center in Bangalore. Other transformation projects are ongoing in Germany, France and Scandinavia, as well as in China, where we are developing a footprint for our brakes business. 

Faiveley Transport sees operational excellence as key to its future success: it enables us to grow profitably, by meeting the needs of our customers for high levels of quality and service. Our Faiveley Worldwide Excellence (FWE) program is central to our efforts to achieve operational excellence. It standardizes the way we operate, via the Faiveley Management System, which establishes the model and best practices to be used across the business, and the Internal Control manual, which defines our approach to risk. An important part of FWE is certification, which is awarded following an audit to confirm a site has met the program’s objectives. This year, seven sites gained certification. We also embarked on a series of programs to strengthen operational functions and risk management. New IT tools are being rolled out to harmonize our procedures, and in 2015-16, we introduced the new enterprise resource planning (ERP) tool at 12 sites. These initiatives are in place to improve project management. The creation of a Project Management Office (PMO) has enabled us to offer a strong cross-divisional center of competencies and grow our talent in this area of expertise. We have instigated a program to select and pool suppliers at Group level. And we have introduced global governance across our projects that encompasses not only financial reviews, but also purchasing, supplier development, and risk identification and planning. The result is that project execution has been enhanced across all Divisions. We have also improved our cash and inventory management at all critical sites, through the use of monthly reviews and sales forecasts, in turn enabling us to improve on-time delivery.
Faiveley Transport invests around 2% of annual sales in research and development, the majority of which is used to develop solutions that meet specific needs expressed by the Group’s existing customers. We invest in three types of innovation. The first is “pure” innovation — new products that demonstrate Faiveley Transport’s technological edge. The second is performance improvements to existing products. The third is product development to meet new regulatory requirements. The 30-35 year life span of rail products makes Total Cost of Ownership (TCO) an important consideration for customers. Energy efficiency and reliability both impact operating costs, as do ease and cost of maintenance. Customers are also interested in innovations that improve configurability. Many of our customers want to receive flexible, plug and play solutions from system suppliers. A good example of how we respond to these two needs is Faiveley NeoFlexx® Disc, a brake disc used for coaches, locomotives, regional and high-speed trains. It allows for customization depending on requirements — for example it can be made from steel, which offers lower upfront costs, or aluminum, which is lighter, and offers better thermal properties and durability. An all-new manufacturing process allows for flexible production and logistics, reducing lead time. ESP4C, our new sliding plug door mechanism, also meets customer needs for flexibility by offering a single door architecture for different types of LRVs, metros and regional trains. We have reduced space envelope by over 50%, and weight by 30%, thereby meeting needs for lower TCO.

Exploring the potential for mergers and acquisitions represents a core part of our Develop pillar. The most significant events of 2015-16 therefore relate to the progress we made in our proposed combination with Wabtec (see pg 12-13). Separately, we made progress in further strengthening our Services division, which saw strong sales growth and order intake. We structured our organization to provide local support to customers, expanding our engineering services offering, and improving delivery. The aim: to take advantage of opportunities related to our installed base, and accelerate growth.

Our four priority regions are those where we see growth and, therefore, an opportunity to outperform the rail market. We have developed plans for each of these regions, won major contracts in 2015-16, and believe we are well positioned for large projects coming to tender.
Our three Product Divisions – Brakes & Safety, Energy & Comfort, and Access & Mobility – design, manufacture, and market our equipment. Through our Services Division, we support customers in optimizing the lifecycle costs of their assets, by providing maintenance and spares, and by retrofitting equipment. In China, the world's largest rail market, we have brought all our products and services under one roof, to enable our teams to offer customized solutions. This structure enabled us to support our customers with specialized teams across all regions.
The Access & Mobility Division supplies manufacturers, operators and railway maintenance bodies worldwide with a complete range of passenger access systems and platform screen doors. As the market leader in platform screen doors and automatic gates, we produce door systems, as well as the surrounding glass and metal panels. The external and internal doors of trains, considered access products, constitute the remainder of the Division’s business activity.

Leveraging expertise, ensuring delivery

Retrofitting is an expertise that enables Faiveley Transport to differentiate itself from its competitors. We are able to work within extremely tight space and time constraints. In Lille, for example, we successfully fit platform screen doors for the existing metro line 1 at night, enabling it to open for normal service during the day.

We continuously invest in research and development to produce innovative products that reduce installation time and improve security. Clear-Flow™, for example, is a higher, safer platform edge barrier. Designed to facilitate retrofit projects with its use of modular installation, it is able to reduce installation time by 30%, resulting in significant cost savings for customers. Prototypes for other innovations include new door operators able to serve multiple transport systems and reduce weight and volume. ESRAC, our compact door operator, targets the light rail, metro and EMU/DMU markets with a high level of standardization using service-proven components. Our new ways of working contributed to our excellent reliability and track record in delivery.

A record year for orders

In 2015-16, the Division won several key projects worldwide. In access doors, we won contracts for lines 8 and 13 for CRRC in Shanghai, the 93 MTRC trains for CRRC in Hong Kong and for DMRC in New Delhi as well as contracts in Latin America. We gained record orders in platform screen doors, including high value projects such as the retrofit of line 4 of the Paris metro with RATP, who also awarded us contracts on line 14. We also won a contract with a new customer: MHI Transportation Systems, a subsidiary of Mitsubishi Heavy Industries, who awarded us the screen doors contract for line 6 of the metro in São Paulo, Brazil.

Going forward, we expect the market for platform screen doors to flourish, thanks to its added value in security and passenger traffic, as well as its compatibility with new metro lines and driverless trains. In 2016-2017, we plan to continue our regional development in order to manage projects and manufacture locally in every target region. Our ambition is to transform our facility in the Czech Republic into an export hub for Europe. We are also developing our industrial footprint in India to better serve the local market.
In 2015-16, the Brakes & Safety Division began to reap the benefits of its programs to standardize and modularize products, which form part of the Creating Value 2018 strategic plan. We also reduced time to market and increased market competitiveness with enhanced localized solutions and manufacturing for our customers.

Three business units – Transit Brakes, Freight and Couplers – form the Brakes & Safety Division. We offer complete braking systems and safety solutions for all types of rolling stock, and cover the entire braking command chain in trains.

While transit system customers require a high degree of customization, the freight sector is characterized by off-the-shelf products.

Implementing the Creating Value 2018 strategic plan

Improved efficiency at all project levels, greater standardization and increased competitiveness were our main objectives in 2015-16. For example, in Brakes Transit, a single tender team of system engineers and costing experts was created, to better support customers by offering the right balance between performance and costs. This year, we began seeing the benefits of our investment to standardize and modularize products. In brakes, our progress in developing a catalog of standardized products, with stringent testing programs and protocols, resulted in increased success in both transit and freight. In couplers, we made significant progress in our modularization program, and started to see benefits in the form of improved time to market and greater competitiveness.

We believe strongly in technical differentiation and see Research and Development as key to better serving our customers. In partnership with Swiss Federal Railways (SBB), we put Faiveley NeoFlex® Disc into operation this year. This product boasts significant market advantages compared to standard brake discs, thanks to its reduced weight, longer life cycle and reduced energy consumption. Other innovations include the ParkLock® concept, a compact brake offering superior braking force, and a new brake control system.

Developing international markets

Contracts for couplers in India and China, and activity in the freight sector, demonstrate our progress in meeting customer demands with standardized solutions. In addition to existing contracts in India, we were awarded a series of contracts for the Kochi and Lucknow Metro Projects with Alstom. We are also supplying braking systems to Bombardier as part of a wider contract in Delhi. Other major contracts included the supply of couplers to CRRC Sifang for the Hong Kong metro, braking systems for Alstom’s Metropolis metro trains, for use in Sydney, and braking systems and 10 years’ maintenance for Siemens’ Rhine-Ruhr Express (RRE) trains in Germany. We also received orders for more than 1,200 UIC integrated freight brake systems, and it was a record year for orders in the US freight market.

In 2016-2017, we aim to accelerate local production in Czech Republic and India, to the benefit of our customers. We are confident that we will continue to benefit from the positive trend in orders in both brakes and couplers, an extremely active market in India, and continued fleet renewals in Europe.

NEW PLATFORMS

Contracts included braking systems for four new platforms by Alstom, Siemens and Bombardier.
In a competitive market, Faiveley Transport seeks to provide added-value solutions for customers that optimize total cost of ownership, notably by improving energy efficiency. We focus on research and development to create technical differentiation and meet customer needs.

The Energy & Comfort Division brings together two product groups related to a train’s energy management chain: Heating, Ventilation and Air Condition (HVAC), and Power & Information (auxiliary inverters, pantographs, switches, CCTV and event recorders). By identifying and developing synergies between products, the Division helps customers increase energy efficiency, reduce energy consumption, cut maintenance costs, and decrease weight and space envelope.

Major wins on new platforms
Against the backdrop of a competitive market, we won significant contracts in 2015-2016. The Group confirmed its position as global market leader in HVAC systems, supplying customers in Switzerland, Germany, France, Belgium, India, China, Russia and the United States. One key contract included the supply of HVAC systems for Boston metro MBTA to Chinese manufacturer CRRC, the world’s largest rolling stock manufacturer, in its first project in the United States. Other major contracts for new platforms took advantage of product synergies. Our ability to meet Bombardier’s requirements for reduced weight and space envelope enabled us to win the contract to supply auxiliary inverters and cabin HVAC systems for 355 M7* train cars. We are also supplying HVAC for Alstom’s new MP14 Paris metro trains, and Stadler Rail Group’s EC250 EuroCity high-speed trains.

Innovating to meet customer needs
With customers increasingly demanding local content, Faiveley Transport has adopted a “glocal” strategy, focusing on customer proximity and regional production while upholding global standards. In addition to our existing footprint in Europe, China and the United States, we have begun manufacturing in Hosur, India, and are investigating production opportunities in Turkey, Brazil and Russia.

Our response to price pressure is to focus on added-value solutions that increase energy efficiency and lower Total Cost of Ownership. In 2015-16, we created a cross-business Energy Efficiency Centre of Competence. We work with clients to collect and analyze data relating to equipment and use, before proposing customized solutions to optimize and reduce their energy consumption. We make use of service-proven technologies, such as inverter integrated solutions, heat pumps, and CO2 sensors regulating fresh air entry and heat recovery, as well as our own patented innovations. With HVAC systems, for example, accounting for up to 40% of a train’s energy consumption, our EcoPark® solution, currently being tested on SNCF trains, provides attractive energy and cost savings. Other solutions include lighter, space-saving pantographs, as well as customizable software for video vigilance and event recorders.

Looking ahead, we see opportunities in Asia Pacific and in the US. We also plan to develop further in Turkey and Russia. We believe our technical expertise, global business presence, and expertise in energy efficient solutions will differentiate us from competitors, and enable us to meet customer needs.

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Services

The Services division supports customers with long-term maintenance of their original equipment, including optimization solutions and spare parts. Already the largest of the five divisions, Services achieved like-for-like sales growth of +9% in 2015-16. This strong growth was the result of record order volumes in the previous year, particularly on large overhaul programs in the UK, Australia and the US. Key orders include services to support sales of the Faiveley NeoFlexx® Disc: a 10-year contract for supply and overhaul of parts for Siemens new Rhine-Ruhr Express trains; and an overhaul contract for X40 trains operated by SJ in Sweden.

1. Developing customer proximity
   Our ambition for growth in Services forms part of our strategic plan, and is intimately linked to our focus on customers. We have adapted our organization to provide better local support. No longer centered on business units, our new regional organization brings better customer understanding and faster decisions. We are also increasing localization to improve our reactivity and turnaround time for repair and overhaul projects: examples include new sites in Morocco, UK, Australia and Turkey.

   We are improving the value we bring customers via proactive sales strategies. As a result of customer visits, we better understand their needs and expectations, enabling us to develop new services. We are developing overhaul kits adapted to customers’ specific programs, for example, and bundling all their spare parts needs together to help them simplify their supply chain and logistics.

   2. Targeting excellence in delivery
      Similarly, we have strengthened our teams and are working much more closely with our customers’ supply chains on demand management and forecasting. Our aim is to maximize sales of parts, by driving excellence in delivery. Cuts to lead times for spares have been significant with strong cooperation with customers. For example, we have worked in partnership with SNCF to reduce lead times to two weeks for a list of products, resulting from strong alignment between our supply chains. The contract also represents the first step in our shift to a distribution model with 48-hour delivery targets. We are also working on turnaround times to reduce the overall duration of repairs and overhauls.

   Increasingly, we are developing partnerships with customers. These are frequently focused on innovation, such as our partnership in Switzerland with SBB to bring Faiveley NeoFlexx® Disc into operation. We are also developing digital services, for example cloud services for ATESS black box users, and real time CCTV streaming for buses.

   Going forward, we see clear opportunities to develop our Services business, addressing our installed base systematically and proactively as a one-stop shop, able to address all products with a single point of contact for customers, and to propose innovative services focusing on benefits for customers.

45% OF GROUP SALES NOW REPRESENTED BY SERVICES
Faiveley Transport launched its China Division in 2014 in response to customer demand for products and services in metro, high-speed rail and locomotive systems. As a supplier for China’s largest metro systems, including the Shanghai, Beijing, Harbin, Guangzhou, Changchun, and Wuhan metros, as well as Hong Kong’s MTR, we are well positioned in the domestic market. Major contracts won domestically included couplers and door systems for 744 cars of the Hong Kong Metro and access doors for Shanghai line 8 and 13. In another significant achievement, we provided the door system for the first driverless metro lines in Beijing Yanfang line. We are also well positioned as a pioneer in the growing LRV market by providing a pantograph solution for Suzhou’s second LRV line. In total, we are equipping 36 trains in Suzhou with our pantographs.

- Expanding abroad, adapting locally
Our Chinese manufacturing expertise is recognized abroad, in North America, South America, South-East Asia and Europe. We won major contracts to supply parts manufactured in Shanghai for the New Delhi and Kochi Metro Projects in India.

In October 2015, we were awarded a milestone contract to supply HVAC systems for China Railway Rolling Stock Corp (CRRC) in its first project for the Boston metro line in the United States. We have preferred supplier status with CRRC, especially in door systems, pantographs and HVAC, and continue to work in partnership with the world’s largest train manufacturer. In the high-speed rail sector, we have sustained development in the growing Chinese market. We currently offer braking systems that are undergoing homologation for new high-speed platforms. In 2015, our Brakes & Safety Division was successfully approved for homologation on three Chinese-made trains (CRH3G, CRH3A and CRH2-250).

- Focus on operational excellence
Since the launch of the “China Quality Year” program in April 2015, we improved local customer satisfaction by focusing on quality standards in products, processes, delivery and services. Our intensive training programs, available on all sites, as well as a dedicated learning campus in Beijing, allow us to increase overall quality awareness. Each employee now benefits from a minimum of 20 hours of training. In addition to developing product and marketing training, our employee engagement program brings a competitive edge to our hiring efforts. Moving forward, we continue to adapt to the local market with our localization initiatives, including sales and marketing teams to consistently update market intelligence and develop acquisition strategies. We also invest in research and development to focus on strategic local projects that boost our current position in the Chinese market.

- China has become a major player in the global railway sector, with the world’s largest high-speed rail network, and the number one rolling stock manufacturer. This year, our China Division optimized services, remained competitive and won several key contracts. We also invested in employee training and research and development.
A WORLDWIDE PARTNER

NEARLY 6,000 EMPLOYEES IN 24 COUNTRIES

€1,105 MILLION SALES

56 sites

INCLUDING:
- 52 COMMERCIAL SITES
- 22 PRODUCTION AND MAINTENANCE SITES
- 12 CENTRES OF COMPETENCE

SALES BY GEOGRAPHIC REGION

- 57% EUROPE
- 22% ASIA-PACIFIC
- 20% AMERICAS
- 1% REST OF THE WORLD

WORKFORCE BY GEOGRAPHIC REGION

- 60% EUROPE
- 28% ASIA-PACIFIC
- 12% AMERICAS

SALES BY DIVISION

- 45% SERVICES
- 23% BRAKES & SAFETY
- 18% ENERGY & COMFORT
- 14% ACCESS & MOBILITY

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3, rue du 19 Mars 1962
92230 Gennevilliers – France
Tel.: +33(0)1 48 13 65 00
Fax: +33(0)1 48 13 65 54
www.faiveleytransport.com
E-mail: info@faiveleytransport.com