

*Translation for information purposes only.  
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Information memorandum relative to the tender offer and exchange offer targeting the shares of Faiveley Transport.*

## TENDER OFFER

**on a primary basis, complemented on a subsidiary basis by a**

## PUBLIC EXCHANGE OFFER

TARGETING THE SHARES OF



INITIATED BY



**Wabtec France**

**indirect subsidiary of Wabtec Corporation**

PRESENTED BY



### TERMS OF THE OFFER:

For the tender offer on a principal basis : 100 euros per Faiveley Transport share

For the public exchange offer on a subsidiary basis : 15 shares of common stock of Wabtec Corporation for 13 Faiveley Transport shares, subject to a limit of 5,375,231 Faiveley Transport shares

### OFFER PERIOD

25 trading days

### Information memorandum by Wabtec France



Pursuant to the provisions of Article L. 621-8 of the French Monetary and Financial Code and the article 231-26 of its General Regulations, the French Financial Markets Authority (*Autorité des marchés financiers*) (the “AMF”), has as a result of its decision dated December 22, 2016 on the compliance of the principal tender offer and the subsidiary exchange offer (together, the “Offer”) with its regulations delivered the visa n°16-596 on December 22, 2016 on this offer document. This document was prepared by Wabtec France and its signatories are liable for its content.

Pursuant to the provisions of the article L.621-8 I of the French Monetary and Financial Code, the visa has been delivered after the AMF had verified “*whether the document is complete and understandable and whether the information presented is coherent*”. The visa does not signify approval of the offer price or the merits of the transaction, and does not serve as authentication of the accounting and financial information provided.

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**IMPORTANT NOTICE**

In the event that, upon the closing of the Offer, or, as the case may be, of the subsequent Offer, the number of shares not tendered by the minority shareholders represents less than 5% of the share capital or voting rights of Faiveley Transport, Wabtec France has the intention to implement, within a ten (10) trading day period from the publication of the results of the Offer, or, as the case may be, at the latest within three months of the closing of the subsequent Offer, pursuant to Articles L. 433-4 III of the French Monetary and Financial Code and 237-14 *et seq.* of the AMF General Regulations, a mandatory squeeze-out procedure at the price of the principal tender offer in order to benefit from the transfer of the Faiveley Transport shares which have not been tendered to the Offer (or, as the case may be, the subsequent Offer).

Copies of this information memorandum are available on the web sites of the AMF ([www.amf-france.org](http://www.amf-france.org)) and of Wabtec France ([www.wabtec.com](http://www.wabtec.com)) and may be obtained upon request and free of charge from:

**Société Générale**, CORI/COR/FRA, 75886 Paris Cedex 18 ;

**UBS Limited**, 69 Boulevard Haussmann, 75008 Paris.

Pursuant to Article 231-28 of the AMF General Regulations, information relating in particular to the legal, financial and accounting characteristics of Wabtec France will be filed with the AMF and made available to the public no later than on the day preceding the opening of the Offer.

**IMPORTANT NOTICE FOR US HOLDERS OF FAIVELEY TRANSPORT SHARES**

The Offer is being made for the securities of a French company and is subject to French disclosure requirements, which differ from those of the United States. The financial information of Faiveley Transport included or referred to herein has been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board for use in the European Union and, accordingly, may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States. The Offer will be made in the United States pursuant to exemptions from the rules and regulations under the U.S. securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, and otherwise in accordance with the applicable regulatory requirements in France. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to the squeeze-out rights, the Offer timetable, the settlement procedures and the timing of payments that are different from those applicable under U.S. domestic offer procedures and law. It may be difficult for U.S. holders of Faiveley Transport's securities to enforce their rights and any claim arising out of the U.S. federal securities laws, since Faiveley Transport is located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States.

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## **1. PRESENTATION OF THE OFFER**

### **1.1. Introduction**

Pursuant to Title III of Book II and in particular Articles 232-1 and 234-2 *et seq.* of the AMF General Regulations, Wabtec France, a French sole stockholder *société par actions simplifiée* having a share capital of 37,000 euros, whose registered office is located at 3, rue du 19 mars 1962, 92230 Gennevilliers, France, and registered with the commercial and companies registrar of Nanterre under identification number 819 551 532 (the “**Offeror**” or “**Wabtec France**”), an indirectly owned subsidiary of Westinghouse Air Brake Technologies Corporation, doing business as Wabtec Corporation, a company incorporated under the laws of the state of Delaware, having a share capital of 890,734.31 US dollars, whose registered office is at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808 (USA), whose headquarters and principal place of business are located at 1001 Air Brake Avenue, Wilmerding, Pennsylvania 15148 (USA) and whose stock is traded on the New York Stock Exchange (NYSE: WAB) (“**Wabtec Corporation**” and, together with Wabtec France, “**Wabtec**”), irrevocably offers to all of the shareholders of Faiveley Transport, a French *société anonyme* governed by a management board and a supervisory board having a share capital of 14,756,996 euros divided into 14,756,996 shares each with a par value of one (1) euro, whose registered office is located at 3, rue du 19 mars 1962, 92230 Gennevilliers, France and registered with the commercial and companies registrar of Nanterre under identification number 323 288 563 (“**Faiveley Transport**” or the “**Company**”), whose shares are traded on the regulated market of Euronext in Paris (Compartment A) under the ISIN code FR0000053142; ticker symbol: LEY, to purchase all their shares under the conditions set out below (the “**Offer**”).

The Offer is made in the form of a cash tender offer (*offre publique d’achat*) on a principal basis, complemented by an exchange offer (*offre publique d’échange*) on a subsidiary basis:

- in respect of the cash tender offer (the “**Principal Tender Offer**”): on a principal basis, the Offeror offers to the Company’s shareholders to acquire the shares of Faiveley Transport at 100 euros per Faiveley Transport share;
- in respect of the subsidiary exchange offer (the “**Subsidiary Exchange Offer**”): on a subsidiary basis, the Offeror offers to the Company’s shareholders to acquire the Faiveley Transport shares, within the limit of 73.22% of the Shares as defined hereinafter, *i.e.*, an offer limited to 5,375,231 Faiveley Transport shares (the “**Limit**”), in exchange for shares of common stock, par value \$0.01 per share, of Wabtec Corporation (the “**Wabtec Stock**”) to be issued at a ratio of 15 shares of Wabtec Stock for every 13 Faiveley Transport shares accepted for tender, after a potential application of the reduction mechanism described in Section 2.3.3 hereafter “Reduction Mechanism”.

The total number of shares of Wabtec Stock which may be issued pursuant to the Subsidiary Exchange Offer therefore amounts to a maximum of 6,202,190.

Subject to the foregoing, the Faiveley Transport shareholders may tender their Faiveley Transport shares either to the Principal Tender Offer, to the Subsidiary Exchange Offer or simultaneously to both the Principal Tender Offer and the Subsidiary Exchange Offer.

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The orders to tender regarding the Subsidiary Exchange Offer must represent a quantum of 13 Faiveley Transport shares (the “**Quantum**”) or any multiple of the Quantum.

The Faiveley Transport shareholders who, after the reduction related to the Limit defined in the context of the Subsidiary Exchange Offer, are deemed to have tendered a number of shares which does not entitle them to a whole number of shares of Wabtec Stock will be considered to have expressly agreed to tender the surplus number of Faiveley Transport shares to the Principal Tender Offer pursuant to the latter’s terms and conditions.

The Offer shall be open for a period of twenty-five (25) trading days, *i.e.*, for information purposes from December 27, 2016 to January 30, 2017 included.

This Offer follows the off market acquisition by the Offeror, on November 30, 2016, within the terms and conditions described in Section 1.2 hereafter “Context of and rationale for the transaction”, of 7,475,537 Company shares from various shareholders representing 50.66% of the share capital and 49.39% of the voting rights on the basis of a total number of 14,756,996 shares and 15,136,278 theoretical voting rights pursuant to article 223-11 of the AMF General Regulations (the “**Block Acquisition**”).

The Offeror, which directly or indirectly held no Faiveley Transport shares before the Block Acquisition, on this occasion crossed upward the 30% threshold of the Company’s share capital and voting rights therefore rendering the Offer compulsory pursuant to Article 234-2 of the AMF General Regulations.

The Offer will be carried out under the normal procedure governed by Articles 232-1 *et seq.* of the AMF General Regulations and will not be subject to the success threshold provided for in Article 231-9, I of the AMF General Regulations as the Offeror already holds more than 50% of the Company’s share capital.

It is presented by Société Générale and UBS Limited, it being specified that only Société Générale guarantees, pursuant to the provisions of Article 231-13 of the AMF General Regulations, the terms and the irrevocable character of the undertakings made by the Offeror.

The Offer targets all:

- the existing shares that are not directly or indirectly held by the Offeror as of the date hereof, including all 82,537 treasury shares held by the Company, *i.e.*, to the Offeror’s knowledge at the date of this information memorandum, 7,281,459 Faiveley Transport shares, it being specified that Faiveley Transport’s supervisory board has decided on November 30, 2016, in accordance with the commitment made by the Company in the Tender Offer Agreement (as this term is defined in Section 1.2.1 hereafter “Background of the transaction”), not to tender its 82,537 treasury shares, and
- the Faiveley Transport shares which may be issued prior to the closing of the Offer (or, as the case may be, prior to the closing of the Subsequent Offer, as defined in Section 2.11 “Reopening of the Offer”) pursuant to the exercise of stock options giving right to outstanding Faiveley Transport shares, *i.e.*, to the Offeror’s knowledge at the date of this information memorandum, a maximum of 60,100 Faiveley Transport shares,

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in other words, to the Offeror's knowledge, a maximum of 7,341,559 Faiveley Transport shares (the "Shares").

Except in the specific cases provided for under applicable laws or regulations where their unavailability is lifted (death or disability of the beneficiary), Free Performance Shares, as such term is defined hereafter, may not be tendered to the Offer or to a potential Subsequent Offer. Only the 34,654 acquired Company free shares whose holding period will have expired before the closing of the Offer may be tendered to the Offer or, as the case may be, the Subsequent Offer.

To the Offeror's knowledge and as of the date of this information memorandum, the outstanding free performance shares are broken down as follows:

- 200,056 free performance shares of the Company whose acquisition period will not expire before the end of the Offer (or, as the case may be, prior to the closing of the Subsequent Offer) (the "Free Performance Shares in their Acquisition Period"); and
- 201,677 free performance shares of the Company acquired at the date of this information memorandum whose holding period will not have elapsed by the end of the Offer (or, as the case may be, prior to the closing of the Subsequent Offer) (the "Free Performance Shares in their Holding Period" and, with the Free Performance Shares in their Acquisition Period, the "Free Performance Shares").

Details on the Free Performance Shares and their treatment are contained in Section 1.2.1(vi) hereafter "Free shares".

To the Offeror's knowledge, there are no other equity securities, nor any other financial instruments or rights which may give access, immediately or over time, to the share capital or voting rights of the Company.

## **1.2. Context of and rationale for the transaction**

### **1.2.1. Background of the transaction**

#### **(i) Exclusive negotiations**

On July 27, 2015, Wabtec announced its intention to acquire all of the shares comprising Faiveley Transport's share capital and submitted an irrevocable offer to Faiveley Transport shareholders representing 50.66% of Faiveley Transport's share capital. On the same day, Faiveley Transport issued a press release announcing having entered into exclusive negotiations with Wabtec after having received a binding offer for the acquisition of its entire share capital.

Faiveley Transport's supervisory board, which met on July 27, 2015, issued a favorable preliminary opinion on the transaction and designated the firm Associés en Finance, Jacquillat & Détryat Associés as independent expert, responsible for preparing a fairness opinion relative to the terms of the Offer, taking into account the Offeror's intention to implement a mandatory squeeze-out procedure following the closing of the Offer if the legal and regulatory conditions for its implementation are fulfilled.

The Company initiated information and consultation procedures with the employee representative bodies on July 28, 2015. The Works Council of Faiveley Transport and the European Works Council

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each issued a favorable opinion on the prospective combination, respectively on August 18, 2015 and October 6, 2015.

On October 6, 2015, Wabtec Corporation and FW Acquisition LLC, an indirectly owned subsidiary of Wabtec Corporation (the “**Initial Purchaser**”), entered into a share purchase agreement (the “**Share Purchase Agreement**”) with Financière Faiveley, Famille Faiveley Participations, Mr. François Faiveley and Mr. Erwan Faiveley (the “**Initial Sellers**”) and a tender offer agreement (the “**Tender Offer Agreement**”) with the Company. On October 25, 2016, Faiveley Transport and Wabtec Corporation announced having amended the terms of the Share Purchase Agreement and the Tender Offer Agreement.

On April 1, 2016, Wabtec France was incorporated by its ultimate stockholder, Wabtec Corporation, and substituted itself to the Initial Purchaser’s rights and obligations under the Share Purchase Agreement and the Tender Offer Agreement.

Pursuant to the Share Purchase Agreement (as amended), Wabtec Corporation agreed, subject to obtaining certain regulatory approvals, to acquire, and the Initial Sellers agreed, subject to the same conditions, to sell a total of 7,475,537 Faiveley Transport shares, representing 50.66% of the share capital of the Company and 49.39% theoretical voting rights, allocated as follows (in the aggregate): (i) 25% to 45% of the targeted Shares in cash for an amount of 100 euros per Faiveley Transport share and (ii) 55% to 75% of the targeted Shares through an exchange against shares of common stock of Wabtec Corporation, on the basis of a ratio of 1.125 Wabtec Stock per Faiveley Transport share increased by 150,000 Wabtec Stock distributed proportionally between the Initial Sellers on the basis of the shares of stock issued in the exchange leg, as detailed in the amendment to the Share Purchase Agreement entered into on October 24, 2016.

(ii) Acquisition by the Offeror of a 50.66% stake in the Company

On November 24, 2016, Wabtec and the Initial Sellers agreed that all conditions precedent pertaining to governmental and antitrust approvals were satisfied, as provided for under the Share Purchase Agreement.

Wabtec and the Company announced the Block Acquisition on December 1, 2016. The 7,475,537 Faiveley Transport shares transferred to the Offeror pursuant to the Share Purchase Agreement mentioned above were acquired respectively as follows: (i) 2,002,212 Faiveley Transport shares (*i.e.*, 26.78% of the targeted Shares) for a total amount of 200,221,200 euros paid in cash, and (ii) 5,473,325 Faiveley Transport shares in exchange for 6,307,489 shares of common stock of Wabtec Corporation (*i.e.*, 73.22% of the targeted Shares).

On December 1, 2016, Wabtec also announced that it would launch the process of acquiring all remaining shares for which the Company’s shareholders would be offered the choice between:

- the Principal Tender Offer, *i.e.*, a principal cash offer on the basis of a price of 100 euros per share; and
- the Subsidiary Exchange Offer, *i.e.*, a subsidiary offer allowing them to tender their shares in exchange for Wabtec Stock, on the basis of a ratio of 15 shares of Wabtec Stock to be issued for every 13 Faiveley Transport shares accepted for tender, the Subsidiary Exchange Offer being limited to 73.22% of the Offer’s targeted shares.



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The settlement-delivery of the Block Acquisition was completed off-market on November 30, 2016.

As a result of the Block Acquisition, the Offeror holds 7,475,537 shares of Faiveley Transport, representing 50.66% of the share capital and 49.39% of the theoretical voting rights of the Company.

The distribution between the shares which were sold and those that were exchanged is indicated in the table below:

<b>Transferor</b>	<b>Total number of shares transferred</b>	<b>Number of shares sold in cash</b>	<b>Price in euros of shares sold</b>	<b>% of total (cash)</b>	<b>Number of shares exchanged</b>	<b>% of total (shares)</b>	<b>Total number of shares of Wabtec Stock delivered</b>
Financière Faiveley	6,315,412	1,691,492	169,149,200	26.8%	4,623,920	73.2%	5,328,631 (1)
Famille Faiveley Participations	1,159,288	310,498	31,049,800	26.8%	848,790	73.2%	978,150 (2)
Mr. François Faiveley	225	60	6,000	26.7%	165	73.3%	190 (3)
Mr. Erwan Faiveley	612	162	16,200	26.5%	450	73.2%	518 (4)
<b>Total</b>	<b>7,475,537</b>	<b>2,002,212</b>	<b>200,221,200</b>	<b>26.8%</b>	<b>5,473,325</b>	<b>73.2%</b>	<b>6,307,489</b>

(1) Including 126,720 shares of common stock of Wabtec Corporation representing 84.5% of the supplemental shares (150,000), in accordance with the amendment to the Share Purchase Agreement dated October 24, 2016.

(2) Including 23,264 shares of common stock of Wabtec Corporation representing 15.5% of the supplemental shares (150,000), in accordance with the amendment to the Share Purchase Agreement dated October 24, 2016.

(3) Including 4 shares of common stock of Wabtec Corporation representing 0.00003% of the supplemental shares (150,000), in accordance with the amendment to the Share Purchase Agreement dated October 24, 2016.

(4) Including 12 shares of common stock of Wabtec Corporation representing 0.00008% of the supplemental shares (150,000), in accordance with the amendment to the Share Purchase Agreement dated October 24, 2016.

(iii) Provisions specific to the Share Purchase Agreement between the Offeror and the Initial Sellers

The Share Purchase Agreement does not provide a price supplement mechanism except in the event where the Offeror submits a revised offer, in which case it undertakes to allow the Initial Sellers to benefit from the overbid's terms and conditions and thus (i) to pay to the Initial Sellers an additional price per share in cash equal to the positive difference between 100 euros and the price of the revised Principal Tender Offer or in the event of an overbid concerning the Subsidiary Exchange Offer, (ii) to have issued to their benefit additional shares of Wabtec Stock in order to have them benefit from an

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improved exchange ratio if necessary or (iii) to exchange Wabtec Stock against any equivalent shares offered to the other shareholders whose financial terms are more favorable than those initially provided for.

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(iv) Distribution of Faiveley Transport's share capital and voting rights

(a) Distribution of Faiveley Transport's share capital and voting rights prior to the Block Acquisition

The following table presents, to the knowledge of the Offeror and as of November 29, 2016 (*i.e.*, prior to the Block Acquisition's completion), the share capital and theoretical voting rights of Faiveley Transport.

Shareholders	Number of shares	% Share Capital	Number of voting rights*	% Voting rights*
Financière Faiveley	6,315,412	42.80	12,604,624	56.33
Famille Faiveley Participations (FFP)	1,159,288	7.86	2,110,411	9.43
Mr. François Faiveley	225	0.00	450	0.00
Mr. Erwan Faiveley	612	0.00	617	0.00
<b>Sub-total</b>	<b>7,475,537</b>	<b>50.66</b>	<b>14,716,102</b>	<b>65.76</b>
Managers	129,388	0.88	153,656	0.69
Treasury shares	82,537	0.56	82,537	0.37
Employees including the <i>FCPE Faiveley actions</i>	248,321	1.68	294,965	1.32
DNCA Finance	1,008,374	6.83	1,008,374	4.41
Syquant Capital	1,576,064	10.68	1,576,064	7.04
Public	4,236,775	28.71	4,545,145	20.31
<b>Total</b>	<b>14,756,996</b>	<b>100</b>	<b>22,376,843</b>	<b>100</b>

\* Pursuant to Article 223-11 of the AMF General Regulations, the total number of voting rights is computed on the basis of all the shares to which voting rights are attached, including shares deprived of these voting rights.

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(b) Distribution of Faiveley Transport's share capital and voting rights following the Block Acquisition

The following table presents, to the Offeror's knowledge, the share capital and theoretical voting rights of the Company following the completion of the Block Acquisition on November 30, 2016 and taking into account the threshold crossing notifications published on the AMF's website as of December 20, 2016.

<b>Shareholders</b>	<b>Number of shares</b>	<b>% Share Capital</b>	<b>Number of voting rights*</b>	<b>% Voting rights*</b>
Wabtec France	7,475,537	50.66	7,475,537	49.39
Managers	127,685	0.87	153,656	1.02
Treasury shares	82,537	0.56	82,537	0.55
Employees including the FCPE Faiveley actions	252,177	1.71	302,677	2.00
DNCA Finance	588,374	3.99	588,374	3.89
Synquant Capital	1,501,600	10.18	1,501,600	9.92
Goldman Sachs Group	878,970	5.96	878,970	5.81
Morgan Stanley & Co.	806,522	5.47	806,522	5.33
Public	3,043,594	20.62	3,346,405	22.11
<b>Total</b>	<b>14,756,996</b>	<b>100</b>	<b>15,136,278</b>	<b>100</b>

\* Pursuant to Article 223-11 of the AMF General Regulations, the total number of voting rights is computed on the basis of all the shares to which voting rights are attached, including shares deprived of these voting rights.

Prior to the Block Acquisition mentioned above, neither the Offeror, nor any of the companies belonging to the Offeror's group, held Faiveley Transport shares, whether directly or indirectly, nor have they acquired any Faiveley Transport shares within a 12-month period prior to the closing of the Block Acquisition (*i.e.*, November 30, 2016).

(v) Stock options

To the knowledge of the Offeror, a total of 60,100 stock options were outstanding as of November 30, 2016. These stock options, granted by the Company's management board meeting held on November 23, 2009, are exercisable since November 22, 2013 and will expire on November

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22, 2017. They give right to subscribe to 60,100 Faiveley Transport shares at a price of 54.91 euros per share.

Holder of Faiveley Transport stock options do not benefit from any liquidity mechanism.

(vi) Free shares

To the knowledge of the Offeror, as of the date of this information memorandum:

- 34,654 free shares granted by the Company are in their holding period (the “**Free Shares in their Holding Period**”),<sup>1</sup>
- 200,056 free shares granted by the Company are Free Performance Shares in their Acquisition Period and therefore have not yet been issued and delivered to their beneficiaries,<sup>2</sup> and
- 201,677 free shares granted by the Company are Free Performance Shares in their Holding Period.<sup>3</sup>

The table below summarizes, to the knowledge of the Offeror, the main characteristics of these free shares as of November 30, 2016:

	Free shares ("FS2")	Free performance shares ("PS2")	Free performance shares ("PS4")	Free performance shares ("PS5")	Free performance shares ("PS6(a)")	Free performance shares ("PS6(b)")	Free performance shares ("PS7")
Grant date	January 15, 2013	July 2, 2014	March 27, 2015	August 10, 2015	October 1, 2015	January 27, 2016	October 18, 2016
Number of free shares	65,038	108,689	4,000	5,400	135,844	4,500	144,000
Number of beneficiaries	160	198	2	3	339	3	202
Acquisition date	January 15, 2015	July 2, 2016	March 27, 2017	August 10, 2017	October 1, 2016	January 27, 2017	October 18, 2017
Availability date	January 15, 2017	July 2, 2018	March 27, 2019	August 10, 2019	October 1, 2017	January 27, 2018	October 18, 2018
Number of free shares delivered	34,654	65,833	0	0	135,844	0	0
Number of free shares still to be delivered	30,384	42,856	4,000	5,400	0	4,500	143,300

<sup>1</sup> Including FS2 (34,654 shares).

<sup>2</sup> Including PS2 (42,856 shares), PS4 (4,000 shares), PS5 (5,400 shares), PS6(b) (4,500 shares) and PS7 (143,300 shares).

<sup>3</sup> Including PS2 (65,833 shares) and PS6(a) (135,844 shares).

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Based on the indicative timeline of the Offer, the Free Shares in their Holding Period (“FS2”) will be eligible to be tendered to the Offer or, as the case may be, the Subsequent Offer.

As indicated in Section 1.1 “Introduction”, the Offer will not target the Free Performance Shares to the extent that none of these shares will be eligible for tender to the Offer or, as the case may be, the Subsequent Offer. Should certain Free Performance Shares become transferable in advance pursuant to the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code (for causes of disability or death of the beneficiary) during the Offer (or, as the case may be, the Subsequent Offer), these Free Performance Shares will become eligible to be tendered to the Offer (or, as the case may be, the Subsequent Offer).

The Offeror has offered to the beneficiaries of Free Performance Shares “PS2”, “PS6(a)”, “PS6(b)” and “PS7” a liquidity mechanism under which the Offeror grants a put option relative to their Faiveley Transport shares once the holding period has expired, at an exercise price calculated on the basis of a multiple of equal to 1.365 times the adjusted consolidated revenues of the Company over a 12-month sliding period preceding the opening of the exercise period, divided by the number of shares (fully diluted) as of November 30, 2016, it being specified that if this option is not exercised, Wabtec France would then benefit from a commitment from the beneficiaries to sell their Faiveley Transport shares under the same financial conditions. The 1.365 multiple used to determine the price of the Free Performance Shares is consistent with the multiple factored in the price of the Offer. This liquidity mechanism will be exercisable only in the event (i) a squeeze-out is implemented or a buy-out offer is filed followed by a mandatory squeeze-out pursuant to the conditions and in accordance with the intentions of the Offeror described in Section 1.3.5 “Mandatory squeeze-out – Removal from listing” or (ii) the liquidity of the Company Shares on the market is insufficient following the Offer.

The Offeror has also offered to the beneficiaries of Free Performance Shares “PS4” and “PS5” to relinquish these free performance shares in exchange for a cash bonus (considered as a salary) of a gross amount of 100 euros per share.

It is specified that pursuant to Article L. 233-9 4° of the French Commercial Code, the shares of Faiveley Transport that have been subject to a liquidity mechanism entered into prior to the end of the Offer and, as the case may be, the Subsequent Offer will be assimilated to the shares held by the Offeror and will not be transferred to the Offeror in the event of a mandatory squeeze-out.

(vii) Declarations of thresholds crossings

Pursuant to Articles 223-11 *et seq.* of the AMF General Regulations and Articles 233-7 *et seq.* of the French Commercial Code, the Offeror declared to the AMF and to Faiveley Transport, by letters dated December 1, 2016, that it had, as a result of the Block Acquisition, crossed upward on November 30, 2016 the 5%, 10%, 15%, 20%, 25%, 30%, 1/3 and 50% thresholds of the share capital and the 5%, 10%, 15%, 20%, 25%, 30% and 1/3 thresholds of the voting rights of the Company following the execution of the Share Purchase Agreement relating to the Block Acquisition and that it holds directly and indirectly 7,475,537 shares of Faiveley Transport representing 50.66% of the share capital and 49.39% of its theoretical voting rights. On the same day, the Offeror also declared to the AMF and to Faiveley Transport its intentions, as required by the relevant regulation.

These declarations gave rise to a notice published by the AMF on December 1, 2016 under number 216C2698.

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(viii) Regulatory approvals

The Offer is not subject to any antitrust approval.

The Block Acquisition has been approved (or has not given rise to any objections) by the competent competition authorities in the European Union, the United States and Russia. The respective clearances or declarations were granted on October 4, 2016 with respect to the European Union, on November 18, 2016 with respect to the United States, by judicial approval of a consent decree filed by the U.S. Department of Justice, and on September 28, 2015 with respect to Russia.

The Block Acquisition was also subject to the authorization of the Ministry of Economy, Industry and Digital Sector of the French Republic (the “MINEFI”). In accordance with French laws and regulations on foreign investments in France (Articles L. 151-1 *et seq.* and R. 153-1 *et seq.* of the French Monetary and Financial Code), Wabtec Corporation filed an authorization request letter with the MINEFI on August 24, 2015. Wabtec Corporation received MINEFI approval for the Block Acquisition on May 12, 2016.

(ix) Consultation of the Works Council

The Company initiated the information and consultation procedures with the Works Council at the Faiveley Transport group level immediately after the announcement of the entry into exclusive negotiations. On August 18, 2015, the Works Council of the Faiveley Transport group issued a favorable opinion on the contemplated combination. On October 6, 2015, Faiveley Transport’s European Works Council issued a favorable opinion relative to the contemplated combination.

### **1.2.2. Rationale for the Block Acquisition and the subsequent Offer**

The Offer is part of the requirement for the Offeror, pursuant to Article 234-2 of the AMF General Regulations, to file, following a Block Acquisition, a tender offer targeting the entire share capital and all equity-linked or voting securities of Faiveley Transport.

The Offer is part of a friendly approach, and aims to create one of the global leaders in rail equipment.

Since 2012, the railway equipment industry has experienced major transactions aiming at industrial consolidation. In this context, the combination of Wabtec and Faiveley Transport will create one of the world’s largest public rail equipment companies, with revenues of about €4 billion and a presence in all key freight rail and passenger transit industry worldwide (Wabtec expects that the new group will generate about 45% of its sales on the freight segment and about 55% on the passenger transit segment).

The investment would enable both companies to expand their complementary geographic presence (Wabtec expects that the new group will generate about 50% of its sales in North America, 30% in Europe and 20% in the Asia Pacific region), creating synergies, broadening their product and service capabilities, and enhancing their technology and innovation initiatives.

Both Wabtec and Faiveley Transport consider that the combined entity will have a sound capital and financial structure.

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### **1.2.3. Opinion of Wabtec Corporation's Board of Directors and approval from the Executive Board of the Offeror**

Following a detailed review of the terms and conditions of the proposed transaction, Wabtec Corporation's Board of Directors, at its meeting on July 26, 2015, approved the transaction, including the Block Acquisition and the Offer. The Board further granted the necessary powers to its executive officers to take any and all actions necessary to effect the transaction, including the Block Acquisition and the Offer.

On April 5, 2016, the Executive Board of the Offeror authorized Wabtec France to make the Block Acquisition and proceed to the initiation of the Offer.

### **1.2.4. Data room**

In the context of the Offer's preparation, Wabtec has had access to certain information relative to Faiveley Transport and its subsidiaries. Wabtec believes that except for the information publicly available, it has not learned, in the context of the Offer's preparation, of any precise information concerning directly or indirectly Faiveley Transport which may be considered as privileged information within the meaning of the AMF General Regulations.

## **1.3. Intentions of the Offeror for the coming twelve months**

### **1.3.1. Industrial and commercial strategic rationale and future activity**

Wabtec intends to maintain and expand Faiveley Transport's strong presence in Europe, and particularly in France. Faiveley Transport's transit products and business would become a basis for Wabtec's offerings in this sector.

In particular, Wabtec intends to protect Faiveley Transport's heritage and presence in France, and, among other things, to reinforce the physical presence of Faiveley Transport in Europe. After the contemplated transaction, Faiveley Transport's headquarters will be maintained in France and will include the decision center of Wabtec's global Transit activity, which will represent more than 50% of the combined revenues of the new group. In addition, Wabtec has undertaken to maintain the centers of excellence (engineering and R&D) of Faiveley Transport in Europe. Building on Faiveley Transport's strengths, the transit activity would continue to be operated globally under the name Faiveley Transport in all of the countries in which Faiveley Transport and Wabtec are present today.

As a result, Faiveley Transport will double the size of its operations with the organizational integration of Wabtec's transit activity (without this necessarily resulting in an asset contribution to Faiveley Transport), thus enlarging the industrial footprint of the group.

The management of Faiveley Transport will also benefit from an important role in the new group:

- Mr. Stéphane Rambaud-Measson, Chairman of the management board and Chief Executive Officer of Faiveley Transport was appointed on November 30, 2016 Executive Vice President of Wabtec Corporation and President and Chief Executive Officer of the new Wabtec Faiveley Transport group;



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- Mr. Guillaume Bouhours, Chief Financial Officer of Faiveley Transport, was appointed on November 30, 2016 Chief Financial Officer of the new Wabtec Faiveley Transport group and Vice President of Wabtec Corporation.

The Faiveley family will maintain its long-term strategic involvement in the railway industry and will hold approximately 7% of the share capital of Wabtec Corporation, based on Wabtec Corporation's share capital on the date of this information document (see Section 2.4.6 hereafter "Consequences of the Offer on the distribution of Wabtec Corporation's share capital and voting rights").

The Faiveley family are represented on Wabtec Corporation's Board of Directors by two (2) representatives: Mr. Philippe Alfroid, current Chairman of the Faiveley Transport's supervisory board, and Mr. Erwan Faiveley, Chairman and CEO of Family Faiveley Participations, the holding company of the Faiveley Family. Messrs. Alfroid and Faiveley were appointed on November 30, 2016 for an initial period expiring respectively at the Wabtec Corporation annual stockholder meetings called to be held in 2017 and 2018. Furthermore, Mr. Stéphane Rambaud-Measson was also appointed on November 30, 2016 as an observer to Wabtec Corporation Board of Directors. See also Section 1.3.9 hereafter "Agreements that could have a significant impact on the assessment of the Offer or its outcome".

### **1.3.2. Intentions regarding employment and management**

Wabtec believes that a key element of the success of Faiveley Transport is preserving and developing the talent and intellectual capital of Faiveley Transport's personnel.

In this context, Wabtec will use its reasonable efforts to maintain the existing Faiveley Transport policy in human resources and management for a period of no less than eighteen (18) months following the date of the Block Acquisition (*i.e.*, from November 30, 2016), in line with Faiveley Transport's strategic plan "Creating Value in 2018" introduced in March 2015.

### **1.3.3. Dividend distribution policy**

The distribution policy will continue to be examined by the Company's corporate bodies, in relation particularly to the Company's results, to its financial capacity for such distribution and to the financing needs of the group in view of its development plans.

### **1.3.4. Synergies**

Wabtec expects annual synergies by year three of at least 50 million US dollars to be achieved through supply chain efficiencies, review of operations for efficiency and cost savings, and leveraging sales and general administrative capabilities.

In addition, Wabtec believes the transaction will reinforce the combined entity's growth prospects through the following developments:

- complementary in geographical presence as well as products and engineering activities;
- global scale in freight and transit rail equipment allowing for enhanced operational excellence;
- and

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- improvements in the ability to provide safety, productivity and efficiency enhancements to the global rail markets.

### **1.3.5. Mandatory squeeze-out - Removal from listing**

According to the provisions of Articles L. 433-4 of the French Monetary and Financial Code and 237-14 *et seq.* of the AMF General Regulations, if the shares not tendered to the Offer or, as the case may be, to the Subsequent Offer do not represent more than 5% of the Company's share capital and voting rights (the "**Squeeze-Out Threshold**"), the Offeror will request to the AMF the implementation of a mandatory squeeze-out procedure, targeting the Faiveley Transport shares, within ten (10) trading days from the publication of the Offer's results if the Squeeze-Out Threshold has already been met, in which case the Offer will not be reopened, or, as the case may be, within three (3) months following the closing of the Subsequent Offer, if the Squeeze-Out Threshold has only been met after the Subsequent Offer.

The implementation of this procedure will be realized only in cash and at the same price as the Principal Tender Offer, *i.e.*, 100 euros per Faiveley Transport share, net of all expenses.

It is specified that, for the purpose of determining whether the 95% threshold of the Company's share capital and voting rights has been attained, the Initiator will be deemed to hold, in addition to the shares tendered pursuant to the Offer, the shares of Faiveley Transport that have been subject to a liquidity mechanism as described in Section 1.2.1(vi) "Free shares".

The Offeror also reserves the right, in the event that (i) it comes to hold, directly or indirectly, at least 95% of the Company's voting rights, and (ii) where a mandatory squeeze-out would not have been implemented under the conditions referred to above, to file with the AMF a public buy-out offer followed by a mandatory squeeze-out of the Company's shares not directly or indirectly held by it under the conditions of Articles 236-1 *et seq.* and 237-14 *et seq.* of the AMF General Regulations.

Subject to the foregoing, the Offeror reserves itself the right to, in the event it would not be able to implement a squeeze-out following the Offer (or, as the case may be, following a Subsequent Offer), request the delisting of the Faiveley Transport shares from the regulated market of Euronext in Paris, pursuant to the applicable Euronext market rules.

### **1.3.6. Intentions regarding merger and integration**

Depending on the results of the Offer, the Offeror reserves the right to consider the best ways of integrating Faiveley Transport into the Wabtec group. In this context, at some point of time in the future, the Offeror may decide to merge certain Faiveley Transport assets or branches with Wabtec group companies (including the Offeror) or transfer these to Wabtec group companies or *vice versa*.

The conditions of these possible merger or contribution operations would be subject to the consultation of the relevant employee representatives in due course and to the extent required by law, and would be reviewed by the AMF, as the case may be, in accordance with applicable regulations.

### **1.3.7. Composition of the management and supervisory bodies of the Company**

Concomitantly with the completion of the Block Acquisition and in accordance with the Share Purchase Agreement:

- Mr. Philippe Alfroid, Chairman of the supervisory board, Mr. François Faiveley, Vice-Chairman of the supervisory board, as well as Mr. Christian Germa, Mrs. H el ene Auriol-Potier and Mr. Maurice Marchand-Morel, members of the supervisory board, resigned from their duties as supervisory board members of Faiveley Transport. Such resignations occurred after the supervisory board of Faiveley Transport recommended the Offer as mentioned above.
- Mr. Erwan Faiveley resigned from his duties as management board member.

The supervisory board of the Company which met on November 30, 2016, appointed three (3) new supervisory board members (Mr. Albert Neupaver, Mr. Raymond Betler and Mrs. Linda Harty). Mr. Albert Neupaver has, in addition, been appointed Chairman of the supervisory board and Mr. Raymond Betler its Vice-Chairman.

The supervisory board of the Company is now composed as follows:

- Albert Neupaver, Chairman (Executive Chairman of Wabtec Corporation),
- Raymond Betler, Vice-Chairman (President and Chief Executive Officer of Wabtec Corporation),
- Christophe Spencer (independent member),
- Nicoletta Giadrossi-Morel (independent member), and
- Linda Harty (Board member of Wabtec Corporation).

These co-appointments, which took effect on November 30, 2016, will be subject to ratification by a Company shareholder meeting.

The Company's management board is now composed as follows:

- Mr. St ephane Rambaud-Measson, Chairman of the management board, and
- Mr. Guillaume Bouhours, member of the management board.

The Company's supervisory board will meet before January 30, 2017 to appoint a new member of the management board, in replacement of Mr. Erwan Faiveley.

### **1.3.8. Interest of the transaction for the Company and its shareholders**

The Offeror proposes to Faiveley Transport shareholders who tender their shares to the Offer immediate liquidity of all of their shareholding at the same price per share and on the same compensation terms as those offered to the Initial Sellers. This transaction will allow the shareholders who choose to tender their Faiveley Transport shares to the Principal Tender Offer to monetize their shares at a 41% premium compared to the last market price on July 24, 2015 on the day before the announcement of the transaction and at a 63% premium compared to the 6-month weighted average share price preceding this date. In addition, shareholders may also participate in the development of

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the new group by tendering, as appropriate, all or part of their shares to the Subsidiary Exchange Offer.

The price's assessment criteria and the proposed parity are detailed at Section 3 hereafter "Elements to assess the price of the Offer".

### **1.3.9. Agreements that could have a significant impact on the assessment of the Offer or its outcome**

The parties to the Share Purchase Agreement entered into, on October 6, 2015, a shareholders agreement with respect to corporate governance matters relating to Wabtec Corporation (the "**Wabtec Shareholders Agreement**"). The main undertakings set forth in this agreement are listed below.

#### (i) Appointment of board designees

Wabtec Corporation undertakes to take all necessary action to cause two (2) designees to be appointed to its board of directors (the "**Board Designees**") to represent the Faiveley family and pursue its long-term strategic involvement in the railway sector. The first two (2) Board Designees designated by this agreement, Mr. Philippe Alfroid and Mr. Erwan Faiveley, have been appointed by Wabtec Corporation's Board on November 30, 2016 with terms expiring respectively on Wabtec Corporation's annual stockholder meetings to be held in 2017 and 2018. Until the Initial Sellers no longer hold at least 50% of the Wabtec Stock received pursuant to the Share Purchase Agreement, the Initial Sellers will be entitled to designate two (2) Board Designees to be nominated by Wabtec Corporation. If their holdings fall below that 50% threshold without falling beyond the 25% threshold, the Initial Sellers will be entitled to designate one (1) Board Designee to be nominated by Wabtec Corporation.

Moreover, pursuant to the amendment to the Wabtec Shareholders Agreement entered into on October 24, 2016, it is provided that the Initial Sellers will only have the right to appoint one Board Designee if they hold less than 6,307,489 shares of common stock of Wabtec Corporation at the expiration of a period of six (6) months after the completion of the Block Acquisition. As a result of the Block Acquisition, the Initial Sellers hold 6,307,489 shares of Wabtec stock. The Initial Sellers will therefore not need to acquire on the market any shares of common stock of Wabtec Corporation to achieve the 6,307,489 threshold. Failure to maintain this threshold of 6,307,489 shares of Wabtec stock will however result in the need for one of the Board Designees to resign at the expiration of the six-month period.

#### (ii) Appointment of a board observer

The Wabtec Shareholders Agreement provides that until the earlier of either 18 months from November 30, 2016 or the time when he is no longer an executive officer of Wabtec Corporation or any of its subsidiaries, Stéphane Rambaud-Measson will be entitled to act as observer to the Board (the "**Board Observer**").

Pursuant to the Wabtec Shareholders Agreement, Wabtec Corporation's Board designated Stéphane Rambaud-Measson as Board Observer on November 30, 2016.

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The Board Observer generally will have the same rights as a director of Wabtec Corporation with respect to the receipt of information and rights to participate in all meetings of the Board, without however benefiting from voting rights nor being counted towards a quorum.

(iii) Transfer and standstill restrictions

Other than in specifically indicated situations, each Initial Seller covenants that it will not, directly or indirectly, during the period from the closing of the Block Acquisition until the earlier of (a) the three-year anniversary of the closing of the Block Acquisition or (b) a change of control of Wabtec Corporation, sell, assign, pledge, hypothecate, enter into any short-sale transactions or otherwise transfer the Wabtec Stock. Also, the Initial Sellers are subject to a standstill restriction under which they generally agree to refrain from taking any steps to acquire further control of Wabtec Corporation.

(iv) Voting agreement

During the period in which any Board Designee is a member of the Board, each Initial Seller covenants that, if requested by Wabtec Corporation, it will vote all of its voting rights in favor of the election of members of the Board nominated by the Nominating and Corporate Governance Committee or a majority of the incumbent Directors and that it will use commercially reasonable efforts to be present or represented at all of Wabtec Corporation's stockholder meetings.

(v) Preemptive rights

The Initial Sellers benefit from a preemptive right in the event Wabtec Corporation decides to sell equity or voting securities of Wabtec Corporation to third parties for cash other than in a public offering. Wabtec Corporation would then be held to offer each Initial Seller the opportunity to purchase such securities on the same terms as they are offered to such third party in order to maintain the Initial Sellers' percentage equity and voting ownership interests.

(vi) Significant agreements

Subject to the provisions of the Share Purchase Agreement and Tender Offer Agreement described in Section 1.2.1 "Background of the transaction" and the Wabtec Shareholders Agreement, the Offeror is not aware of any agreement and is not party to any agreement in connection with the Offer or that potentially could have a significant impact on the assessment of the Offer or its outcome.

## **2. CHARACTERISTICS OF THE OFFER**

### **2.1. Terms of the Offer**

Pursuant to the terms of Article 231-13 of the AMF General Regulations, Société Générale and UBS Limited, acting on behalf of the Offeror, filed on December 2, 2016 a draft Offer with the AMF under the form of a cash tender offer (*offre publique d'achat*), complemented by an alternative public exchange offer, within the limit of 73.22% of the Shares covered by the Offer (representing an issue of a maximum of 6,202,190 shares of Wabtec Stock based on a ratio of 15 shares of Wabtec Stock for 13 Faiveley Transport shares tendered).

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The AMF published on December 2, 2016 a filing notice in relation to the Offer on its website ([www.amf-france.org](http://www.amf-france.org)) under the number 216C2704.

The Offer will be executed under the normal procedure as provided in Articles 232-1 *et seq.* of the AMF General Regulations.

The Offeror irrevocably undertakes to acquire from the shareholders of Faiveley Transport the shares of the Company which will be tendered to the Offer, at a price of 100 euros per Faiveley Transport share, or exchange the Shares they hold, according to the exchange ratio and terms defined in Section 2.3.2 hereafter “Subsidiary Exchange Offer”, during a twenty-five (25) trading day period.

In accordance with Articles 231-13 of the AMF General Regulations, Société Générale and UBS Limited act as presenting banks, it being specified that only Société Générale will guarantee the terms and the irrevocable character of the undertakings made by the Offeror.

UBS Limited is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom. UBS Limited is acting as financial adviser to Wabtec Corporation and no one else for the purpose of the Offer for Faiveley Transport’s shares and will not be responsible to anyone other than Wabtec Corporation for providing the protections offered to clients of UBS Limited nor for providing advice in relation to such offer. This statement is without prejudice to the obligations which are those of UBS Limited acting as presenting bank of the Offer under the applicable regulations.

Pursuant to Article 231-16 of the AMF General Regulations, the draft information memorandum as filed with the AMF was made available on the websites of the AMF ([www.amf-france.org](http://www.amf-france.org)) and Wabtec France (<http://www.wabtec.com>) and may be obtained free of charge upon request to Société Générale and UBS Limited. In addition, a press release relative to the terms of the Offer was published by the Offeror on December 2, 2016.

After the filing of the draft information memorandum in response by the Company, including in particular the independent expert’s report pursuant to Article 261-1 I of the AMF General Regulations, the AMF has declared this information memorandum to be in compliance with the applicable regulation and, to this effect, published on its website on December 22, 2016 a clearance decision that entails approval (*visa*) by the AMF of this information memorandum.

This information memorandum as approved by the AMF and the document entitled “Other Information” relating, in particular, to the legal, financial and accounting characteristics of the Offeror shall be made available to the public free of charge, no later than the day before the opening of the Offer, at the offices of Société Générale and UBS Limited. These documents will also be available on the websites of Wabtec France (<http://www.wabtec.com>) and the AMF ([www.amf-france.org](http://www.amf-france.org)). In accordance with the provisions of Articles 231-27 and 231-28 of the AMF General Regulations, a press release specifying the conditions under which these documents will be made available will be issued by the Offeror.

Prior to the opening of the Offer, the AMF will release a notice announcing the opening and the timetable of the Offer, and Euronext Paris will release a notice announcing the terms and timetable of the Offer.

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## **2.2. Number and nature of the securities targeted by the Offer**

At the date of this information memorandum, Wabtec holds directly or indirectly 50.66% of the share capital and 49.39% of the theoretical voting rights of the Company. The Offer covers all of the existing shares which may be tendered to the Offer and which are not held by the Offeror or which may be issued before the closing of the Offer or Subsequent Offer, namely:

- the existing shares not held directly or indirectly by the Offeror at the date hereof, including all 82,537 treasury shares held by the Company, *i.e.*, to the Offeror's knowledge at the date of this information memorandum, 7,281,459 Faiveley Transport shares, it being specified that Faiveley Transport's supervisory board has decided on November 30, 2016, in accordance with the commitment made by the Company in the Tender Offer Agreement, not to tender the 82,537 treasury shares, and
- the Faiveley Transport shares which may be issued prior to the closing of the Offer (or, as the case may be, prior to the closing of the Subsequent Offer) pursuant to the exercise of Faiveley Transport stock options currently outstanding, *i.e.*, to the Offeror's knowledge at the date of this information memorandum, a maximum of 60,100 Faiveley Transport shares,

or, to the Offeror's knowledge, a maximum of 7,341,559 Shares.

Except in the specific cases provided for under applicable laws or regulations where their unavailability is lifted (death or disability of the beneficiary), the 401,733 Free Performance Shares (whose regime is detailed in Section 1.2.1(vi) hereafter "Free shares") may not be tendered to the Offer. Only the 34,654 acquired Company free shares whose holding period will have expired before the closing of the Offer may be tendered to the Offer or, as the case may be, the Subsequent Offer.

To the Offeror's knowledge, with the exception of the shares referred to above, there exists no equity security or any other financial instrument providing a right, either immediately or in the future, to the share capital or voting rights of the Company, other than the Company shares.

## **2.3. Terms of the Offer**

The Faiveley Transport shareholders will tender their Shares to the Principal Tender Offer and/or the Subsidiary Exchange Offer (subject to any reduction described in Section 2.3.3 hereafter "Reduction Mechanism").

### **2.3.1. Principal Tender Offer**

As part of the Principal Tender Offer, the Offeror irrevocably commits to acquire from the Faiveley Transport shareholders the shares of the Company which will be tendered to the Offer, at a price of 100 euros per Faiveley Transport share.

### **2.3.2. Subsidiary Exchange Offer**

To allow Faiveley Transport shareholders to benefit from the same terms as those offered to the Initial Sellers, the Principal Tender Offer is complemented by a Subsidiary Exchange Offer pursuant to which, within the limit of 5,375,231 Shares, *i.e.*, 73.22% of the Shares targeted by the Offer, the Offeror irrevocably offers to the Faiveley Transport shareholders to tender their Shares in the context

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of this Offer and to receive 15 shares of Wabtec Stock for every quantum of 13 Shares tendered (subject to the application of the reduction mechanism to the tendered shares, as described hereafter).

No fractional shares of Wabtec Stock may be issued in the context of this Offer.

As a consequence, the orders to tender to the Subsidiary Exchange Offer must address a Quantum, *i.e.*, 13 Faiveley Transport shares, or any multiple of the Quantum, the owners of Faiveley Transport shares being personally responsible for the purchase or the sale of fractional shares and the negotiation costs being borne by them. Therefore, the Shares tendered to the Subsidiary Exchange Offer that are not multiples of 13 will be deemed to have been tendered to the Principal Tender Offer in accordance with its terms.

The Shares tendered to the Subsidiary Exchange Offer that cannot be accepted due to a number of shares contributed exceeding the Limit or the number of shares exceeding the Quantum or a multiple of the Quantum will be deemed to have been tendered to the Principal Tender Offer (see Section 2.3.3 hereafter “Reduction Mechanism”).

An investment in Wabtec Stock is subject to a number of risks. The risk factors detailed in Section 2.4.3 hereafter “Risk factors relative to the Wabtec Stock” should be carefully considered, as well as those contained in Wabtec’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed in the United States (these may be found in the information relating in particular to the legal, financial and accounting characteristics of Wabtec France filed with the AMF and made available to the public no later than on the day preceding the opening of the Offer, pursuant to Article 231-28 of the AMF General Regulations). The realization of all or part of these risks may adversely affect Wabtec’s business, financial condition, results of operations or cash flow.

### **2.3.3. Reduction Mechanism**

Faiveley Transport shares tendered to the Principal Tender Offer will be fully acquired at the price of the Principal Tender Offer.

The Subsidiary Exchange Offer will be subject, if necessary, to a reduction mechanism to ensure that the number of shares whose tender is accepted does not exceed the Limit (*i.e.*, 5,375,231 Shares).

In the event the number of shares brought to the Subsidiary Exchange Offer should exceed the Limit, their number will be reduced so as to remain within the Limit. The reduction will be proportionate to the number of shares brought to the Subsidiary Exchange Offer by each shareholder.

For purposes of the foregoing provisions, the number of shares accepted in the Subsidiary Exchange Offer will be calculated as follows:

- firstly, the number of shares tendered by each shareholder will be multiplied by the Limit and divided by the total number of Shares brought to the Subsidiary Exchange Offer, this result being rounded to the next lower whole number,
- secondly, the balance of shares corresponding to the difference between the Limit and the sum of the shares accepted for tender, calculated as previously indicated, will be allocated at a rate of one (1) share per shareholder according to the greatest remainder rule until the balance runs out.



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It is reminded that no fractional shares of Wabtec Stock may be issued by Wabtec Corporation; consequently the number of Shares calculated may be reduced again so that the total number of Shares accepted to the Subsidiary Exchange Offer by each shareholder represents a multiple of 13; this result being also rounded down to the next lower whole number.

Shares tendered to the Subsidiary Exchange Offer which are not accepted to the Subsidiary Exchange Offer due to the aforementioned reduction mechanism will be deemed to have been tendered to the Principal Tender Offer.

In the event the Offer is reopened, the reduction mechanism described above will apply *mutatis mutandis*.

## **2.4. Number and characteristics of the Wabtec Stock to be issued under the Offer**

The following section sets forth the principal characteristics of the Wabtec Stock.

### **2.4.1. Maximum number of shares of Wabtec Stock to be issued under the Offer**

The maximum total number of shares of Wabtec Stock delivered to the Initial Sellers (*i.e.*, 6,307,489) and which may be issued in the context of the Subsidiary Exchange Offer (*i.e.*, 6,202,190) amounts to 12,509,679 (see Section 2.4.6 hereafter “Consequences of the Offer on the distribution of Wabtec Corporation’s share capital and voting rights”).

### **2.4.2. Terms and conditions attached to the Wabtec Stock to be issued under the Offer**

#### **(i) General provisions**

The Wabtec Stock issued as Offer consideration constitute shares of common stock of Wabtec Corporation. They will rank *pari passu* with existing Wabtec Corporation common stock and will have all the same rights as the other shares of Wabtec Corporation’s common stock otherwise issued and outstanding.

Wabtec Corporation’s Board of Directors has granted all of the necessary power to its executive officers to take any and all actions necessary to effect the Offer, including, but not limited to, the execution of the transaction documents and the issuance of shares of common stock of Wabtec Corporation for the purposes of the Subsidiary Exchange Offer. No statutory provisions limit the free transferability of the Wabtec Stock to be delivered in connection with the Offer.

Holder of Wabtec Corporation common stock are entitled to receive dividends when, as and if declared by the Wabtec Corporation Board of Directors, out of funds legally available for their payment. Holders of Wabtec Corporation common stock are entitled to one (1) vote per share on all matters submitted to a vote of Wabtec Corporation stockholders. There are no cumulative voting rights associated with the Wabtec Corporation common stock. In the event of Wabtec Corporation’s voluntary or involuntary liquidation, dissolution or winding up, the holders of Wabtec Corporation’s common stock will be entitled to share equally in any of Wabtec Corporation’s assets available for distribution after the payment in full of all debts and distributions and after the holders of all series of our outstanding preferred stock (if any) have received their liquidation preferences in full.

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The holders of Wabtec Corporation common stock are not entitled to preemptive or redemption rights. There are no sinking fund provisions applicable to the Wabtec Corporation common stock. Shares of Wabtec Corporation common stock are not convertible into shares of any other class of capital stock. Wabtec Corporation common stock is traded on the New York Stock Exchange under the symbol “WAB.” Wells Fargo Shareowner Services is the transfer agent and registrar for the Wabtec Corporation common stock. A listing notice for the shares of common stock of Wabtec Corporation has been filed with the New York Stock Exchange and their listing will be effective for the settlement/delivery date of the Offer.

(ii) Miscellaneous

No brokerage fees will be reimbursed nor will any commissions be paid by the Offeror to any stockholder having tendered its Shares to the Subsidiary Exchange Offer or to any intermediary. No fees will be reimbursed nor will any commissions be paid by the Offeror with respect to the receipt of dividends or the trading of common stock of Wabtec Corporation on the New York Stock Exchange.

During the temporary admission of Wabtec Stock to Euroclear France, the financial services (payment of dividends) will be provided by Société Générale Securities Services, 32 rue du Champ de Tir CS 308012, 44308 Nantes cedex 3.

#### **2.4.3. Risk factors relative to the Wabtec Stock**

(i) The Wabtec Stock will be governed by Delaware Corporate Law.

Faiveley Transport shareholders who tender, partly or entirely, their Shares to the Subsidiary Exchange Offer will receive Wabtec Stock and will become Wabtec Corporation stockholders. All Wabtec stockholders’ rights will be governed by the relevant provisions of General Corporation Law of the State of Delaware applicable to Wabtec Corporation and its governance documents.

(ii) The value of the Wabtec Stock may decrease.

The price of the Wabtec Stock may fluctuate, even significantly from time to time, and may not reflect the value of Wabtec Corporation. The value of the Wabtec Stock may decrease. The price of the Wabtec Stock may be influenced by a large number of factors, including factors beyond Wabtec Corporation’s control. In addition, stock markets experience significant fluctuations that are not always linked to the earnings and outlook of those companies with stock traded on such markets. As a result, such market fluctuations, as well as the economic climate, could also significantly affect the market price of the Wabtec stock.

(iii) Due to the potential volatility of the market price of Wabtec Corporation stock, Faiveley Transport shareholders cannot be certain of the market value of the Wabtec Stock that will be issued in the context of the Subsidiary Exchange Offer.

Faiveley Transport shareholders who decide to tender, partly or entirely, their shares to the Subsidiary Exchange Offer will receive 15 shares of Wabtec Stock for every 13 Shares accepted for tender to the Subsidiary Exchange Offer (subject to a limit of 6,202,190 shares of Wabtec Stock). This exchange ratio is firm and will not be adjusted during the Offer period in the event of a change in the market price of Wabtec Corporation stock. Should the market price of Wabtec Corporation stock decrease,

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including for reasons external to Wabtec Corporation, Faiveley Transport shareholders would receive less value for their Shares than the value determined in particular on the basis of the Wabtec Corporation stock price on the date of this information memorandum. A significant period of time may pass between the tendering of the Shares and the completion of the Subsidiary Exchange Offer.

Orders to tender Shares to the Offer are however revocable at any time up until, and including, the day of the closing of the Offer (after that date, the orders will be irrevocable).

It is recommended that Faiveley Transport shareholders take careful note of the evolution of Wabtec Corporation's stock price.

The highest and lowest prices for Wabtec Corporation stock between January 1, 2016 and November 30, 2016 (*i.e.*, before the filing of the draft information memorandum) were respectively of 88.08 US dollars and 60.58 US dollars.

The closing market price for Wabtec Corporation common stock on December 20, 2016 was 81.80 US dollars.

For information purposes, it is reminded that, pursuant to the Principal Tender Offer, the Issuer is offering to each Faiveley Transport shareholder to acquire their Shares at a price of 100 euros per Faiveley Transport share.

(iv) Loss of Double Voting Rights.

Pursuant to Faiveley Transport's bylaws, double voting rights are attached to fully paid-up Shares held in registered form for at least two years.

As the Wabtec Corporation common stock to be issued do not confer multiple immediate or future voting rights, Faiveley Transport shareholders who decide to tender their Shares to the Subsidiary Exchange Offer will lose the benefit of the double voting rights conferred on them today due to a holding of Faiveley Transport shares over a period of time.

(v) Faiveley Transport shareholders having tendered their shares to the Subsidiary Exchange Offer will have a reduced ownership and voting interest in Wabtec Corporation.

Each Faiveley Transport shareholder who tenders his or her Shares to the Subsidiary Exchange Offer will hold Wabtec Stock which will entitle it to the same voting rights as those of any other holder of Wabtec Corporation common stock. Faiveley Transport shareholders who receive Wabtec Stock will vote together with the other holders of Wabtec Corporation common stock on all matters to be voted on by the stockholders of Wabtec Corporation. After completion of the Offer and assuming that all Shares are tendered to the Exchange Offer (within the Limit), holders of Shares are expected to own approximately 12.3% of the issued and outstanding Wabtec Corporation stock on a fully diluted basis. Because of this, Faiveley Transport's shareholders, as a group, will have substantially less influence on the management and policies of Wabtec Corporation than they currently have, as a group, with respect to the management and policies of Faiveley Transport.

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- (vi) The Wabtec Stock may be junior in rights and preferences to Wabtec Corporation's future preferred stock.

Wabtec Corporation may, in the future, authorize and issue shares senior in rights and preferences to the Wabtec Stock without the vote or consent of existing Wabtec Corporation stockholders. The terms of any future preferred stock senior to the Wabtec Stock may restrict dividend payments on the Wabtec Corporation common stock. In that case, unless full dividends for all outstanding preferred stock senior to the Wabtec Stock, if any, have been declared and paid or set aside for payment, Wabtec Corporation may be prohibited from declaring or paying dividends or other distributions on the Wabtec Stock.

- (vii) The Wabtec Stock will be an equity security and will be subordinate to Wabtec Corporation's existing and future indebtedness.

The Wabtec Stock will be an equity interest in Wabtec Corporation and will not constitute indebtedness. This means that the Wabtec Stock, will rank junior to all its existing and future indebtedness and other non-equity claims with respect to assets available to satisfy claims against Wabtec Corporation, including claims in the event of our liquidation. The Wabtec Stock places no restrictions on Wabtec Corporation's business or operations or on Wabtec Corporation's ability to incur indebtedness or engage in any transactions.

- (viii) Ineligibility of Wabtec Corporation stock for French stock saving plans.

Wabtec Corporation stock, including the Wabtec Stock, will not be eligible for inclusion in French stock saving plans or *plans d'épargne en actions* ("PEA"). The tax regime applicable to PEAs is described in Section 2.14 hereafter "Tax treatment of the Offer". As a result, French tax residents who hold their Faiveley Transport shares through PEAs may, in the context of the Principal Tender Offer, decide to sell their Faiveley Transport shares. The French tax residents who choose to tender their Faiveley Transport shares to the Subsidiary Exchange Offer will not be able to include in a PEA the Wabtec Stock received in exchange as they are not eligible for inclusion. Such sales of Faiveley Transport shares, if they occur in significant volumes, could adversely affect Wabtec Corporation's stock price.

#### **2.4.4. Tender offer or exchange offer**

Over the previous financial year and the current financial year, (i) no tender offer or exchange offer targeting Wabtec Corporation stock has been initiated by third parties and (ii) no public tender or exchange offer targeting stock of another company has been initiated by Wabtec Corporation or the Offeror.

#### **2.4.5. Wabtec Corporation stock price**

The Wabtec Stock to be issued as consideration in the Offer are Wabtec Corporation ordinary shares of common stock. They will be assimilated to any other existing Wabtec Corporation common stock. The following paragraphs contain the main information relative to the history of Wabtec Corporation's common stock price.

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The highest and lowest prices for Wabtec Corporation common stock between January 1, 2016 and November 30, 2016 (*i.e.*, before the filing of the draft information memorandum) were respectively of 88.08 US dollars and 60.58 US dollars. The closing market price for Wabtec Corporation common stock on December 20, 2016 was 81.80 US dollars.

The highest and lowest prices for Wabtec Corporation common stock between January 1, 2015 and December 31, 2015 were respectively of 105.10 US dollars and 67.96 US dollars. On December 31, 2015, the closing market price for Wabtec Corporation common stock on the NYSE was 71.12 US dollars.

The highest and lowest prices for Wabtec Corporation common stock between January 1, 2014 and December 31, 2014 were respectively of 92.20 US dollars and 69.45 US dollars. On December 31, 2014, the closing market price for Wabtec Corporation common stock on the NYSE was 86.89 US dollars.

#### **2.4.6. Consequences of the Offer on the distribution of Wabtec Corporation's share capital**

In the event the maximum number of shares that may be accepted for tender to the Subsidiary Exchange Offer is met, *i.e.*, 5,375,231 Shares, the maximum number of shares of Wabtec Stock to be issued in this Subsidiary Exchange Offer would amount to 6,202,190.

Therefore, the maximum total number of shares of Wabtec Stock delivered to the Initial Sellers (*i.e.*, 6,307,489) and which may be issued in the context of the Subsidiary Exchange Offer amounts to 12,509,679.

For information purposes, based on Wabtec Corporation's outstanding capital on November 4, 2016, the maximum number of shares of Wabtec Stock to be issued amounts to 14% of the share capital of Wabtec Corporation.

The share capital of Wabtec Corporation as of November 4, 2016 is divided as follows:

<b>Stockholders</b>	<b>Number of shares</b>	<b>% Share Capital</b>
BlackRock, Inc. (1)	7,248,590	8.14
FMR LLC (1)	6,751,866	7.58
The Vanguard Group (1)	6,494,904	7.29
T. Rowe Price Associated, Inc. (1)	6,118,671	6.87
Brown Advisory Incorporated (1)	4,716,972	5.30
Directors and Executive Officers (2)	5,085,686	5.71
Free float	52,656,742	59.11
<b>Total (2)</b>	<b>89,073,431</b>	<b>100</b>

(1) Based upon information provided in Schedule 13G filings from the stockholders with the Securities and Exchange Commission since January 2016.

(2) Includes certain stock option holdings exercisable within 60 days of November 4, 2016.

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For information purposes, assuming the issuance of the maximum number of Wabtec Stock (i.e., 12,509,679), Wabtec Corporation's share capital, following the Block Acquisition and the Offer, would be divided as follows:

Stockholders	Number of shares	% Share Capital
BlackRock, Inc. (1)	7,248,590	7.14
FMR LLC (1)	6,751,866	6.65
The Vanguard Group (1)	6,494,904	6.39
T. Rowe Price Associated, Inc. (1)	6,118,671	6.02
Brown Advisory Incorporated (1)	4,716,972	4.64
Directors and Executive Officers (2)	5,085,686	5.01
Faiveley Transport Shareholders	12,509,679	12.31
Free float	52,656,742	51.84
<b>Total (2)</b>	<b>101,583,110</b>	<b>100</b>

(1) Based upon information provided in Schedule 13G filings from the stockholders with the Securities and Exchange Commission since January 2016.

(2) Includes certain stock option holdings exercisable within 60 days of November 4, 2016.

## 2.5. Tender procedure for the Offer

The Offer will be open for a period of twenty-five (25) trading days.

The Company's shareholders may tender their Faiveley Transport shares either to the Principal Tender Offer or to the Subsidiary Exchange Offer, either simultaneously combine tenders to both the Principal Tender Offer and the Subsidiary Exchange Offer, provided that the orders to tender regarding the Subsidiary Exchange Offer must represent a Quantum of 13 Faiveley Transport shares or any multiple of the Quantum.

The shares tendered to the Offer (and, as the case may be, to the Subsequent Offer) must be freely tradable and free of any lien, pledge, or other form of security or restriction of any kind whatsoever which may limit the free transfer of ownership. The Offeror reserves the right, in its sole discretion, to reject any Company shares which do not comply with this condition.

The Company's shareholders whose shares are held in registered form in the Company's registrar (managed by its agent, Société Générale Securities Services) must request their registration as "administered shares" to tender their Shares to the Offer (or, as the case may be, to the Subsequent Offer) unless they have previously requested their conversion to the bearer form. The tender of shares held in an "administered shares" account allows to participate to the Offer without losing the benefit of double voting rights attached to the shares in the event the Offer would not have a positive result (see, in this respect, Section 2.10 hereafter "Right to terminate the Offer").

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The Offeror indeed draws the shareholders' attention to the fact that the shareholders which will have expressly requested the conversion to the bearer form will immediately lose the benefits associated with holding Shares in registered form if the Offer is not completed.

Holders of Company shares held in an account managed by a financial intermediary (credit institutions, investment firms, etc.) and willing to tender their Shares to the Offer (and, as the case may be, to the Subsequent Offer) must deliver to their financial intermediary, no later than on the day of closing of the Offer, an order to tender to the Offer conforming with the model made available by that financial intermediary.

In accordance with Article 232-2 of the AMF General Regulations, the orders to tender Shares to the Offer are revocable at any time up until, and including, the day of the closing of the Offer. After that date, the orders will be irrevocable.

No interest will be due for the period extending from the date of contribution of the shares to the Offer until the settlement-delivery date of the Offer.

The fees possibly owed by the Company's shareholders tendered their Shares to the Offer (and, as the case may be, to the Subsequent Offer) remain at their cost.

This Offer and all related contracts are subject to French law. Any issue or dispute whatever the subject or basis, relating to the Offer shall be brought before the competent courts.

The Offeror reserves itself the right to acquire Faiveley Transport Shares on or off the market during the Offer period and, as the case may be, the Subsequent Offer period, within the limits provided by and in accordance with Article 231-38 of the AMF General Regulations.

## **2.6. Centralization of the orders**

The centralization of the orders to tender Faiveley Transport Shares to the Offer will be executed by Euronext Paris.

Each financial intermediary and account-holding institution managing the shares of the Company shall, on the date specified in the Euronext Paris notice, transfer to Euronext Paris the Shares for which they have received an order to tender to the Offer.

Following receipt of these orders by Euronext Paris under the conditions described above, Euronext Paris shall centralize all these orders and determine the outcome of the Offer, after implementation of the reduction mechanism if applicable (see Section 2.3.3 "Reduction Mechanism").

## **2.7. Publication of the results of the Offer and Settlement-delivery**

Pursuant to the provisions of Article 232-3 of the AMF General Regulation, the AMF will publish the results of the Offer on or before the ninth trading day after the closing date of the Offer.

Euronext Paris will indicate by notice the terms of settlement-delivery.

No interest will be due over the period from the date of transfer of the Shares to the Offer until the date of settlement-delivery of the Offer.

The transfer of ownership of the Faiveley Transport shares tendered to the Offer will occur on the date of settlement as specified by a notice from Euronext Paris, all rights attached to the shares being

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transferred at that date to the Offeror. On this date, the Offeror (i) will credit Euronext Paris with the funds amounting to the settlement of the Principal Tender Offer and (ii) will deliver to Euronext Paris the Wabtec Stock issued in consideration of the Subsidiary Exchange Offer.

## **2.8. Indicative timetable of the Offer**

Prior to the opening of the Offer, the AMF and Euronext will issue notices announcing the opening date and the calendar of the Offer. For indicative purposes only, an Offer timetable is set out below:

December 2, 2016	Filing of the contemplated Offer with the AMF and making available to the public of the Offeror's draft information memorandum – Publication of a press release relative to the filing and to the availability of the Offeror's draft information memorandum
December 2, 2016	Filing of the draft information memorandum in response by the Company and making available to the public of the document – Publication of a press release relative to the filing and to the availability of the draft information memorandum in response
December 22, 2016	Statement of conformity of the Offer issued by the AMF
December 23, 2016	Offeror's information memorandum and Company's information memorandum in response, approved by the AMF, to be made available to the public  Other information relating to the Offeror and other information relating to the Company, both concerning their legal, financial and accounting characteristics, to be made available to the public
December 27, 2016	Opening of the Offer
January 30, 2017	Closing of the Offer
February 3, 2017	Release of the results
February 10, 2017	Settlement-delivery of the Offer
February 14, 2017	Reopening of the Offer for 10 trading days where, due to the Offer's results, there has not been the implementation of a mandatory squeeze-out
February 27, 2017	Closing of the Subsequent Offer
March 3, 2017	Publication of the results of the Subsequent Offer by the AMF
March 10, 2017	Settlement-delivery of the Subsequent Offer
March 13, 2017	Indicative date of implementation of a mandatory squeeze-out (if requirements are met)



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## **2.9. Terms of the Offer – Success threshold**

The Offeror recalls that, at the date of this information memorandum, it holds 7,475,537 Faiveley Transport shares, representing 50.66% of the share capital and 49.39% of the theoretical voting rights of the Company. The Offer is therefore not subject to the success threshold provided for in Article 231-9, I of the AMF General Regulations.

## **2.10. Right to terminate the Offer**

Pursuant to Article 232-11 of the AMF General Regulations, the Offeror may terminate the Offer within five (5) trading days following the date of publication of the timetable for an alternative or competing higher offer. The Offeror will notify the AMF of its decision which will be published.

Pursuant to Article 232-11 of the AMF General Regulations, the Offeror also reserves the right to withdraw the Offer if it becomes irrelevant, if the Company, due to measures it has taken, sees its consistency changed during the Offer (or, as the case may be, during the Subsequent Offer) or if measures taken by the Company result in an increase of the Offer's cost. The Offeror may use this right only with the AMF's prior authorization which shall act in light of the principles laid down in Article 231-3 of the AMF General Regulations.

Upon termination, the Shares tendered to the Offer will be returned to their owners without any interest, indemnity or other payment being due.

## **2.11. Reopening of the Offer**

Pursuant to Article 232-4 of the AMF General Regulations, should the Offer be successful, it will automatically be reopened within the ten (10) trading days following publication of the final results of the Offer, under the same terms as those provided for in the Offer. The AMF will publish the reopening timetable of the Offer, which will last in principle at least ten (10) trading days (the “**Subsequent Offer**”).

In the event of the reopening of the Offer, the reduction mechanism in the context of the Subsidiary Exchange Offer, the tender procedure and centralization of the Subsequent Offer will be identical to those applicable under the Offer as described in this document, it being provided that the tender orders under the Subsequent Offer will be irrevocable.

The Offeror however reserves the right, in the event it should be in position and decide to implement a squeeze out at the end of the Offer in accordance with articles 237-14 *et seq.* of the AMF General Regulations, to request the AMF to implement such a squeeze-out in the ten (10) trading days after the publication of the results of the Offer. In this case, the Offer would not be reopened.

The Subsequent Offer and all contracts relating thereto are subject to French law. Any dispute or litigation relating to the Offer, regardless of its object or basis, shall be brought before the competent courts.

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## **2.12. Financing of the Offer**

### **2.12.1. Costs connected with the Offer**

Expenses incurred by the Offeror for the Offer (including fees of external financial, legal and accounting advisers and of any experts and other consultants, as well as communication and publication costs, but excluding those associated with the Block Acquisition) are estimated at approximately two (2) million euros (excluding tax).

### **2.12.2. Financing sources of the Offer**

In the event all the Shares targeted by the Offer, excluding the Free Performance Shares in their Holding Period and treasury shares, are tendered to the Principal Tender Offer, the total cash amount to be paid by the Offeror, on the basis of the proposed Offer Price, would be 705,734,500 euros.

Payments due by the Offeror in connection with the Offer will be made through two (2) shareholder loans for a total amount of 705,734,500 euros. Wabtec Corporation will finance the Offeror through its own resources, its existing revolving credit facilities and term note and through proceeds from a recent 750 million dollar bond offering.

### **2.12.3. Brokerage fees and remuneration of intermediaries**

No fees will be reimbursed to any stockholder who tenders its Shares to the Offer nor will any commissions be paid by the Offeror to any intermediary, including with respect to the delivery of shares of the Wabtec Stock, receipt of dividends, opening of a US brokerage account or sale of shares of Wabtec Corporation common stock on the New York Stock Exchange or otherwise.

## **2.13. Restrictions concerning the Offer abroad**

The Offer is being made solely in France.

This information memorandum is not intended for distribution in countries other than France.

The Offer has not been subject to any registration or approval outside of France. Holders of Faiveley Transport shares outside France may not participate in the Offer unless the law and regulation to which they are subject permits them to do so without any further formality to be undertaken nor disclosure to be made on the part of the Offeror. Indeed, participation in the Offer and distribution of this information memorandum may be subject to restrictions outside France. The Offer is not addressed to persons subject to such restrictions, whether directly or indirectly, and is not subject to acceptance concerning orders from any country in which the Offer is subject to restrictions. Persons availing themselves of this information memorandum must comply with the restrictions in force in their country. Non-compliance with such restrictions may constitute infringement of securities laws and regulations applicable to the stock exchanges in any of these countries.

The Offeror accepts no responsibility in the event of infringement by any person of restrictions applicable to him/her.

This information memorandum and the other documents relating to the Offer do not constitute an offer to sell or a solicitation or an offer to purchase securities in any other country in which such an offer or

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solicitation is illegal. This Offer has not been the subject matter of any formality, registration or visa outside of France.

The Offer is being made for the securities of a French company and is subject to French disclosure requirements, which differ from those of the United States. The financial information of Faiveley Transport included or referred to herein has been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board for use in the European Union and, accordingly, may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States. The Offer will be made in the United States pursuant to exemptions from the rules and regulations under the U.S. securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, and otherwise in accordance with the applicable regulatory requirements in France. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to the squeeze-out rights, the Offer timetable, the settlement procedures and the timing of payments that are different from those applicable under U.S. domestic offer procedures and law.

The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and a taxable transaction under applicable state and local laws, as well as foreign and other tax laws. Each holder of Shares is urged to consult his or her independent professional advisor immediately regarding the tax consequences of acceptance of the Offer.

It may be difficult for U.S. holders of Faiveley Transport's shares to enforce their rights and any claim arising out of the U.S. federal securities laws, since Faiveley Transport is located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States.

In accordance with standard French practice and pursuant to Rule 14e-5(b) of the Exchange Act, the Offeror, its nominees, or its brokers (acting as agents), or affiliates of the Offeror's financial advisors, may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. To the extent required in France, any information about such purchases will be announced by press release in accordance with applicable French law and posted on the Offeror's website (<http://www.wabtec.com>).

## **2.14. Tax treatment of the Offer**

### **2.14.1. Certain French tax considerations**

The description of the French tax treatment of the Offer and of the Wabtec Stock received in the context of the Offer summarized below is based on the laws as currently in force. However, such laws may be modified by subsequent amendments brought to the applicable French or American tax rules (potentially with retrospective or retroactive effect), and their interpretation by the French tax authorities.

The statements below are a summary provided for general information purposes only and should by no means be considered as a comprehensive analysis of all tax consequences that may apply to the shareholders of Faiveley Transport who are French residents for tax purposes. Shareholders of Faiveley

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Transport should contact their usual tax advisors in order to determine the tax regime applicable to their own situation.

The shareholders of Faiveley Transport who are not resident of France for tax purposes should also comply with the applicable laws of their country of residence, subject to, if any, the application of any double tax treaty entered into between such country of residence and France or the United States.

The statements below pertain to the tax treatment of the Principal Tender Offer and to the tax treatment of the Subsidiary Exchange Offer. It should be noted that each tax treatment is separate and distinct. In the case where a shareholders of Faiveley Transport would tender his shares to both the Principal Tender Offer and the Subsidiary Exchange Offer, both tax treatments will thus be applicable.

Shareholders of Faiveley Transport who are contemplating to tender their Shares to either the Principal Tender Offer or the Subsidiary Exchange Offer should contact their usual tax advisor in order to determine the tax regime applicable to their own situation.

(i) Principal Tender Offer

(a) Individual shareholders who are tax residents of France managing their private assets and not regularly carrying out share exchange transaction

(1) General situation

In compliance with Articles 150-0 A and subsequent, 158-6 bis and 200 A of the French Tax Code (“FTC”), the net gains from the sale of the Shares generated by private individuals within the framework of the contribution of such Shares to the Principal Tender Offer, which are equal to the difference between the price of the Principal Tender Offer and the price of acquisition of the Shares tendered to the Principal Tender Offer, are taxable at the progressive income tax scale, after an allowance for holding period (Article 150-0 D of the FTC) computed, save in the case of certain exceptions, from the date of subscription or acquisition, and amounting to:

- 50% of their amount when the Shares have been held for at least two years and less than eight years;
- 65% of their amount when the Shares have been held for at least eight years.

No allowance is consequently applicable where the sale is realized during the first two years of holding.

Taxpayers holding carried forward net capital losses or making a net capital loss when contributing their Shares to the Principal Tender Offer are invited to contact their usual tax advisor in order to determine the tax regime applicable to their specific situation.

Where applicable, the sale of the Shares shall have the effect of terminating any deferral or suspension of taxation that may have benefited the shareholders of Faiveley Transport within the framework of prior operations.

Capital gains realized from the sale of the Shares are also, with no allowance for holding period, subject to social levies at a global rate of 15.5% allocated as follows:

- General social contribution (*contribution sociale généralisée*) (“CSG”) at a rate of 8.2%;
- Social debt repayment contribution (*contribution pour le remboursement de la dette sociale*) (“CRDS”), at a rate of 0.5%;
- Social levy at a rate of 4.5%;

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- Additional contribution to social levy at a rate of 0.3%; and
- Solidarity levy at a rate of 2%.

Except for the CSG, of which a portion representing 5.1% is deductible from the taxable income of the year of its payment, those social levies are not deductible.

(2) Exceptional contribution for high income earners

Article 223 sexies of the FTC further provides for an exceptional contribution payable by taxpayers liable to income tax whose reference tax income exceeds certain limits. This contribution is calculated on the basis of the following rates:

- 3% on the fraction of reference tax income greater than 250,000 euros and less than or equal to 500,000 euros for taxpayers who are single, widowed, separated or divorced, and the fraction of the reference tax income greater than 500,000 euros and less than or equal to 1,000,000 euros for taxpayers subject to joint taxation; and
- 4% on the fraction of reference tax income greater than 500,000 euros for taxpayers who are single, widowed, separated or divorced, and the fraction of reference tax income greater than 1,000,000 euros for taxpayers subject to joint taxation.

The reference tax income of the tax household mentioned above is defined in compliance with the provisions of Article 1417 of the FTC, without applying the so-called *quotient* rules by Article 163-0 A of the FTC. Such reference income *inter alia* comprises the gains net of the sale of the Shares made by the relevant taxpayer, before application of the allowance for holding period.

(3) Share Saving Plan (Plans d'épargne en actions, "PEA")

The Shares constitute eligible assets under the PEA regime. The PEA regime is only available for individuals who are French residents for tax purposes within the meaning of Article 4 B of the FTC.

Under certain conditions, the PEA allows for:

- throughout the duration of the PEA, to an exemption from income tax and social levies for the income and net capital gains generated by the investments made in the PEA, provided *inter alia* that such income and capital gains are maintained in the PEA; and
- at the time of closure of the PEA (if this happens more than five years after the opening of the PEA, including at the time of a partial withdrawal taking place after five years and before eight years after the opening of the PEA), or at the time of a partial withdrawal (if this takes place more than eight years after the opening of the PEA), to an exemption from income tax for the net capital gains generated by the investments made in the PEA. However, such capital gains remain subject to the social levies described above, at a total rate that may vary depending on the date of acquisition or transfer of the relevant investments.

Special provisions, not described within the framework of this Offer document, apply *inter alia* in the event where capital losses are generated, where the PEA is closed before the expiry of the fifth year after the opening of the PEA, or where the exit from the PEA takes the form of an annuity. Taxpayers are invited to contact their usual tax advisor in connection therewith.

Individuals holding their Shares through a PEA should contact their usual tax advisor in order to determine the tax regime applicable to their own situation.

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- (b) Corporate shareholders residents of France for tax purposes and subject to corporate income tax under standard conditions

The net capital gains generated by the sale of the Shares within the framework of the Principal Tender Offer, equal to the difference between the price of the Principal Tender Offer and the acquisition price of the Shares tendered to the Principal Tender Offer, are generally subject to corporate income tax at the standard rate of 33 1/3%, increased, where applicable, by (i) a social contribution equal to 3.3% of the amount of the corporate income tax reduced by an allowance that may not exceed 763,000 euros per twelve-month period (Article 235 ter ZC of the FTC), and (ii) an exceptional contribution of 10.7% of the corporate income tax due (applicable for the financial years closed on or before 30 December 2016, and for companies with a revenue exceeding 250,000,000 euros) (Article 235 ter ZAA of the FTC).

It should be noted that certain corporate entities may, under the conditions set out in Articles 219-I b and 235 ter ZC of the FTC (turnover before tax less than 7,630,000 euros and share capital, fully paid-up, held continuously at the level of at least 75% during the relevant tax year by private individuals or by companies themselves fulfilling these conditions), benefit from a reduced corporate income tax rate of 15%, within the limit of 38,120 euros taxable earnings per twelve-month period. Such corporate entities are furthermore exempt from the additional contributions of 3.3% and 10.7% mentioned above.

The capital losses generated by the sale of the Shares within the framework of the Principal Tender Offer is in principle deductible from the amount of the taxable earnings subject to corporate income tax.

Notwithstanding the above, the capital gain realized upon the sale of the Shares within the framework of the Principal Tender Offer may however be exempt from taxation (specific long term capital gains regime) under the provisions of Article 219 I-a quinquies of the FTC if the shares being sold qualify as a substantial equity investment (*titres de participation*) within the meaning of Article 219-I a quinquies of the FTC, held for at least two years. A share of expenses and charges representing 12% of the gross amount of capital gain, must however, be included in the taxable income of the legal entity selling the shares, which is subject to the standard rate of corporate income tax, and applicable surtaxes, as described hereinabove.

A substantial equity investment within the meaning of Article 219-I a quinquies of the FTC includes shares which qualify and are booked as such for accounting purposes, as well as, under certain conditions, shares acquired by the initiator of a public tender offer or a public exchange offer, and securities eligible for the parent-subsidiary regime referred to in Articles 145 and 216 of the FTC, with the exception of securities issued by real estate companies. It should be noted that capital losses on the sale of shares qualifying as a substantial equity investment cannot be offset against capital gains of the same nature and cannot be carried forward.

It is furthermore specified that the contribution of the Shares to the Principal Tender Offer may have the effect of putting an end to any deferral or suspension of taxation from which corporate shareholders of Faiveley Transport may have benefited within the framework of prior operations. Taxpayers concerned are invited to contact their usual tax advisor on this matter.

Taxpayers are invited to contact their usual tax advisor if such rules may be applicable to their situation.

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(c) Shareholders who are not residents of France for tax purposes

Subject to the tax provisions of Article 244 bis B of the FTC and subject to the provisions of any applicable double tax treaty entered into between France and the relevant country of residence, capital gains generated by the sale of the Shares by shareholders who are not French residents for tax purposes within the meaning of Article 4 B of the FTC, or whose registered office is based outside of France, should be exempt from taxation in France, provided that:

- such capital gains are not attributable to a business activity exercised in a permanent establishment or fixed place of business located in France; and
- the relevant shareholder has not at any time held, directly or indirectly, alone or with his spouse, ascendants or descendants, or the ascendants or descendants of his spouse, a stake representing more than 25% of the economic rights in the corporate earnings (*droits aux bénéfices sociaux*) of Faiveley Transport at any time during the five years preceding the sale (Article 244 bis B of the FTC).

Capital gains generated by persons or organizations domiciled, established or constituted outside of France in a non-cooperative State or territory within the meaning of Article 238-0 A of the FTC may be subject to taxation in France at the rate of 75%. The list of non-cooperative States or territories is published by ministerial ruling and may be updated from time to time.

The sale of Shares in connection with the Principal Tender Offer will have the effect of putting an end to any suspension of payment from which individual taxpayers subject to the French so-called “exit tax” system (set forth under Article 167 bis of the FTC) in connection with the prior transfer of their tax residence outside of France. Taxpayers are invited to contact their usual tax advisor if such rules may be applicable to their situation.

Shareholders who are not French residents for tax purposes are furthermore invited to contact their usual tax advisor, *inter alia* in order to take into consideration the taxation regime applicable in their country of tax residence.

(d) Shareholders subject to a different tax regime

Shareholders of Faiveley Transport subject to a tax regime other than those mentioned above and who tender their Shares to the Principal Tender Offer, including taxpayers who engage in stock market operations on a professional or deemed professional basis should review their specific situation with their usual tax advisor in order to determine the applicable tax regime.

(e) French tax on financial transactions and transfer taxes

Pursuant to Article 235 ter ZD of the FTC, a 0.2% tax on financial transactions (“**FTFT**”) applies to any acquisition for consideration of an equity security or similar security, if, *inter alia*, (i) such security is listed on a regulated market, (ii) its acquisition gives rise to a transfer of ownership, and (iii) this security is issued by a French company whose market capitalization exceeds 1 billion euros as of December 1 of the year preceding such acquisition.

Insofar as the market capitalization of Faiveley Transport exceeded 1 billion euros as of December 1, 2015 (and was as such listed on the administrative guidelines BOI-ANNX-000467-20151221), the sale of the

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Shares is subject to the FTFT. Wabtec France will consequently be liable for the payment of the FTFT on the Shares tendered to the Principal Tender Offer.

According to Article 726 of the FTC, no transfer taxes are payable in France for sales which are already subject to the FTFT. As a result, the Shares tendered to the Principal Tender Offer will not be subject to transfer taxes.

(ii) Subsidiary Exchange Offer

(a) Tax treatment of the Subsidiary Exchange Offer

(1) Individual shareholders who are tax residents of France managing their private assets and not regularly carrying out share exchange transactions

(A) General situation

The rollover regime is only available to the extent that the shareholders who would tender their Shares to the Subsidiary Exchange Offer will not receive an overall amount of cash exceeding 10% of the nominal value of the Wabtec Stock received. It should however be noted that the amount of cash received within the Principal Tender Offer, if any, should not be taken into account in order to determine the threshold of 10% of the nominal value of the Wabtec Stock received (please see below for further details).

In this respect, it should be noted that the French tax authorities generally consider, where a given shareholder tenders his shares to two related public offers (e.g. a principal offer such as the Principal Tender Offer and a subsidiary offer such as the Subsidiary Exchange Offer), that each of the offers should be subject to its own tax treatment. As a result, shareholders tendering their shares to both the Principal Tender Offer and the Subsidiary Exchange Offer will be subject to the tax treatments applicable to each of such offers. In respect of the Subsidiary Exchange Offer, the amount of cash received within the Principal Tender Offer should consequently not be taken into account in order to determine the threshold of 10% of the nominal value of the Wabtec Stock received (please see below for further details).

Taxpayers are invited to contact their usual tax advisor if such rules may be applicable to their situation.

*i. Shareholders only receive Wabtec Stock*

In accordance with the provisions of Article 150-0 B of the FTC, capital gains or capital losses realized upon the exchange of the Shares for the Wabtec Stock in the context of the Subsidiary Exchange Offer may be subject to a rollover regime (*sursis d'imposition*), and may consequently not be taken into account for the assessment of the personal tax income for the year of the exchange, as the exchange of securities resulting from a tender offer made in accordance with regulations in force present a tax-neutral nature.

It follows, in particular, that the exchange does not have to be reported by the taxpayer in the personal income tax return of the shareholders of Faiveley Transport.

The capital loss, if any, realized in the exchange cannot be taken into account in respect of the year of the exchange, and cannot be set off against the capital gains, if any, realized during the year in which the exchange takes place or in the ten following years.



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The rollover regime expires, in particular, upon the sale, the repurchase, the redemption or the cancellation of the Wabtec Stock received in exchange for the Shares or, under certain conditions, for French resident stockholders of Wabtec Corporation who become resident in another country and who hold a substantial shareholding in the Wabtec Stock. The net capital gain realized upon the realization of one of the events mentioned above and ending the rollover regime will be calculated by reference to the taxpayer's tax basis in the Shares tendered to the Subsidiary Exchange Tender Offer and according to the rules of taxation which apply on the day of said event.

Where the shareholders of Faiveley Transport receive a cash payment in consideration for fractional shares, the exchange is analyzed, up to the amount of the shares corresponding to the fractional rights transferred, as a sale which is immediately taxable under standard conditions of French law.

*ii. Shareholders receive cash in addition to the Wabtec Stock*

If the overall amount of cash received by the shareholders of Faiveley Transport within the frame of the Subsidiary Exchange Offer exceeds 10% of the nominal value of the Wabtec Stock received, the provisions of Article 150-0 B of the FTC would not be applicable and the capital gains or capital losses realized upon the exchange of the Shares for the Wabtec Stock would be taken into account for the assessment of the personal income tax for the year of the exchange following the provisions of the Article 150-0 A of the FTC. The French tax authorities generally consider, where a given shareholder tenders his shares to two related public offers (e.g. a principal offer such as the Principal Tender Offer and a subsidiary offer such as the Subsidiary Exchange Offer), that each of the offers should be subject to its own tax treatment. As a result, the cash received by a shareholder of Faiveley Transport within the frame of the Principal Tender Offer, if any, should not be taken into account in order to determine the threshold of 10% of the nominal value of the Wabtec Stock received (for the purposes of Article 150-0 B of the FTC). Taxpayers are invited to contact their usual tax advisor if such rules may be applicable to their situation.

The net gains from the sale of the Shares generated by private individuals within the framework of the contribution of such Shares to the Subsidiary Exchange Offer, which are equal to the difference between the price of the Subsidiary Exchange Offer and the price or value of acquisition of the Shares tendered to the Subsidiary Exchange Offer, would then be taxable at the progressive income tax scale, after an allowance for holding period (Article 150-0 D of the FTC) computed, save in the case of certain exceptions, from the date of subscription or acquisition, and amounting to:

- 50% of their amount when the shares have been held for at least two years and less than eight years;
- 65% of their amount when the shares have been held for at least eight years.

No allowance is consequently applicable where the sale is realized during the first two years of holding.

Taxpayers holding carried forward net capital losses or making a net capital loss when contributing their Shares to the Subsidiary Exchange Offer are invited to contact their usual tax advisor in order to determine the tax regime applicable to their specific situation.

Where applicable, the sale of the Shares shall have the effect of terminating any deferral or suspension of taxation that may have benefited the shareholders of Faiveley Transport within the framework of prior operations.

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Capital gains realized from the sale of the Shares are also, with no allowance for holding period, subject to social levies at a global rate of 15.5% allocated as follows:

- General social contribution (*contribution sociale généralisée*) (“CSG”) at a rate of 8.2%;
- Social debt repayment contribution (*contribution pour le remboursement de la dette sociale*) (“CRDS”), at a rate of 0.5%;
- Social levy at a rate of 4.5%;
- Additional contribution to social levy at a rate of 0.3%; and
- Solidarity levy at a rate of 2%.

Except for the CSG, of which a portion representing 5.1% is deductible from the taxable income of the year of its payment, those social levies are not deductible.

(B) Exceptional contribution for high income earners

Article 223 sexies of the FTC further provides for an exceptional contribution payable by taxpayers liable to income tax whose reference tax income exceeds certain limits. This contribution is calculated on the basis of the following rates:

- 3% on the fraction of reference tax income greater than 250,000 euros and less than or equal to 500,000 euros for taxpayers who are single, widowed, separated or divorced, and the fraction of the reference tax income greater than 500,000 euros and less than or equal to 1,000,000 euros for taxpayers subject to joint taxation; and
- 4% on the fraction of reference tax income greater than 500,000 euros for taxpayers who are single, widowed, separated or divorced, and the fraction of reference tax income greater than 1,000,000 euros for taxpayers subject to joint taxation.

The reference tax income of the tax household mentioned above is defined in compliance with the provisions of Article 1417 of the FTC, without applying the so-called *quotient* rules by Article 163-0 A of the FTC. Such reference income *inter alia* comprises the gains net of the sales of the Shares made by the relevant taxpayer, before application of the allowance for holding period.

(C) Share Saving Plan (Plans d'épargne en actions, “PEA”)

The Shares constitute eligible assets under the PEA regime. The PEA regime is only available for individuals who are French residents for tax purposes within the meaning of Article 4 B of the FTC.

Under certain conditions, the PEA allows for:

- throughout the duration of the PEA, to an exemption from income tax and social levies for the income and net capital gains generated by the investments made in the PEA, provided *inter alia* that such income and capital gains are maintained in the PEA; and
- at the time of closure of the PEA (if this happens more than five years after the opening of the PEA, including at the time of a partial withdrawal taking place after five years and before eight years after the opening of the PEA), or at the time of a partial withdrawal (if this takes place more than eight years after the opening of the PEA), to an exemption from income tax for the net capital gains generated by the investments made in the PEA. However, such capital gains remain subject to the social levies described above, at a total rate that may vary depending on the date of acquisition or sale of the relevant investments.

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Special provisions, not described within the framework of this Offer document, apply *inter alia* in the event where capital losses are generated, where the PEA is closed before the expiry of the fifth year after the opening of the PEA, or where the exit from the PEA takes the form of an annuity. Taxpayers are invited to contact their usual tax advisor in connection therewith.

Individuals holding their Shares through a PEA can tender their Shares to the Subsidiary Exchange Offer. Under current French law, the Wabtec Stock received in the context of the Subsidiary Exchange Offer will not be eligible to the PEA and will have to be registered on an ordinary securities account.

As a consequence, the exchange of the Shares held through a PEA for the Wabtec Stock in the context of the Subsidiary Exchange Offer will trigger the termination of the PEA, unless the shareholders of Faiveley Transport, within two months following the exchange of their Shares for the Wabtec Stock, make a cash contribution to the PEA for an amount equal to the value of the Shares at the date of the exchange. Such compensatory contribution will not be taken into account in assessing the maximum contribution authorized in a PEA. In any event, the exchange and the corresponding capital gain will be regarded as realized in the context of the PEA.

Individuals holding their Shares through a PEA should contact their usual tax advisor in order to determine the tax regime applicable to their own situation, and in particular to determine the tax consequences (individual income tax and social contributions) in the absence of any compensatory contribution.

- (2) Corporate shareholders residents of France for tax purposes and subject to corporate income tax under standard conditions

Under the provisions of Article 38-7 of the FTC, a rollover regime is applicable to any profit or loss realized in the context of public exchange offers. As a consequence, in accordance with the provisions of Article 38-7 of the FTC, the profit or the loss resulting from the exchange of the Shares with the Wabtec Stock realized in the context of the Subsidiary Exchange Offer is to be included in the taxable income of the fiscal year during which the Wabtec Stock received in exchange for the Shares are disposed of.

The application of the provisions of Article 38-7 of the FTC is mandatory.

However, if the overall amount of cash received by the shareholders of Faiveley Transport within the frame of the Subsidiary Exchange Offer exceeds 10% of the nominal value of the Wabtec Stock received, the provisions of Article 38-7 of the FTC would not be applicable and the capital gains or capital losses realized upon the exchange of the Shares for the Wabtec Stock would be taken into account for the assessment of the corporation income tax of the fiscal year of the exchange. The French tax authorities generally consider, where a given shareholder tenders his shares to two related public offers (e.g. a principal offer such as the Principal Tender Offer and a subsidiary offer such as the Subsidiary Exchange Offer), that each of the offers should be subject to its own tax treatment. As a result, the cash received by a shareholder of Faiveley Transport within the frame of the Principal Tender Offer, if any, should not be taken into account in order to determine the threshold of 10% of the nominal value of the Wabtec Stock received (for the purposes of Article 38-7 of the FTC). Taxpayers are invited to contact their usual tax advisor if such rules may be applicable to their situation.

The profit or the loss resulting from the subsequent sale of the Wabtec Stock received in exchange for the Shares will be determined by reference to the tax basis the shareholder had in the Shares it tendered to the Subsidiary Exchange Offer. For the application, as the case may be, of the long term capital gains regime,

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the holding period of the Wabtec Stock will be computed as from the acquisition date of the Shares tendered to the Subsidiary Exchange Offer.

According to the provisions of Article 54 septies of the FTC, specific declarative obligations are to be complied with by the legal entities benefiting from the rollover regime set out by Article 38-7 of the FTC.

Where the shareholders of Faiveley Transport receive a cash payment in consideration for fractional shares, the exchange is analyzed, up to the amount of the shares corresponding to the fractional rights transferred, as a sale which is immediately taxable under standard conditions, with application of the long term capital gains regime as the case may be.

(3) Shareholders who are not residents of France for tax purposes

Subject to the tax provisions of Article 244 bis B of the FTC regarding significant sales of shares, as well as any applicable provisions of international tax treaties, capital gains generated by the sale of the Shares in the context of the Subsidiary Exchange Offer by shareholders who are not French residents for tax purposes within the meaning of Article 4 B of the FTC, or whose registered office is based outside of France, should be exempt from taxation in France, provided that:

- such capital gains are not attributable to a business activity exercised in a permanent establishment or fixed place of business located in France; and
- the relevant shareholder has not at any time held, directly or indirectly, alone or with his spouse, ascendants or descendants, or the ascendants or descendants of his spouse, a stake representing more than 25% of the economic rights in the corporate earnings (*droits aux bénéfices sociaux*) of Faiveley Transport at any time during the five years preceding the sale. (Article 244 bis C of the FTC).

Capital gains generated by persons or organizations domiciled, established or constituted outside of France in a non-cooperative State or territory within the meaning of Article 238-0 A of the FTC may be subject to taxation in France at the rate of 75%. The list of non-cooperative States or territories is published by ministerial ruling and may be updated from time to time.

Shareholders who are not French residents for tax purposes are furthermore invited to contact their usual tax advisor, *inter alia* in order to take into consideration the taxation regime applicable in their country of tax residence.

(4) Shareholders subject to a different tax regime

Shareholders of Faiveley Transport subject to a tax regime other than those mentioned above and who tender to the Subsidiary Exchange Offer, including taxpayers who engage in stock market operations on a professional or deemed professional basis should review their specific situation with their usual tax advisor in order to determine the applicable tax regime.

(5) French tax on financial transactions and transfer taxes

Pursuant to Article 235 ter ZD of the FTC, a 0.2% tax on financial transactions (“**FTFT**”) applies to any acquisition for consideration of an equity security or similar security, if, *inter alia*, (i) such security is listed on a regulated market, (ii) its acquisition gives rise to a transfer of ownership, and (iii) this security is issued

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by a French company whose market capitalization exceeds 1 billion euros as of December 1 of the year preceding such acquisition.

Insofar as the market capitalization of Faiveley Transport exceeded 1 billion euros as of December 1, 2015 (and was as such listed on the administrative guidelines BOI-ANNX-000467-20151221), the acquisition or exchange of the Shares is subject to the FTFT. As a consequence, Wabtec France will be liable for the payment of the FTFT on the Shares tendered to the Subsidiary Exchange Offer.

According to Article 726 of the FTC, no transfer taxes are payable in France for sales which are already subject to the FTFT. As a result, the Shares tendered to the Subsidiary Exchange Offer will not be subject to transfer taxes.

Pursuant to Article 726 of the FTC, transfer taxes are payable in France for the sale of shares of a company with its registered office outside of France if an agreement (*acte*) is executed in France. As a consequence, Wabtec Stock to be received in exchange of the Shares tendered to the Subsidiary Exchange Offer will be subject to a 0.1% transfer tax, to be paid by the shareholders, provided that an agreement (*acte*) is executed in France.

- (b) Tax treatment of the Wabtec Stock received in the context of the Subsidiary Exchange Offer

As French and American legislations currently stand, the withholding tax regime applicable to the Wabtec Stock received in exchange of the Shares within the framework of the Subsidiary Exchange Offer is set out below. In particular, the Treaty for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income and capital signed on August 31, 1994 by France and the United States (the "**U.S.-France Treaty**") is to be taken into account.

The shareholders of Faiveley Transport should be aware that the present information is a summary of the withholding tax regime in force for general information purposes and is not intended to constitute a complete analysis of all the tax effects which may apply to a shareholder. The shareholders of Faiveley Transport are invited to consult their usual tax advisor in order to examine their particular situation.

Persons who do not have their tax residence in France must also comply with the legislation in force in their country of residence, subject, if applicable, to the provisions of any double tax treaties entered into between the United States and such country of residence.

- (1) Individual shareholders who are tax residents of France managing their private assets and not regularly carrying out share exchange transactions
  - (A) Dividends

Pursuant to Article 10 of the U.S.-France Treaty, the dividends paid by a company which is a U.S. tax resident, such as Wabtec Corporation, to a shareholder who is French tax resident, are taxable in France. However, such dividends may also be taxed in the United States but if the beneficial owner of the dividends is a resident of France, the tax cannot exceed 15% or 5% of the gross amount of the dividends, if certain specific conditions are met.

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As described below under “Certain United States Federal Income Tax Considerations,” in order to receive the reduced rate of withholding tax under the U.S.-France Treaty, shareholders are required to satisfy certain certification requirements, including providing Wabtec Corporation or its agent with an appropriate version of IRS Form W-8.

The dividends paid in respect of the Wabtec Stock issued by Wabtec Corporation to stockholders who are French residents for tax purposes are subject to personal income tax in France under the conditions described below. The gross amount of the dividends is taken into account to calculate the taxpayer’s total income in the category of tax on income from investment in securities, subject to personal income tax at the progressive scale, after deduction of an allowance equal to 40% of the amount of the dividends.

Under Article 24, 2 (a) of the U.S.-France Treaty, the withholding tax levied in the United States on such dividends, if any, will not be deductible from the French taxable income of the stockholders of Wabtec Corporation. However, stockholders of Wabtec Corporation may claim a tax credit in respect of such withholding tax, if any, in accordance with article 24, 2 (a) (iii) of the Treaty. The amount of this tax credit shall correspond to the amount of U.S. withholding tax levied on these dividends at the reduced U.S.-France Treaty rate, capped at the amount of French personal income tax assessed on the dividends. The gross amount of the dividends received will also be included (before application of the 40% allowance) in the taxpayer’s reference income, which may be subject to the 3% or 4% contribution on high-income taxpayers (see above for further details).

It should be noted that, subject to limited exceptions, under Article 117 quater of the FTC, a 21% levy must be paid on dividends, such levy being an advance personal income tax payment which can be set off against the personal income tax charge due in respect of the year in which the 21% levy applies, the surplus, if any, being refunded to the taxpayer. This levy is paid (i) by withholding at source where the paying agent is established in a European Union member State or in a State that is a party to the European Economic Area Agreement that has signed a tax agreement with France that contains an administrative assistance clause with a view to combating tax fraud or tax evasion, provided, in the latter case, that the taxpayer instructs the paying agent in this respect, or, otherwise, (ii) by the taxpayer himself or herself.

However, individuals belonging to a tax household whose taxable income for the year before last, as defined in 1° of IV of Article 1417 of the FTC, is less than 50,000 euros for taxpayers who are single, divorced or widowed, or 75,000 euros for couples filing jointly, may request exemption from this withholding under the terms and conditions of Article 242 quater of the FTC, i.e. by providing to the paying agent no later than November 30 of the year preceding the year of the payment of the dividends a sworn statement that the reference fiscal income shown on the taxation notice issued in respect of the second year preceding the year of payment was below the above-mentioned taxable income thresholds. However, taxpayers who acquire shares after the deadline for providing the aforementioned exemption request can, subject to certain conditions, provide such exemption request to the paying agent upon acquisition of such shares (administrative guidelines BOI-RPPM-RCM-30-20-10-20140211).

When the paying agent is established outside France, only individuals belonging to a tax household whose taxable income of the preceding year, as defined in 1° of IV of Article 1417, is equal or superior to the amounts mentioned in the previous paragraph are subject to this tax.

In addition, dividends paid by Wabtec Corporation in respect of the Wabtec Stock will be subject to social contributions at the aggregate rate of 15.5% (see above for further details). These social contributions are levied in the same way as the 21% withholding tax described above.

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Taxpayers are invited to contact their usual tax advisor if such rules may be applicable to their situation.

(B) Capital gains

Net capital gains realized upon the sale of the Wabtec Stock during a given year will be subject to personal income tax at the progressive scale (and will also be included, without deduction, in the taxpayer's reference income, which may be subject to the 3% or 4% contribution on high-income taxpayers, see above for further details), after application, as the case may be, of an allowance for holding period the amount of which depends on the period during which the taxpayer has held such shares, as provided by article 150-0 D of the FTC, it being provided that such allowance does not apply for the purposes of the calculation of the reference income and the basis of the contribution on high-income taxpayers (see above for further details).

Such allowance currently amounts to: (i) 50% of the net capital gains when the shares sold have been held for at least two years and for less than eight years as at the date of the sale, or (ii) 65% of the net capital gains when the shares sold have been held for at least eight years as at the date of the sale. No allowance is consequently applicable where the sale is realized during the first two years of holding.

For the purposes of the determination of the applicable allowance, as the case may be, to shareholders of Faiveley Transport who have tendered their Shares to the Subsidiary Exchange Offer, the holding period will be computed as from the acquisition date of their Shares tendered to the Subsidiary Exchange Offer in exchange for the Wabtec Stock. However, if the tender of the Shares to the Subsidiary Exchange Offer has not benefitted from the roll-over (*sursis d'imposition*), *inter alia* because the Shares are held through a share savings plan (PEA) or because the amount of cash received by the shareholders of Faiveley Transport within the frame of the Subsidiary Exchange Offer exceeded 10 % of the nominal value of the Wabtec Stock, the holding period will be computed as from the acquisition date of the Wabtec Stock.

In addition, and with no allowance applicable, capital gains arising on the sale of the Wabtec Stock will also be subject to social contributions at the aggregate rate of 15.5% (see above for further details).

Capital losses realized in respect of the sale of the Wabtec Stock during a given year can be set off against capital gains of the same nature realized during the same year or during the ten following years, subject to the application of the allowance provided by article 150-0 D of the FTC to such capital losses, as far as personal income tax is concerned. Shareholders recognizing capital losses should contact their usual tax advisor to determine the rules applicable to the use of such capital losses.

Taxpayers are invited to contact their usual tax advisor if such rules may be applicable to their situation.

(C) Wealth tax

The Wabtec Stock held by individuals who are French residents for tax purposes will be included, if applicable, in their taxable assets subject to French wealth tax (*impôt de solidarité sur la fortune*).

(D) Inheritance and gift taxes

Subject to double tax treaties, the Wabtec Stock acquired by individuals who are French residents for tax purposes by way of inheritance or gift will generally be subject to inheritance or gift taxes in France, where

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the beneficiary has been a French resident for tax purposes for at least six years during the ten-year period preceding that in which the inheritance or the gift occurs.

Double taxation will generally be avoided by setting off against the French tax liability any inheritance or gift taxes paid abroad in respect of the Wabtec Stock (Article 784 A of the FTC).

- (2) Corporate shareholders residents of France for tax purposes and subject to corporate income tax under standard conditions

- (A) Dividends

Pursuant to Article 10 of the U.S.-France Treaty, the dividends paid by a company which is a U.S. tax resident, such as Wabtec Corporation, to a shareholder who is French tax resident, are taxable in France. However, such dividends may also be taxed in the United States but if the beneficial owner of the dividends is a resident of France, the tax cannot exceed 15% or 5% of the gross amount of the dividends, if certain specific conditions are met.

As described below under “Certain United States Federal Income Tax Considerations,” in order to receive the reduced rate of withholding tax under the U.S.-France Treaty, shareholders are required to satisfy certain certification requirements, including providing Wabtec Corporation or its agent with an appropriate version of IRS Form W-8.

The dividends paid in respect of the Wabtec Stock issued by Wabtec Corporation to stockholders who are legal entities subject to corporate income tax in France are in principle subject to corporate income tax in France, at the standard rate of 33 1/3%, increased, where applicable, by (i) a social contribution equal to 3.3% of the amount of the corporate income tax reduced by an allowance that may not exceed 763,000 euros per twelve-month period (Article 235 ter ZC of the FTC), and (ii) an exceptional contribution of 10.7% of the corporate income tax due (applicable for the financial years closed on or before 30 December 2016, and for companies with a revenue exceeding 250,000,000 euros) (Article 235 ter ZAA of the FTC).

Lower rates may apply under certain conditions described above for small or medium companies.

Under Article 24, 2 (a) of the U.S.-France Treaty, the withholding tax levied in the United States on such dividends, if any, will not be deductible from the French taxable income of stockholders of Wabtec Corporation. However, stockholders of Wabtec Corporation may claim a tax credit in respect of such withholding tax, if any, in accordance with article 24, 2 (a) (iii) of the U.S.-France Treaty. The amount of this tax credit shall correspond to the amount of U.S. withholding tax levied on these dividends at the reduced U.S.-France Treaty rate, capped at the amount of French corporate income tax assessed on the dividends.

However, in accordance with the provisions of articles 145 and 216 of the FTC, legal entities which hold at least 5% of the share capital and voting rights in Wabtec Corporation for a two-year period, may benefit, under certain conditions and upon election, from the parent-subsidiary regime. According to such regime, dividends received by a parent company are not subject to corporate income tax, save for an amount representing 5% of the net dividends received (including the tax credit, if any) which remains taxable. No tax credit in respect of the U.S. withholding tax will be available for dividends eligible to the parent-subsidiary regime.



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Shareholders of Faiveley Transport are invited to contact their usual tax advisor if such rules may be applicable to their situation.

(B) Capital gains

Net capital gains and net capital losses realized by shareholders who are legal entities subject to corporate income tax in France upon the sale of the Wabtec Stock are in principle subject to corporate income tax in France, at the standard rate of 33 1/3%, increased, where applicable, by (i) a social contribution equal to 3.3% of the amount of the corporate income tax reduced by an allowance that may not exceed 763,000 euros per twelve-month period (Article 235 ter ZC of the FTC), and (ii) an exceptional contribution of 10.7% of the corporate income tax due (applicable for the financial years closed on or before 30 December 2016, and for companies with a revenue exceeding 250,000,000 euros) (Article 235 ter ZAA of the FTC).

Lower rates may apply under certain conditions described above for small or medium companies.

Notwithstanding the above, the capital gain realized upon the sale of the Wabtec Stock may however be exempt from taxation (specific long term capital gains regime) under the provisions of Article 219 I-a quinquies of the FTC if the shares being sold qualify as a substantial equity investment (*titres de participation*) within the meaning of Article 219-I a quinquies of the FTC, held for at least two years. Where Article 38-7 of the FTC is applicable (see above), such two-year period will be computed as from the initial acquisition of the Shares tendered to the Subsidiary Exchange Offer. A share of expenses and charges representing 12% of the gross amount of capital gain, must however, be included in the taxable income of the legal entity selling the Wabtec Stock, which is subject to the standard rate of corporate income tax, and applicable surtaxes, as described hereinabove.

A substantial equity investment within the meaning of Article 219-I a quinquies of the FTC includes shares which qualify and are booked as such for accounting purposes, as well as, under certain conditions, shares acquired by the initiator of a public tender offer or a public exchange offer, and securities eligible for the parent-subsidiary regime referred to in Articles 145 and 216 of the FTC, with the exception of securities issued by real estate companies. It should be noted that capital losses on the sale of the Wabtec Stock qualifying as a substantial equity investment cannot be offset against capital gains of the same nature and cannot be carried forward.

It is furthermore specified that the contribution of the Shares to the Subsidiary Exchange Offer may have the effect of putting an end to any deferral or suspension of taxation from which corporate shareholders of Faiveley Transport may have benefited within the framework of prior operations.

Shareholders of Faiveley Transport are invited to contact their usual tax advisor if such rules may be applicable to their situation.

(3) Shareholders subject to a different tax regime

Shareholders of Faiveley Transport who are subject to a tax regime other than those described above, or who are not French residents for tax purposes, are invited to contact their usual tax advisor, *inter alia* in order to take into consideration the taxation regime applicable in their country of tax residence.

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## **2.14.2. Certain United States federal income tax considerations**

The following is a general discussion of certain U.S. federal income tax considerations of the Offer. This discussion is for general informational purposes only and does not consider all aspects of U.S. federal income taxation that may be relevant to particular shareholders of Faiveley Transport in light of their individual investment circumstances. This discussion also does not address any state, local or foreign tax considerations or any U.S. federal tax considerations other than income taxation. This discussion assumes that such shareholders have held Shares exclusively as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “**IRC**”).

This summary is based on the IRC and applicable Treasury Regulations thereunder (the “**U.S. Treasury Regulations**”), rulings, administrative pronouncements and decisions as of the date hereof, all of which are subject to change or differing interpretations at any time with possible retroactive effect. There can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and neither Wabtec nor Faiveley Transport has obtained, or intends to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of the Offer.

In addition, this summary does not address all tax considerations that may be applicable to shareholders’ particular circumstances or to shareholders that may be subject to special tax rules, such as, for example:

- persons subject to the alternative minimum tax;
- banks, insurance companies, or other financial institutions;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organizations;
- brokers and dealers in securities;
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- persons that hold the Shares or that will hold Wabtec Stock as a position in a straddle, conversion transaction or other risk reduction transaction;
- persons deemed to sell the Shares or Wabtec Stock under the constructive sale provisions of the IRC;
- Non-U.S. Holders (as defined below) subject to special rules under the IRC, including “controlled foreign corporations” and “passive foreign investment companies”; or
- entities or arrangements classified as partnerships for U.S. federal income tax purposes or other pass-through entities, or investors in these entities.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of Shares that is (i) a citizen or an individual resident of the United States; (ii) a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (a) if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have authority to control

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all substantial decisions of the trust or (b) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

As used herein, the term “Non-U.S. Holder” means a beneficial owner of Shares that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes. If a partnership (or entity taxed as a partnership) for U.S. federal income tax purposes holds Shares, the tax treatment of a partner (or other owner) in the partnership generally will depend upon the status of the partner (or other owner) and the activities of the partnership. Partnerships that hold Shares and partners (or other owners) in partnerships that hold Shares should consult their tax advisors concerning the tax treatment of the Offer, as well as the tax consequences of holding and disposing of any Wabtec Stock received pursuant to the Subsidiary Exchange Offer. The term “Holder” refers to “U.S. Holders” and/or “Non-U.S. Holders,” as applicable.

THIS DISCUSSION OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. EACH HOLDER SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR TAX CONSIDERATIONS TO SUCH SHAREHOLDER OF THE OFFER AND THE OWNERSHIP AND DISPOSITION OF ANY WABTEC SHARES ACQUIRED PURSUANT TO THE OFFER, INCLUDING THE APPLICABILITY OF UNITED STATES FEDERAL, STATE OR LOCAL TAX LAWS OR NON-U.S. TAX LAWS.

(i) Principal Tender Offer

(a) Rules generally applicable to U.S. Holders

In general, a U.S. Holder who exchanges Shares for cash pursuant to the Principal Tender Offer will recognize gain or loss in an amount equal to the difference, if any, between (i) the U.S. dollar value of the amount of euro received (determined based on the spot rate on the date payment is received) and (ii) the U.S. Holder’s adjusted tax basis in the Shares exchanged. Generally, a U.S. Holder’s adjusted tax basis in a Share equals the amount originally paid for such Share. Gain or loss will be long-term capital gain or loss so long as the U.S. Holder’s holding period for such Shares exceeds one year as of the date of the exchange. Long-term capital gains of non-corporate U.S. Holders may be eligible for preferential rates of taxation. The deductibility of capital losses is subject to limitations under the IRC. Gain or loss, if any, must be determined separately for each block of Shares (that is, Shares acquired at the same cost in a single transaction) tendered.

A U.S. Holder that subsequently converts euros received pursuant to the Principal Tender Offer into U.S. dollars will generally recognize gain or loss equal to the difference between its basis in the euros and the U.S. dollars received in exchange therefor. The tax basis in such euros will generally equal the U.S. dollar value of the euros using the spot rate described above.

The foregoing discussion assumes that Faiveley Transport is not, and was not in any prior taxable year, a passive foreign investment company (“PFIC”). If Faiveley Transport is a PFIC in the current taxable year or has been a PFIC in any prior taxable year in which the tendering U.S. Holder has held Shares, then such U.S. Holder may be subject to adverse U.S. federal income tax consequences and reporting requirements with respect to gain recognized on any sale or exchange of Shares, including an exchange of Shares pursuant to the Principal Tender Offer. Such adverse consequences generally would include the ratable allocation of such gain over the U.S. Holder’s holding period for Shares, with the amount that is allocated

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to each taxable year being subject to tax at the highest ordinary income rate in effect for such taxable year and the imposition of a special “interest charge” on the tax on such income. While it is not expected that Faiveley Transport has constituted or does constitute a PFIC, no investigation or representation has been or is being made in that regard. U.S. Holders should consult their tax advisors concerning whether Faiveley Transport is or has been a PFIC for any taxable year during which such U.S. Holder has owned Shares and the tax consequences that may result if so.

Gain or loss from the exchange pursuant to the Principal Tender Offer or from a subsequent conversion of euros into U.S. dollars will generally be treated as U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders should consult their tax advisors regarding the applicability and operation of foreign tax credits.

In addition, certain U.S. Holders who are individuals, estates or trusts are required to pay a 3.8% Medicare surtax on all or part of the capital gains from the sale of the Shares, subject to certain limitations and exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this surtax on the disposition of their Shares pursuant to the Principal Tender Offer.

(b) Non-U.S. Holders

Subject to the discussion of withholding with respect to the Principal Tender Offer below, Non-U.S. Holders will not be subject to U.S. federal income tax on gain recognized on the sale or other taxable disposition of the Shares pursuant to the Principal Tender Offer unless:

- the gain is “effectively connected” with the Non-U.S. Holder’s conduct of a trade or business in the United States; or
- the Non-U.S. Holder is an individual, such Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of such sale or other disposition and certain other conditions are met.

In the first case, the Non-U.S. Holder will be subject to U.S. federal income tax on a net basis at the regular graduated rates and in the manner applicable to a U.S. Holder (other than with respect to the Medicare surtax described above). If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and its country of residence (such as the U.S.-France Treaty), any effectively connected gain will generally be subject to U.S. federal income tax only if such gain is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States. Effectively connected gains that corporate Non-U.S. Holders recognize may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate, unless a lower rate applies to the Non-U.S. Holder under an income tax treaty with the Non-U.S. Holder’s country of residence, such as the 0% rate under the U.S.-France Treaty.

In the second case, the Non-U.S. Holder will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on the amount by which such Non-U.S. Holder’s U.S.-source capital gains exceed such Non-U.S. Holder’s U.S.-source capital losses.

(c) Withholding With Respect to the Principal Tender Offer

In general, information reporting requirements will apply to the sale of Shares by a noncorporate U.S. Holder pursuant to the Principal Tender Offer if effected by or through a U.S. office of a broker. Payments

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of the proceeds of such sale will generally be subject to backup withholding at a rate of 28% if such a U.S. Holder fails to comply with certain identification requirements under the information reporting rules.

Neither information reporting nor backup withholding will apply to the sale of Shares by a Non-U.S. Holder pursuant to the Principal Tender Offer if effected by or through a foreign office of a broker, unless the proceeds are transferred to an account maintained by the Non-U.S. Holder in the United States, the payment of such proceeds or the confirmation of the sale is mailed to the Non-U.S. Holder at a U.S. address, or the sale has certain other specified connections with the United States as provided in the U.S. Treasury Regulations. If such a sale is (or is considered to be) effected by or through a U.S. office of a broker, payments of the proceeds of the sale will generally be subject to information reporting and backup withholding at a rate of 28% unless the Non-U.S. Holder establishes an exemption by properly certifying its non-U.S. or other exempt status on IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate IRS Form W-8 and certain other conditions are met.

Any amounts withheld as backup withholding will be allowed as a credit against a U.S. Holder's U.S. federal income tax and may entitle such U.S. Holder to a refund, provided that certain required information is furnished to the IRS.

(ii) Subsidiary Exchange Offer

(a) Rules Generally Applicable to U.S. Holders

(1) Exchange of Shares for Wabtec Stock and/or Cash

A U.S. Holder who exchanges Shares for Wabtec Stock and cash pursuant to the Subsidiary Exchange Offer will recognize gain or loss to the same extent described above with respect to the Principal Exchange Offer, except that the gain or loss will generally equal the difference, if any, between (i) the sum of the fair market value of Wabtec Stock received and the U.S. dollar value of the amount of euros received (determined based on the spot rate on the date payment is received) and (ii) the U.S. Holder's adjusted tax basis in the Shares exchanged.

A U.S. Holder's tax basis in Wabtec Stock received pursuant to the Subsidiary Exchange Offer will generally equal the fair market value of such Wabtec Stock on the day of receipt. Euros received by a U.S. Holders pursuant to the Subsidiary Exchange Offer will generally be treated as described above with respect to euros received pursuant to the Principal Tender Offer.

(2) Distributions and Dividends on Wabtec Stock

Distributions with respect to Wabtec Stock (other than certain stock distributions) will be taxable as dividend income when paid to the extent of Wabtec's current and accumulated earnings and profits as determined for United States federal income tax purposes. To the extent that the amount of distributions with respect to Wabtec Stock exceeds Wabtec's current and accumulated earnings and profits, such excess will be treated first as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in such Wabtec Stock, as the case may be, and thereafter as capital gain.

Distributions constituting dividend income received by non-corporate U.S. Holders with respect to Wabtec Stock may be subject to tax at a preferential rate, and such distributions received by corporate U.S. Holders may qualify for the dividends received deduction. U.S. Holders should consult their tax advisors regarding

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the availability of the preferential tax rate for dividends received or the dividends received deduction, as applicable. U.S. Holders subject to the 3.8% Medicare surtax described above may also be required to pay such surtax on dividends received with respect to Wabtec Stock. U.S. Holders should consult their tax advisors regarding the effect, if any, of this surtax on such dividends.

(3) Sale or Other Taxable Disposition of Wabtec Stock

Subject to the discussion of backup withholding and FATCA below, U.S. Holders will generally recognize capital gain or loss on the sale or other taxable disposition of Wabtec Stock in an amount equal to the difference, if any, between (i) the amount realized upon such disposition (not including any proceeds attributable to accumulated, declared and unpaid dividends, if any, which will be taxable as described above to U.S. Holders who have not previously included such dividends in income) and (ii) the U.S. Holder's adjusted tax basis in the Wabtec Stock sold or exchanged. For information regarding the capital gain treatment of the sale or other taxable disposition of Wabtec Stock, see the discussion of the exchange of Shares for cash pursuant to the Principal Tender Offer above, treating references to Shares as references to Wabtec Stock.

(b) Non-U.S. Holders

(1) Exchange of Shares for Wabtec Stock and/or Cash

Non-U.S. Holders will generally not be subject to U.S. federal income tax on gain recognized on the disposition of the Shares pursuant to the Subsidiary Exchange Offer, except to the same extent described above with respect to Non-U.S. Holders participating in the Principal Tender Offer.

(2) Distributions and Dividends on Wabtec Stock

Distributions with respect to Wabtec Stock will generally be subject to tax as described above with respect to U.S. Holders (other than with respect to the Medicare surtax described above).

Dividends paid to a Non-U.S. Holder that are not effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States generally will be subject to withholding of U.S. federal income tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder that wishes to claim the benefit of a reduced withholding rate under an applicable income tax treaty generally will be required to submit a properly completed IRS Form W-8BEN or IRS Form W-8BEN-E (or appropriate successor form) and certify under penalties of perjury that such Non-U.S. Holder is not a United States person and is eligible for the benefits of the applicable tax treaty. These forms may need to be periodically updated. If a Non-U.S. Holder holds our common shares through a financial institution or other intermediary, such Non-U.S. Holder generally will be required to provide the appropriate documentation to the financial institution or other intermediary.

If any dividends are paid in shares of Wabtec Stock, in order to satisfy any applicable withholding obligations, the applicable withholding agent may sell on behalf of a Non-U.S. Holder all or a portion of such shares to the extent necessary to pay any applicable withholding taxes, and deliver the net proceeds to the holder less any deductions for withholding taxes.

If dividends in respect of the Non-U.S. Holder's Wabtec Stock are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States, the Non-U.S. Holder will be subject to U.S.

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federal income tax on a net basis at the regular graduated rates and in the manner applicable to a U.S. Holder (other than with respect to the Medicare surtax described above). If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and its country of residence (such as the U.S.-France Treaty), any effectively connected income will generally be subject to U.S. federal income tax on such net basis only if such income is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States. Effectively connected income that corporate Non-U.S. Holders recognize may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate, unless a lower rate applies to the Non-U.S. Holder under an income tax treaty with the Non-U.S. Holder’s country of residence, such as the 0% rate under the U.S.-France Treaty.

(3) Sale or Other Taxable Disposition of Wabtec Stock

Subject to the discussion of backup withholding and FATCA below, a Non-U.S. Holder generally will not be subject to United States federal income tax on gain realized on the sale or other taxable disposition of Wabtec Stock (not including any amounts attributable to accumulated, declared and unpaid dividends, which will be taxable to a Non-U.S. Holder as described above in the immediately prior section) unless:

- the gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States;
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

In the first and second cases, Non-U.S. Holders will be taxed as described above with respect to Non-U.S. Holders in similar circumstances participating in the Principal Tender Offer.

(c) Information Reporting and Backup Withholding

The information reporting requirements and backup withholding rules described above with respect to the Principal Tender Offer will apply to the disposition of Shares pursuant to the Subsidiary Exchange Offer, to the same extent described above with respect to the disposition of Shares pursuant to the Principal Tender Offer.

The information reporting requirements and backup withholding rules will also apply to the sale or other taxable disposition of Wabtec Stock, to the same extent described above with respect to the sale of Shares pursuant to the Principal Tender Offer.

The amount of dividends paid to a Non-U.S. Holder on Wabtec Stock and the tax, if any, withheld with respect to those dividends generally must be reported annually to the IRS and to such Non-U.S. Holder of Wabtec Stock. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

Under some circumstances, U.S. Treasury Regulations require backup withholding of U.S. federal income tax, currently at a rate of 28%, on reportable payments with respect to Wabtec Stock. A Non-U.S. Holder generally may eliminate the requirement for U.S. federal backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8BEN or IRS Form W-8BEN-E (or appropriate successor form) or by otherwise establishing an exemption.

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Notwithstanding the foregoing, U.S. federal backup withholding may apply if the payor has actual knowledge, or reason to know, that the Non-U.S. Holder is a United States person.

Holder are urged to consult their tax advisors regarding the application of backup withholding rules in their particular situations.

(iii) FATCA

The Foreign Account Tax Compliance Act (commonly referred to as “FATCA”) will generally impose a 30% withholding tax on certain payments made on Wabtec Stock to certain foreign financial institutions (generally including investment funds) that fail to certify their FATCA status and to non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders and/or United States accountholders are not satisfied. Under applicable U.S. Treasury Regulations, a withholding tax of 30% generally will be imposed, subject to certain exceptions, on (i) payments of dividends on Wabtec Stock and (ii) on or after January 1, 2019, gross proceeds from the sale or other disposition of Wabtec Stock. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Wabtec will not pay any additional amounts in respect of any amounts withheld pursuant to FATCA. Under certain circumstances, a holder of Wabtec Stock might be eligible for refunds or credits of amounts withheld under FATCA. Such holders are urged to consult their tax advisors regarding the effect, if any, of the FATCA provisions to them based on their particular circumstances.

THE PRECEDING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT LEGAL OR TAX ADVICE. ACCORDINGLY, ALL HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE AND LOCAL, AND NON-U.S. TAX CONSIDERATIONS RELATING TO THE OFFER AND THE OWNERSHIP AND DISPOSITION OF ANY WABTEC STOCK ACQUIRED PURSUANT TO THE OFFER.



### **3. VALUATION CRITERIA FOR THE OFFER**

The object of this section is to present elements to appraise the price offered within the Principal Tender Offer, *i.e.* 100 euros per Faiveley Transport share, and the exchange ratio offered within the Subsidiary Exchange Offer *i.e.* 15 Wabtec shares per 13 Faiveley Transport shares.

The elements presented in this section have been prepared by Société Générale and UBS, acting as presenting banks (the "Presenting Banks") of the Offer on behalf of Wabtec France. The approach retained is based on a multi-criteria analysis according to commonly used valuation methodologies taking into account the specificities of Faiveley Transport and Wabtec, their size and their activity.

The main sources of information and hypothesis used for the purpose of this analysis are described below. It was not the aim of Société Générale and UBS neither to verify or validate the information provided nor to appraise the value of the assets and liabilities of Faiveley Transport or Wabtec.

In order to ease the reading of the financial information in this section, numbers presented below have been rounded to the decimal shown.

#### **3.1. Methodologies**

##### **3.1.1. Retained valuation methodologies**

The assessment of the Offer price and proposed Exchange Ratio has been based on a multi-criteria approach based on the following methodologies:

1. Historical Adjusted Share Prices;
2. Comparable companies trading multiples (for illustrative purposes to appraise the exchange ratio);
3. Analysis of precedent comparable transactions;
4. Analysis of the Block Acquisition;
5. Discounted cash flows analysis ("DCF"); and
6. Analysts' target prices, for illustrative purpose..

##### **3.1.2. Non-retained valuation methodologies**

The following valuation methodologies have not been retained for the valuation purpose of the Offer:

- *Dividend discount model*  
This method, which consists in valuing the equity of a company by discounting, at the company's cost of equity capital, the dividends projected to be paid to shareholders, has been excluded since it mainly relies on projected results estimates and on the payout ratio decided by company management.
- *Revalued net asset value*  
This method consists in valuing, at market value, the on balance sheet assets and liabilities of a company, while focusing on any unrealized capital gains or losses associated with the items. This method, often used in some sectors (banking, real estate), does not appear pertinent to value, an on-going rail equipment company.

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- *Net book value approach*

This methodology, which consists in calculating the amount of equity per share, is an accounting estimate of the share value. Based on the historical value of the assets and liabilities, this methodology is not relevant as it does not take into account either the actual value or the future performance of the companies. For information, the book value of equity (excluding minority interests) of respectively Faiveley Transport and Wabtec shares is 41.10 euros per Faiveley Transport share and 19.09 US dollars per Wabtec share as of September 30, 2016.

### **3.1.3. Retained hypothesis and sources of information**

The following valuation materials rely on the information listed below:

- The full year annual reports/10-K of Wabtec (period ended 31 December 2015) and Faiveley Transport (period ended March 31, 2016);
- Wabtec 10-Q report for the period ended September 30, 2016 and Faiveley Transport half year report for the period ended September 30, 2016;
- Presentations and press releases available on the companies' websites;
- For Faiveley Transport forecasts: business plan as submitted to the Board of Faiveley Transport on March 24, 2016, presenting the management's objectives for the 2016-2019 period including targeted capital expenditures for the period 2016-2019;
- For Wabtec forecasts: public information available on Wabtec's website and equity analysts' consensus estimates<sup>4</sup>;
- For the analysis of comparable precedent transactions: public information available;
- Stock market data: Bloomberg, Thomson Eikon and Factset;
- For brokers' target prices: Bloomberg and equity analysts' notes.

## **3.2. Financials and preliminary considerations**

### **3.2.1. Reference aggregates**

(i) Presentation of Faiveley Transport's business plan

As part of the analysis of the Offer conditions, the Faiveley Transport business plan was presented by the company to the Presenting Banks. The business plan was submitted to the Board of Faiveley Transport on March 24, 2016 and includes the management's financial forecasts for the 2016-2019 period.

- The Faiveley Transport business plan is based on the perimeter before the change of control, notably before the subsequent disposals and implementation of potential synergies;
- The business plan was developed in March 2016 and selectively updated in June 2016 taking into account updates for some 2016 forecasts;
- The business plan covers the period from 2016 to 2019;
- The key items of the business plan are as follows: (i) average yearly revenue growth of 4.3% over the period, (ii) EBIT margin rising from 8.7% in 2016 to 12.4% in 2019, (iii) capital expenditures

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<sup>4</sup> Wunderlich (25-Oct-16), Stifel (25-Oct-16), Stephens (26-Oct-16), William Blair (26-Oct-16), Wells Fargo (25-Oct-16), Great Lakes (25-Oct-16), Keybanc (26-Oct-16), CLSA (26-Oct-16)

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representing 2.8% of sales on average over the period (iv) amortization charges constant over the period stable at approximately 20 million euros per year and (v) change in net working capital amounting to 53.2% (on average) of the change in sales over the period.

This business plan doesn't present substantial difference with equity research analysts' consensus estimates over the period 2016-2017.

(ii) Presentation of the retained consensus for Wabtec

In the absence of financial forecasts communicated by Wabtec, the analysis relies on the audited financial statements for the periods ended December 31, 2015 and September 30, 2016 as well as on equity research analysts' consensus estimates.<sup>5</sup>

The retained consensus is based on analysts' reports published after the publication of Wabtec's latest quarterly results (period ended on September 30, 2016), on October 25, 2016 and before December 2, 2016.

The analysis presented is based on a standalone perimeter, *i.e.* excluding any impact resulting from the proposed transaction, notably the subsequent disposals or the potential synergies related to the combination with Faiveley Transport. These potential synergies would result from the combination of both businesses with no possible allocation ex-ante between each group and would materialize post-closing and only if the transaction is successful.

Wabtec consensus

Wabtec - in USDm as of 31-Dec	Sales		EBITDA		EBIT		Net income	
	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E
Aggregates	2,904	2,946	602	628	537	564	362	377
Growth / Margin	(12.2%)	1.4%	20.7%	21.3%	18.5%	19.2%	12.5%	12.8%

Source: Brokers' notes

**3.2.2. Enterprise value to equity value bridge**

(i) Faiveley Transport

The adjustments from enterprise value to equity value retained as of December 2, 2016 are based on the latest Faiveley Transport financial statements as of September 30, 2016.

In addition to gross financial debt (retained at book value) net of cash ("Financial Net Debt"), items included in the enterprise value to equity value bridge are the following non-operating balance sheet items: minority interests (book value), pension provisions (book value), associates (book value) and other financial assets and specific provisions.

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<sup>5</sup> Wunderlich (25-Oct-16), Stifel (25-Oct-16), Stephens (26-Oct-16), William Blair (26-Oct-16), Wells Fargo (25-Oct-16), Great Lakes (25-Oct-16), Keybanc (26-Oct-16), CLSA (26-Oct-16)

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The value of the tax savings associated with the pension provisions has been subtracted from the book value. The effective tax rate from the business plan was used. In addition, the Financial Net Debt, as of September 30, 2016, has been adjusted for the 1 euro per share dividend which was paid on October 7, 2016 (total of 15 million euros).

Summary table of enterprise value to equity value bridge as of September 30, 2016:

	<u>EURm</u>
Financial net debt / (cash) as of September 30, 2016:	169
Minority interests:	17
Pension provisions:	34
Associates and other financial assets:	(37)
Provisions:	4
Deferred tax assets:	(14)
<b>Adjusted Net Debt / (Cash)</b>	<b>173</b>

The same enterprise value to equity value bridge is assumed for all the valuation methodologies.

(ii) Wabtec

The Adjustments from enterprise value to equity value retained as of December 2, 2016 are based on the latest Wabtec financial statements as of September 30, 2016.

In addition to gross financial debt (retained at book value) net of cash (“**Financial Net Debt**”), items included in the enterprise value to equity value bridge are the following non-operating balance sheet items: minority interests (book value), pension provisions (book value), associates (book value) and other financial assets and specific provisions.

The value of the tax savings associated with the pension provisions has been subtracted from the book value. Research analysts’ average tax rate over 2016-2017 was used. In addition, the Financial Net Debt, as of September 30, 2016, has been adjusted for the 0.10 dollar per share dividend which was paid on November 28, 2016 (total of 9 million US dollars).

Summary table of enterprise value to equity value bridge as of September 30, 2016:

	<u>USDm</u>
Financial net debt / (cash) as of September 30, 2016:	368
Minority interests:	3
Pension provisions:	36
Associates and other financial assets:	-
Provisions:	-
Deferred tax assets:	(1)
<b>Adjusted Net Debt / (Cash)</b>	<b>407</b>

The same enterprise value to equity value bridge is assumed for all the valuation methodologies.

### 3.2.3. Number of Shares retained

The numbers of shares retained for Wabtec and Faiveley Transport correspond to the total number of shares issued, as communicated by the companies, decreased by the number of treasury shares and increased by the number of shares to be issued by the exercise of stock options calculated according to the

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“treasury stock method” on the basis of a reference price respectively of 86.71 per Wabtec Share and 100.10 per Faiveley Transport Share as of December 2, 2016

(i) Faiveley Transport

The number of shares retained is based on the latest financial statements published by Faiveley Transport (half-year results for the period ended September 30, 2016).

The number of shares retained is presented below:

	<u>As of September 30, 2016</u>
Total number of shares issued:	14,621,152
Treasury shares:	(89,437)
Impact of dilutive instruments <sup>(1)</sup> :	397,231
<b>Number of shares retained:</b>	<b>14,928,946</b>

(1) including stock-options and performance shares plans

(ii) Wabtec

The number of shares retained is based on the latest financial statements published by Wabtec (10-Q results for the period ended September 30, 2016).

The number of shares retained is presented below:

	<u>As of September 30, 2016</u>
Total number of shares issued:	132,349,534
Treasury shares:	(43,284,147)
Impact of dilutive instruments <sup>(1)</sup> :	1,412,302
<b>Number of shares retained:</b>	<b>90,477,689</b>

(1) including stock-options and performance shares plans

### 3.3. Assessment of the Offer price

The price proposed by the Offeror within the scope of the Principal Tender Offer is 100 euros per Faiveley Transport share to be paid in cash. This price per share is equal to the price paid by Wabtec to acquire for cash the shares held by the Faiveley family (altogether “the Family Block”). For reference, the Family Block represented 50.66% of capital and 49.39% of voting rights

#### 3.3.1. Historical Adjusted Share Prices

Faiveley Transport Shares are listed on the “compartiment A” of Euronext Paris. The historical share price was considered as relevant for the appraisal of the Offer price, given Faiveley Transport (i) sufficient free float (39.9% of shares as of December 2015) and (ii) liquidity (1 month average daily trading volume pre offer: 10.348 shares).

The historical share price of Faiveley Transport has been adjusted to take into account the dividends paid by the Company since the announcement of the transaction on July 27, 2015 i.e. a total of 1.90 euros per share, in two payments: 0.90 euro per share paid on October 5, 2015 and 1 euro per share paid on 7 October

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2016. This adjustment is based on the hypothesis of a reinvestment of the dividend into Faiveley Transport shares on the ex-dividend date. In practice, a proportional factor is applied to the historical share prices prior to the ex-dividend date, this factor being equal to the ratio of the dividend paid compared to the value of the share price on the ex-dividend date (“total shareholder return” method) (“Adjusted Share Price(s)").

The following table summarizes the premium or discount represented by the Offer price of 100 euros per Share compared to the closing Adjusted Share Prices of Faiveley Transport as of July 24, 2015 (last trading day before the announcement of the Offer), and the volume weighted average prices for the selected periods and the lowest and highest price reached by Faiveley Transport share. The table also shows that before the Offer, Faiveley Transport shares had an average daily liquidity ranging from 7,888 shares over the 12 months period representing 0.11% of the free float to 15,502 shares over the 3 months period representing 0.22% of the free float.

<b>Faiveley Transport</b>	<b>Average volume exchanged<sup>(2)</sup></b>	<b>(EUR)</b>	<b>Resulting Premium / (Discount)</b>
<i>Adjusted share prices as of 24-Jul-2015<sup>(1)</sup></i>			
Spot price	14,447	69.61	43.7%
Volume-weighted average price over 1 month	10,348	67.18	48.9%
Volume-weighted average price over 3 months	15,502	62.08	61.1%
Volume-weighted average price over 6 months	10,121	60.30	65.8%
Volume-weighted average price over 9 months	9,024	57.58	73.7%
Volume-weighted average price over 12 months	7,888	56.08	78.3%
Low (over the last 12 months) - Date: 10-20-14		40.67	145.9%
High (over the last 12 months) - Date: 07-24-15		69.61	43.7%

Source: Factset

Historical averages are based on calendar days

(1) Day before Wabtec announced its intention to acquire Faiveley Transport

(2) In number of shares

<b>Faiveley Transport</b>	<b>Average volume exchanged<sup>(1)</sup></b>	<b>(EUR)</b>	<b>Resulting Premium / (Discount)</b>
<i>Adjusted share prices as of 2-Dec-2016 - For information purpose only</i>			
Spot price	11,409	100.10	(0.1%)
Volume-weighted average price over 1 month	50,998	99.86	0.1%
Volume-weighted average price over 3 months	31,400	99.18	0.8%
Volume-weighted average price over 6 months	17,813	97.96	2.1%
Volume-weighted average price over 9 months	14,134	96.99	3.1%
Volume-weighted average price over 12 months	12,652	96.33	3.8%

Source: Factset

Historical averages are based on calendar days

(1) In number of shares

The Offer price represents a premium ranging from 43.7% to 78.3% on the basis of the closing Adjusted Share Price as of July 27, 2015 and the 12 months volume-weighted average price.

### **3.3.2. Analysis of trading comparables**

This approach consists of applying to Faiveley Transport's Earnings Before Interest and Tax Amortization and Depreciation ("EBITDA"), Earnings Before Interest and Tax ("EBIT") and Net Income forecasts, the multiples observed for peers comparable to Faiveley Transport in terms of activity, markets and size. This methodology has been selected given the existence of a sufficient number of comparable peers, even though there are some differences in terms of business model, positioning and size.

The aggregates retained are based on the business plan as presented by Faiveley Transport and calendarised as of December year end. The Presenting Banks then applied to these metrics, the average multiple of peers related to the same period. For this analysis the multiples for 2017 and 2018 have been retained.

The set of comparable companies retained for Faiveley Transport is composed of companies present in the same markets as Faiveley Transport. The sample of selected companies includes providers of equipments and related services for the rail and transit industries (Wabtec, Ansaldo STS, Alstom, CAF and Talgo):

- **Wabtec:** US-based supplier of value-added, technology-based products and services for rail, transit and other global industries. The company generated revenues of 3,308 million US dollars in 2015 with a 20.3% EBITDA margin, 18.4% EBIT margin and a 12.1% net margin. 2015 revenues were generated in Americas 67.5%, Europe 17.2%, Asia-Oceania 5.7% and Rest of the World 9.5%;
- **Alstom:** French-based provider of systems, equipment and services for the rail sector. The company generated revenues of 6,881 million euros in 2015 with a 7.2% EBITDA margin, 5.3% EBIT margin and a negative net margin. 2015 revenues were generated in Europe 39.1%, Americas 11.9%, Asia/Pacific 38.9% and Africa-Middle East 10.2%;
- **Ansaldo STS:** Italy-based provider of systems and services for signaling and supervision of railway and urban traffic. The company generated revenues of 1,384 million euros in 2015 with a 11.2% EBITDA margin, 9.8% EBIT margin and a 6.7% net margin. 2015 revenues were generated in Europe 47.7%, Asia-Pacific 26.9%, Americas 17.8% and North Africa-Middle East 7.6%;
- **CAF:** Spanish-based provider of systems, equipment and services for the rail sector. The company generated revenues of 1,284 million euros in 2015 with a 12.9% EBITDA margin, 9.9% EBIT margin and a 3.3% net margin. 2015 revenues were generated in Spain 20.0%, Europe 28.6%, OECD 22.7% and the rest of the world 28.6%;
- **Talgo:** Spanish-based provider of systems, equipment and services for the rail sector. The company generated revenues of 521 million euros in 2015 with a 19.1% EBITDA margin, 15.4% EBIT margin and a 11.4% net margin. 2015 revenues were generated in Spain 21.0% and the rest of the world 79.0%;

The trading multiples retained to value Faiveley Transport are based on the ratio of the enterprise value and EBITDA ("EV/EBITDA") and EBIT ("EV/EBIT") and the ratio of the market capitalization value and Net Income ("P/E"). The applied values retained correspond to the average of comparable companies multiples. As of December 2, 2016, the retained comparable multiples and implied prices are the following:

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Company	Country	Market Capitalisation (EURm)	Enterprise Value (EURm)	EV/EBITDA		EV/EBIT		P/E	
				2017E	2018E	2017E	2018E	2017E	2018E
Wabtec	United States	7,391	7,775	13.1x	12.3x	14.6x	13.6x	20.8x	20.2x
Alstom	France	5,662	3,368	5.7x	5.3x	7.8x	7.2x	18.0x	15.5x
Ansaldo STS	Italy	2,096	1,819	11.5x	10.9x	12.8x	12.1x	22.7x	21.2x
CAF	Spain	1,201	1,508	7.9x	6.7x	9.7x	8.0x	14.5x	10.7x
Talgo	Spain	618	839	7.2x	7.2x	8.7x	8.9x	9.0x	8.8x
<b>Average</b>				<b>9.1x</b>	<b>8.5x</b>	<b>10.7x</b>	<b>10.0x</b>	<b>17.0x</b>	<b>15.3x</b>

  

	EV/EBITDA		EV/EBIT		P/E	
	2017E	2018E	2017E	2018E	2017E	2018E
<b>Average</b>	<b>9.1x</b>	<b>8.5x</b>	<b>10.7x</b>	<b>10.0x</b>	<b>17.0x</b>	<b>15.3x</b>
Implied Faiveley Transport share price	€82.93	€87.40	€84.63	€88.91	€97.02	€96.99
<b>Implied premium / (discount)</b>	<b>20.6%</b>	<b>14.4%</b>	<b>18.2%</b>	<b>12.5%</b>	<b>3.1%</b>	<b>3.1%</b>

On the basis of 2017 and 2018 multiples, the Offer price offered within the Principal Tender Offer represents a premium ranging from 3.1% to 20.6%.

- It is to be noted that while this method constitutes a usual reference, it has, within this analysis, a number of shortcomings: (i) by methodology, multiples of comparable companies do not reflect the growth potential and the value creation of the merger of Faiveley Transport and Wabtec but represent a sector average and (ii) financial market volatility limits the relevance of this approach based on the spot price.
- In addition, the P/E multiple is also impacted by peers' different depreciation policies, capital structure and corporate tax levels. Also, the net income includes the results from associates, as the case may be

### 3.3.3. Analysis of precedent comparable transactions

This approach consists of comparing the Offer price of 100 euros per share of Faiveley Transport to the value obtained when applying the implied multiples of precedent transactions on comparable companies.

For this purpose, the following relevant transactions have been retained:

- (i) The acquisition of a 40% stake of Ansaldo STS by Hitachi in February 2015
- (ii) The acquisition of the 100% stake of Fandstan Electric Group by Wabtec in February 2014
- (iii) The acquisition of the 100% stake of Invensys Rail by Siemens in November 2012
- (iv) The acquisition of the 100% stake of Delachaux by CVC Capital Partners in June 2011

For the purpose of this analysis, the multiples EV/EBITDA and EV/EBIT were computed for each transaction as the ratio between the acquired enterprise value and the last EBITDA and EBIT released before the announcement of the considered transaction. These multiples were then applied to Faiveley Transport EBITDA and EBIT respectively, considered on a twelve-month basis as of September 30, 2016, to derive an implied enterprise value, then adjusted to derive an equity value. The table below presents the implied share price derived from this methodology.



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Date	Target	Country	Acquiror	Stake	Enterprise Value (EURm)	EV/EBITDA	EV/EBIT
06-11	Delachaux	France	CVC Capital Partners	100%	1,127	9.6x	10.7x
11-12	Invensys Rail	UK	Siemens	100%	2,157	13.2x	16.1x
02-14	Fandstan Electric	UK	Wabtec	100%	152	7.9x	9.5x
02-15	Ansaldo STS	Italy	Hitachi	40.07%	1,586	11.3x	12.6x
<b>Average</b>						<b>10.5x</b>	<b>12.2x</b>

  

	LTM EV/EBITDA		LTM EV/EBIT	
<b>Average</b>	<b>10.5x</b>		<b>12.2x</b>	
	-5%	+5%	-5%	+5%
Implied Faiveley Transport share price	€74.38	€83.43	€73.48	€82.43
<b>Implied premium / (discount)</b>	<b>34.4%</b>	<b>19.9%</b>	<b>36.1%</b>	<b>21.3%</b>

(1) Aggregate calculated over the last twelve months

On the basis of EV /EBITDA and EV /EBIT transaction multiples, the price offered within the Principal Tender Offer represents a premium ranging from 19.9% to 36.1%.

### 3.3.4. Analysis of the Block Acquisition

This approach consists of analyzing the price paid by Wabtec for the Block Acquisition.

In relation to the Share Purchase Agreement signed on October 6, 2015 and amended on October 24, 2016, Wabtec France acquired, on November 30, 2016, from the Faiveley Family 2,002,212 shares of Faiveley Transport for 100 euros each, as described in Section 1.2.1.

The price offered within the tender offer is identical to the acquisition price of the shares by the Offeror.

<u>Family block acquisition - Shares sold in cash</u>	(EUR)	Resulting Premium / (Discount)
Offer price per share	100.0	-

### 3.3.5. Discounted Cash Flow approach

This approach consists of discounting all the future cash flows available to the shareholders and debt holders of Faiveley Transport.

The discounted cash flow analysis has been performed based on the following assumptions:

- Faiveley Transport business plan as presented in Section 3.2.1;

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- An extrapolation of the business plan over the 2019-2025 period assumed by the Presenting Banks and discussed with the management, notably based on a linear decrease of the revenue growth rate to 2.25% and stable margins;
- An effective tax rate retained for Faiveley Transport for the period of 30.0%;
- A weighted average cost of capital ("WACC") of 8.5% based on (i) a risk-free rate and an equity risk premium respectively of 1.1% and 8.9% (source: Bloomberg - 3 months average) reflecting the exposure of Faiveley Transport activities, (ii) re-leveraged beta of 0.92 (source: Barra Beta) calculated based on the betas of comparable companies and (iii) a normative indebtedness of 11% computed on the basis of comparable companies;
- A perpetual growth rate ("PGR") of 2.25% reflecting Faiveley Transport geographic positioning;
- The enterprise value to equity value bridge as of September 30, 2016 as defined in Section 3.2.2.

The cash flows have been discounted as of September 30, 2016, with a mid-year convention for the cash-flows generation. The terminal value is based on normative cash flows; based on these assumptions, it represents 65% of the enterprise value implied by this methodology.

The tables below present the implied share price derived from this methodology, as well as the sensitivity of the results to the PGR and WACC assumptions.

Implied share prices

		PGR				
		1.8%	2.0%	2.3%	2.5%	2.8%
WACC	8.0%	87.00	89.83	92.89	96.24	99.90
	8.3%	83.07	85.63	<b>88.41</b>	91.43	94.72
	8.5%	79.43	81.77	<b>84.29</b>	87.02	89.99
	8.8%	76.05	78.18	<b>80.49</b>	82.97	85.66
	9.0%	72.90	74.86	76.96	79.23	81.67

Implied premium

		PGR				
		1.8%	2.0%	2.3%	2.5%	2.8%
WACC	8.0%	14.9%	11.3%	7.7%	3.9%	0.1%
	8.3%	20.4%	16.8%	<b>13.1%</b>	9.4%	5.6%
	8.5%	25.9%	22.3%	<b>18.6%</b>	14.9%	11.1%
	8.8%	31.5%	27.9%	<b>24.2%</b>	20.5%	16.7%
	9.0%	37.2%	33.6%	29.9%	26.2%	22.4%

Based on the hypothesis described above, the Discounted Cash Flow methodology implies a share price between 80.49 euros (WACC of 8.8% and PGR of 2.3%) and 88.41 euros (WACC of 8.3% and PGR of 2.3%), the price offered within the Principal Tender Offer representing a premium comprised between 13.1% and 24.2%.

### **3.3.6. Analysts' target prices, for illustrative purposes**

At the announcement of the Offer on July 27, 2015, Faiveley Transport was followed by at least 5 equity analysts who had updated their target prices shortly before this date. Since that date analysts target prices have been affected by the announcement and are all at 100 euros per share.

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The table below summarizes the premium represented by the Offer price compared to the analysts' target prices before July 24, 2015 (last trading day before the announcement of the Offer). In the absence of updates for these target prices, they reflect the estimates of the equity research analysts at the announcement date and are thus presented for illustrative purpose only.

Broker	Date	Target price	Implied premium / (discount)
Oddo & Cie	24-Jul-15	76.0	31.6%
Exane BNP Paribas	23-Jul-15	78.0	28.2%
CM-CIC	7-Jul-15	57.0	75.4%
Portzamparc	29-May-15	63.9	56.5%
Gilbert Dupont	6-May-15	80.0	25.0%
<b>Average</b>		<b>71.0</b>	<b>40.9%</b>
Min		57.0	75.4%
Max		80.0	25.0%

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### 3.3.7. Summary of the elements provided to appraise the Offer price for Shares

The Principal Tender Offer represents the following premium and discount for Faiveley Transport shareholders:

Criteria	Price by Faiveley Transport share (EUR)	Resulting Premium / (Discount)
<b>Historical adjusted share prices</b>		
<u>Prices as of 24 July 2015</u>		
Spot price	69.61	43.7%
Volume-weighted average price over 1 month	67.18	48.9%
Volume-weighted average price over 3 months	62.08	61.1%
Volume-weighted average price over 6 months	60.30	65.8%
Volume-weighted average price over 9 months	57.58	73.7%
Volume-weighted average price over 12 months	56.08	78.3%
Low (over the last 12 months) - Date: 10-20-14	40.67	145.9%
High (over the last 12 months) - Date: 07-24-15	69.61	43.7%
<b>Trading multiples as of 2 December 2016</b>		
EV / EBITDA 2017E	82.93	20.6%
EV / EBITDA 2018E	87.40	14.4%
EV / EBIT 2017E	84.63	18.2%
EV / EBIT 2018E	88.91	12.5%
<b>Transaction multiples</b>		
LTM EV/EBITDA (-5%)	74.38	34.4%
LTM EV/EBITDA (+5%)	83.43	19.9%
LTM EV/EBIT (-5%)	73.48	36.1%
LTM EV/EBIT (+5%)	82.43	21.3%
<b>Family block acquisition</b>		
Offer price	100.00	-
<b>Discounted free cash flows</b>		
Minimum	80.49	24.2%
Central case	84.29	18.6%
Maximum	88.41	13.1%

### 3.4. Valuation criteria for the Subsidiary Exchange Offer

In regards to the Subsidiary Exchange Offer, an exchange ratio of 15 Wabtec shares for 13 Faiveley Transport shares is proposed. This exchange ratio is equal to the parity paid for the Block Acquisition and can be assessed using the following methodologies:

#### 3.4.1. Analysis of the historical Adjusted Share Prices

Wabtec Corporation is listed in New York City on the New York Stock Exchange. The historical share price was considered as relevant for the appraisal of the Exchange ratio given (i) the elements described in Section 3.3.1 for Faiveley Transport and Wabtec (ii) sufficient free float of 70% of the shareholding structure as of September 2016 and (iii) liquidity (1 month average daily trading volume pre offer: 468,000 shares).

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For the appraisal of the Exchange ratio, the historical share prices of Wabtec and Faiveley Transport were adjusted to take into account the dividends paid since the announcement of the Offer (see Section 3.3.1 for the description of the adjustment). Since the announcement of the transaction on, Wabtec paid a total of 0.52 US dollar dividend per share over 6 payments.

Prior to calculating the implied exchange ratio, Wabtec Adjusted Share Prices were converted at the daily spot dollar to euro exchange rates.

The following table summarizes the premium or discounts represented by the Exchange ratio based on the closing Adjusted Share Prices of Faiveley Transport and Wabtec as of December 2, 2016 (latest available trading data), as well as volume weighted average prices for selected periods and the lowest and highest price reached by both shares.

	Wabtec (EUR) <sup>(1)</sup>	Faiveley Transport (EUR)	Implied exchange ratio	Implied premium / (discount) vs. (15/13)
<i>Adjusted share prices as of 2 December 2016</i>				
Spot price	81.69	100.10	1.23	(5.8%)
Volume-weighted average price over 1 month	78.21	99.86	1.28	(9.6%)
Volume-weighted average price over 3 months	72.94	99.18	1.36	(15.1%)
Volume-weighted average price over 6 months	68.42	97.96	1.43	(19.4%)
Low (over the last 12 months) - Date: 02-09-16	53.31	84.91	1.59	(27.6%)
High (over the last 12 months) - Date: 11-15-16	82.57	100.25	1.21	(5.0%)

Source: Factset

Historical averages are based on calendar days

(1) Converted at daily spot rate

The exchange ratio represents a discount ranging from 5.8% to 19.4% on the basis of closing Adjusted Share Price as of December 2, 2016 and the 6 month volume-weighted average price.

### **3.4.2. Analysis of precedent comparable transactions**

For the purpose of this approach, the retained transactions are the same than those presented in the Section 3.3.3 and the methodology also remains the same applied to Wabtec. Prior to calculating the implied exchange ratio, Wabtec's implied share price was converted into euros at the spot dollar to euro exchange rate of 0.9421 as of December 2, 2016.

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Date	Target	Country	Acquiror	Stake	Enterprise Value (EURm)	EV/EBITDA		EV/EBIT	
6/20	Delachaux	France	CVC Capital Partners	100%	1,127	9.6x		10.7x	
11/28	Invensys Rail	UK	Siemens	100%	2,157	13.2x		16.1x	
2/12	Fandstan Electric Group	UK	Wabtec	100%	152	7.9x		9.5x	
2/24	Ansaldo STS	Italy	Hitachi	40.07%	1,586	11.3x		12.6x	
<b>Average</b>						<b>10.5x</b>		<b>12.2x</b>	
						<b>LTM EV/EBITDA</b>		<b>LTM EV/EBIT</b>	
<b>Average</b>						<b>10.5x</b>		<b>12.2x</b>	
Implied Wabtec share price <sup>(1)</sup>						€60.13	€66.91	€62.96	€70.03
Implied Faiveley Transport share price <sup>(2)</sup>						€74.38	€83.43	€73.48	€82.43
<b>Implied exchange ratio</b>						<b>1.24</b>	<b>1.25</b>	<b>1.17</b>	<b>1.18</b>
<b>Implied premium / (discount) vs. (15/13)</b>						<b>(6.7%)</b>	<b>(7.5%)</b>	<b>(1.1%)</b>	<b>(2.0%)</b>

(1) Spot FX used of 1 USD = 0.9421 EUR

(2) From Faiveley Transport valuation above

On the basis of EV/EBITDA and EV/EBIT transaction multiples, the Exchange ratio represents a discount ranging from 1.1% to 7.5%.

### 3.4.3. Analysis of the Block Acquisition

This approach consists of analyzing the value of the company as implied by the Block Acquisition.

In relation to the Share Purchase Agreement signed on October 6, 2015 and amended on October 24, 2016, Wabtec France acquired, on November 30, 2016, 5,473,325 shares of Faiveley Transport in exchange for 6,307,489 Wabtec Stock implying an exchange ratio of 1.1524 Wabtec Stock per Faiveley Transport share, as described in Section 1.2.1.

<u>Family block acquisition - Shares transferred</u>	<u>Exchange ratio</u>	<u>Implied premium / (discount) vs. (15/13)</u>
<b>Exchange ratio of the Block</b>	1.1524	0.1%

This methodology implies a premium of 0.1%.

### 3.4.4. Discounted Cash Flow approach

This approach consists of discounting all the future cash flows available to shareholders and debt holders of Wabtec.

The discounted cash flow analysis has been performed on the following assumptions:

- Wabtec equity research analysts' consensus estimates excluding synergies as defined in Section 3.2.1;
- An extrapolation of this consensus over the 2018-2024 period by the Presenting Banks on the basis of revenue growth between 2018 and 2020 of respectively 6.0%, 7.0% and 5.0% due to the expected rebound of the rail sector in the USA before a linear decrease to reach 2.25% in 2024 and flat margins and costs over the total period;
- An effective tax rate retained of 29.9% over the period;
- A weighted average cost of capital ("WACC") of 8.2% calculated based on (i) risk-free rate and equity risk premium respectively of 2.2% and 8.0% (source: Bloomberg - 3 months average) reflecting the exposure of Wabtec activities, (ii) re-leveraged beta of 0.86 (source: Barra Beta) calculated based on betas of comparable companies and (iii) a normative indebtedness of 13% computed on the basis of comparable companies;
- A perpetual growth rate ("PGR") of 2.25% reflecting Wabtec geographic positioning;
- The enterprise value to equity value bridge as of as of September 30, 2016 as defined in Section 3.2.2.

The cash flows have been discounted as of September 30, 2016, with a mid-year convention for the cash-flows generation. The terminal value is based on normative cash flows; based on these assumptions, it represents 64% of the enterprise value implied by this methodology.

The price per share implied by this methodology has been converted to euros based on the dollar to euro exchange rate of 0.9421 as of December 2, 2016. The table below presents the implied share price (in euro) derived from this methodology, as well as the sensitivity of the results to the PGR and WACC assumptions.

Implied share prices (EUR)

		PGR				
		1.8%	2.0%	2.3%	2.5%	2.8%
WACC	7.70%	79.72	82.08	84.66	87.49	90.60
	7.95%	76.33	78.47	<b>80.78</b>	83.32	86.09
	8.20%	73.21	75.14	<b>77.23</b>	79.51	82.00
	8.45%	70.32	72.07	<b>73.97</b>	76.03	78.26
	8.70%	67.64	69.24	70.96	72.82	74.84

Based on the hypothesis described above, the Discounted Cash Flow methodology implies an exchange ratio between 1.09 (WACC of 8.0% and PGR of 2.3%) and 1.09 (WACC of 8.5% and PGR of 2.3%), with the Exchange ratio representing a premium between 5.4% and 6.0%.

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	Min	Central case	Max
WACC	8.0%	8.2%	8.5%
Enterprise value (EURm)	7,076	7,372	7,693
Implied Wabtec share price <sup>(1)</sup>	€73.97	€77.23	€80.78
Implied Faiveley Transport share price <sup>(2)</sup>	€80.49	€84.29	€88.41
<b>Implied exchange ratio</b>	<b>1.09</b>	<b>1.09</b>	<b>1.09</b>
<b>Implied premium / (discount) vs. (15/13)</b>	<b>6.0%</b>	<b>5.7%</b>	<b>5.4%</b>

(1) Spot FX used of 1 USD = 0.9421 EUR

(2) From Faiveley Transport valuation above

### **3.4.5. Analysis of trading comparables, for illustrative purposes**

As described in the Section 3.3.2, this approach consists in applying to Wabtec's and Faiveley Transport's metrics, the multiples observed for peers comparable to Wabtec and to Faiveley Transport in terms of activity, markets and overall size. This methodology has been selected given the existence of a sufficient number of comparable peers. However, it is considered for illustrative purpose due to the unique positioning of Wabtec within the peer sample.

The set of trading comparables retained for Wabtec and Faiveley Transport is the same although the sample of Faiveley Transport includes Wabtec.

We have retained the same metrics as those presented in Section 3.2.1 (EBITDA, EBIT and Net Income) as well as the same reference years (2017 and 2018).

Prior to calculating the implied exchange ratio, Wabtec's implied share price was converted into euros at the spot dollar to euro exchange rate of 0.9421 as of December 2, 2016.



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As of December 2, 2016, the retained comparable multiples and implied exchange ratios were the following:

Company	Country	Market Capitalisation (EURm)	Enterprise Value (EURm)	EV/EBITDA		EV/EBIT		P/E	
				2017E	2018E	2017E	2018E	2017E	2018E
Alstom	France	5,662	3,368	5.7x	5.3x	7.8x	7.2x	18.0x	15.5x
Ansaldo STS	Italy	2,096	1,819	11.5x	10.9x	12.8x	12.1x	22.7x	21.2x
CAF	Spain	1,201	1,508	7.9x	6.7x	9.7x	8.0x	14.5x	10.7x
Talgo	Spain	618	839	7.2x	7.2x	8.7x	8.9x	9.0x	8.8x
<b>Average</b>				<b>8.1x</b>	<b>7.5x</b>	<b>9.8x</b>	<b>9.0x</b>	<b>16.1x</b>	<b>14.1x</b>
				EV/EBITDA		EV/EBIT		P/E	
				2017E	2018E	2017E	2018E	2017E	2018E
<b>Average</b>				<b>8.1x</b>	<b>7.5x</b>	<b>9.8x</b>	<b>9.0x</b>	<b>16.1x</b>	<b>14.1x</b>
Implied Wabtec share price <sup>(1)</sup>				€48.52	€48.43	€53.11	€52.98	€63.12	€56.38
Implied Faiveley Transport share price <sup>(2)</sup>				€82.93	€87.40	€84.63	€88.91	€97.02	€96.99
<b>Implied exchange ratio</b>				<b>1.71</b>	<b>1.80</b>	<b>1.59</b>	<b>1.68</b>	<b>1.54</b>	<b>1.72</b>
<b>Implied premium / (discount) vs. (15/13)</b>				<b>(32.5%)</b>	<b>(36.1%)</b>	<b>(27.6%)</b>	<b>(31.2%)</b>	<b>(24.9%)</b>	<b>(32.9%)</b>

(1) Spot FX used of 1 USD = 0.9421 EUR

(2) From Faiveley Transport valuation above

On the basis of 2017 and 2018 multiples, the exchange ratio represents a discount of 27.6% to 36.1%.

- It is to be noted that Wabtec is the best performing company within the sector with operating margins which are much higher than peers and trades at a significant premium to the retained peer sample. In consequence the implied valuation through peers multiples of Wabtec seems less pertinent and this methodology will be considered for illustrative purpose only for the appraisal of the exchange ratio.

### 3.4.6. Analysts' target prices, for illustrative purposes

Wabtec stock is continuously followed by at least 9 analysts. These analysts periodically publish recommendations and target prices for the company. In the absence of updated target prices for Faiveley Transport since the announcement of the Offer, the analysis is presented as of July 24, 2015 (last trading day before the announcement of the Offer)

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The table below summarizes the premium or discount represented by the Exchange ratio compared to the ratio calculated based on the analysts' target prices for Wabtec and Faiveley Transport before July 27, 2015, for illustrative purpose only.

Date	Wabtec	Faiveley Transport	Implied exchange ratio	Implied premium / (discount) vs. (15/13)
	Target price in EUR <sup>(1)</sup>	Target price in EUR <sup>(2)</sup>		
<b>Average<sup>(3)</sup></b>	<b>99.3</b>	<b>71.0</b>	<b>0.72</b>	<b>61.4%</b>
Min	88.4	57.0	0.64	79.0%
Max	104.8	80.0	0.76	51.2%

(1) Spot FX used of 1 USD = 0.9116 EUR

(2) From Faiveley Transport valuation above

(3) Average based on the following notes: Wunderlich (24-Jul-15), Goldman Sachs (24-Jul-15), Longbow Research (24-Jul-15), Macquarie (24-Jul-15), Stephens (24-Jul-15), BB&T (23-Jul-15), William Blair & Co (23-Jul-15), Wolfe Research (23-Jul-15) and Avondale Partners (23-Jul-15)

### 3.4.7. Summary of the elements provided to appraise the Subsidiary Exchange Offer for Shares

The Subsidiary Exchange Offer represents the following premium and discounts for Faiveley Transport shareholders:

Criteria	Price by Wabtec share (EUR) <sup>(1)</sup>	Price by Faiveley Transport share (EUR)	Implied exchange ratio	Resulting Premium / (Discount) vs. (15/13)
<b>Historical adjusted share prices</b>				
Prices as of 2 December 2016				
Spot price	81.69	100.10	1.23	(5.8%)
Volume-weighted average price over 1 month	78.21	99.86	1.28	(9.6%)
Volume-weighted average price over 3 months	72.94	99.18	1.36	(15.1%)
Volume-weighted average price over 6 months	68.42	97.96	1.43	(19.4%)
Low (over the last 12 months) - Date: 10-20-14	53.31	84.91	1.59	(27.6%)
High (over the last 12 months) - Date: 07-24-15	82.57	100.25	1.21	(5.0%)
<b>Transaction multiples</b>				
LTM EV/EBITDA (-5%)	60.13	74.4	1.24	(6.7%)
LTM EV/EBITDA (+5%)	66.91	83.4	1.25	(7.5%)
LTM EV/EBIT (-5%)	62.96	73.5	1.17	(1.1%)
LTM EV/EBIT (+5%)	70.03	82.4	1.18	(2.0%)
<b>Family block acquisition</b>				
Exchange ratio of the Block			1.15	0.1%
<b>Discounted free cash flows</b>				
Minimum	73.97	80.5	1.09	6.0%
Central case	77.23	84.3	1.09	5.7%
Maximum	80.78	88.4	1.09	5.4%

(1) Spot FX used of 1 USD = 0.9421 EUR

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#### **4. PROCEDURE FOR THE PROVISION OF INFORMATION TO THE INITIATOR**

Pursuant to the provisions of Article 231-28 of the AMF General Regulations, the other information relative to the legal, financial and accounting characteristics of the Offeror will be filed with the AMF and made available to the public through a procedure ensuring its effective and complete distribution, at the latest on the day preceding the opening of the Offer.

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**5. PERSONS ASSUMING RESPONSIBILITY FOR THE INFORMATION MEMORANDUM**

**5.1. Offeror**

*“As far as I am aware, the information in this information memorandum is accurate and does not include an omission liable to distort the content thereof.”*

Wabtec France

Raymond Betler

**5.2. Presenting Banks**

*“Pursuant to Article 231-18 of the AMF General Regulations, Société Générale and UBS Limited, presenting banks for the Offer, certify that, to their knowledge, the presentation of the Offer they have examined based on the information communicated to them by the Offeror and the elements of appraisal of the price are accurate and do not include an omission liable to distort the content thereof.”*

Société Générale

UBS Limited