UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): September 10, 2018 (September 10, 2018)

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other Jurisdiction of Incorporation)

033-90866 **(Commission File No.)**	**25-1615902** **(I.R.S. Employer Identification No.)**
1001 Air Brake Avenue **Wilmerding, Pennsylvania** **(Address of Principal Executive Offices)**	**15148** **(Zip Code)**

(412) 825-1000
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD Disclosure.

On September 10, 2018, Westinghouse Air Brake Technologies Corporation ("Wabtec") provided supplemental information regarding the proposed transaction with General Electric Company ("GE") pursuant to which (and subject to the terms and conditions of) Wabtec and GE's transportation business will be combined, in connection with a presentation to investors. A copy of the investor presentation is attached hereto as Exhibit 99.9 and is incorporated by reference herein.

In accordance with General Instruction B.2 of Form 8-K, the information furnished pursuant to this Item 7.01 in this Current Report on Form 8-K, including Exhibit 99.9, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), except as shall be expressly set forth by specific reference in such a filing.

Item 8.01. Other Events

As previously announced, on May 20, 2018, (i) Wabtec , GE, Transportation Systems Holdings Inc. ("SpinCo"), which is a wholly owned subsidiary of GE, and Wabtec US Rail Holdings, Inc. ("Merger Sub"), which is a wholly owned subsidiary of Wabtec, entered into an Agreement and Plan of Merger (the "Merger Agreement") and (ii) Wabtec, GE, SpinCo and Wabtec US Rail, Inc. (the "Direct Sale Purchaser"), which is a wholly owned subsidiary of Wabtec, entered into a Separation, Distribution and Sale Agreement (the "Separation Agreement"), which together provide for the combination of Wabtec and GE's transportation business ("GE Transportation"), which is a carve-out business of GE, through a modified Reverse Morris Trust transaction structure (collectively, the "Transactions").

The consummation of the Transactions is subject to a number of conditions, including:

- the approval by Wabtec's stockholders of the issuance of shares of Wabtec's common stock in the Transactions;
- the approval by Wabtec's stockholders of an amendment to Wabtec's Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 200 million to 500 million;
- the termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
- the taking, making or obtaining of all material actions by, consents or approvals of, or in respect of or filings with any governmental authority required to permit the Transactions;
- the effectiveness under the Securities Act of (i) SpinCo's registration statement on such Form(s) as shall be required under applicable U.S. Securities and Exchange Commission ("SEC") rules in connection with the distribution of SpinCo shares by GE and (ii) Wabtec's registration statement on Form S-4 in connection with the Transactions, and , in each case, the absence of any stop order issued by the SEC or any pending proceeding before the SEC seeking a stop order with respect thereto;
- the receipt by Wabtec and GE of certain tax opinions;
- the receipt by GE of the purchase price payable under the Separation Agreement;
- the completion of the various transaction steps contemplated by the definitive agreements with respect to the Transactions; and
- other customary conditions.

Audited Annual Financial Information of GE Transportation

The following audited combined financial statements of GE Transportation, together with the report of the independent registered public accounting firm thereon and the notes thereto, are filed as Exhibit 99.1 to this Current Report on Form 8-K and are incorporated herein by reference:

- Combined Statement of Earnings for the Years Ended December 31, 2017, 2016 and 2015;
- Combined Statement of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015;
- Combined Statement of Changes in Equity for the Years Ended December 31, 2017, 2016 and 2015;
- Combined Statement of Financial Position as of December 31, 2017 and 2016; and
- Combined Statement of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015.

Also attached hereto, as Exhibit 23.1, is the consent of KPMG LLP, the independent registered public accounting firm of GE Transportation, related to the above referenced audited combined financial statements of GE Transportation filed as Exhibit 99.1 to this Current Report on Form 8-K.

Unaudited Interim Financial Information of GE Transportation

The following unaudited condensed combined financial statements of GE Transportation, together with the independent auditors' review report thereon and the notes thereto, are filed as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference:

- Condensed Combined Statement of Earnings (Unaudited) for the Six Months Ended June 30, 2018 and 2017;
- Condensed Combined Statement of Comprehensive Income (Unaudited) for the Six Months Ended June 30, 2018 and 2017;
- Condensed Combined Statement of Changes in Equity (Unaudited) for the Six Months Ended June 30, 2018 and 2017;
- Condensed Combined Statement of Financial Position (Unaudited) as of June 30, 2018 and December 31, 2017; and
- Condensed Combined Statement of Cash Flows (Unaudited) for the Six Months Ended June 30, 2018 and 2017.

Also attached hereto, as Exhibit 15.1, is the awareness letter of KPMG LLP, the independent registered public accounting firm of GE Transportation, related to the above referenced unaudited condensed combined financial statements of GE Transportation filed as Exhibit 99.2 to this Current Report on Form 8-K.

Unaudited Pro Forma Financial Information

The following unaudited pro forma condensed combined financial statements combining the historical consolidated financial position and results of operations of Wabtec and its subsidiaries and GE Transportation and its subsidiaries, as an acquisition by Wabtec, together with the notes thereto, are filed as Exhibit 99.3 to this Current Report on Form 8-K and are incorporated herein by reference:

- Pro Forma Condensed Combined Statement of Income (Unaudited) for the Twelve Months Ended December 31, 2017;
- Pro Forma Condensed Combined Statement of Income (Unaudited) for the Six Months Ended June 30, 2018;
- Pro Forma Condensed Combined Balance Sheet (Unaudited) as of June 30, 2018.

Supplemental Guarantor Information Pursuant to Rule 3-10 of Regulation S-X

As previously announced, effective June 8, 2018, that certain Second Amended and Restated Refinancing Credit Agreement, dated as of June 22, 2016 (as amended, the "Prior Credit Agreement") by and among Wabtec and Wabtec Coöperatief U.A., as borrowers, certain subsidiaries of Wabtec, as guarantors, the lenders party thereto, PNC Bank, National Association, as Administrative Agent, and the other parties thereto was terminated, all outstanding loans thereunder repaid and all obligations thereunder released and terminated. Also on June 8, 2018, Wabtec, and certain other subsidiaries of Wabtec entered into a Credit Agreement, (the "Credit Agreement"), by and among Wabtec and Wabtec Coöperatief U.A., as borrowers, the other borrowing subsidiaries party thereto from time to time, the lenders party thereto from time to time, PNC Bank, National Association, as Administrative Agent, and the other parties thereto. Wabtec's obligations under the Credit Agreement have been guaranteed by the following subsidiaries of Wabtec (the "Guarantors"): Schaefer Equipment, Inc., Standard Car Truck Company, RFPC Holding Corp., Wabtec Holding Corp., Wabtec Railway Electronics Holdings, LLC and Workhorse Rail, LLC.

Under the terms of the indentures governing Wabtec's 3.450% senior notes due 2026 (the "2026 notes") and 4.375% senior notes due 2023 (the "2023 notes" and, together with the 2026 notes, the "senior notes"), Wabtec's payment obligations under the senior notes are fully and unconditionally guaranteed, jointly and severally, by each of the Guarantors.

Pursuant to Rule 3-10 of Regulation S-X, Wabtec is recasting in Exhibit 99.4 to this Current Report on Form 8-K Note 21 (“Note 21”) to the Notes to Consolidated Financial Statements at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 in Part II, Item 8. Financial Statements and Supplementary Data of Wabtec’s Annual Report on Form 10-K for the year ended December 31, 2017 (the “Annual Report”).

Certain Accounting Standards Updates

Wabtec has also recently adopted certain accounting standard updates that require retrospective application to certain sections of the Annual Report as described below. Wabtec adopted Accounting Standards Update 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (“ASU 2017-07”) and ASU 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash” (“ASU 2016-18”).

ASU 2017-07 is intended to improve the presentation of net periodic pension cost and net periodic post-retirement benefit cost in an entity’s financial statements by requiring that the service cost component be disaggregated from other components of net benefit costs and presented in the same line item or items as other compensation costs for the employees. Additionally, only the service cost component of net benefit cost is eligible for capitalization when applicable.

ASU 2016-18 requires that amounts described as restricted cash or restricted cash equivalents must be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In connection with the recasting of Note 21, Wabtec is also taking this opportunity to recast in Exhibit 99.4 to this Current Report on Form 8-K the Consolidated Financial Statements at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 (Notes 2, 4, 8, 13, 20, 22 and 23) in Part II, Item 8. Financial Statements and Supplementary Data of the Annual Report to give effect to the adoption of the accounting standards updates described above.

Wabtec is updating in Exhibit 99.5 to this Current Report on Form 8-K Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Annual Report to reflect the changes in the Consolidated Financial Statements described above.

Wabtec is updating in Exhibit 99.6 to this Current Report on Form 8-K Part II, Item 6. Selected Financial Data of the Annual Report solely to reflect the changes in the Consolidated Financial Statements described above.

Also attached hereto, as Exhibit 23.2 and Exhibit 23.3, is the consent of Ernst & Young LLP, the independent registered public accounting firm of Wabtec, and the consent of PricewaterhouseCoopers Audit, an independent registered public accounting firm, respectively, related to the above referenced audited consolidated financial statements of Wabtec filed as Exhibit 99.4 to this Current Report on Form 8-K.

This Current Report on Form 8-K does not modify or update the consolidated financial statements of Wabtec included in the Annual Report nor does it reflect any subsequent information or events, other than for the changes to the supplemental guarantor subsidiaries financial information and for the accounting standards updates described above.

Computation of Ratios of Earnings to Fixed Charges

Wabtec's computation of its historical consolidated ratio of earnings to fixed charges for each of the years ended December 31, 2017, 2016, 2015, 2014 and 2013, and the six month period ended June 30, 2018 is filed as Exhibit 12.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Information Related to GE Transportation and Risks Relating to Wabtec Following the GE Transportation Transaction

Included in this Current Report on Form 8-K as Exhibit 99.7 is information related to GE Transportation's business and operations, including Management's Discussion and Analysis of Financial Condition and Results of Operations for GE Transportation.

In addition, included in this Current Report on Form 8-K as Exhibit 99.8 is information related to certain risks related to the Transactions and risks related to Wabtec, including GE Transportation, after the Transactions.

Additional Information and Where to Find It

In connection with the proposed transaction between GE and Wabtec, SpinCo will file with the SEC a registration statement on Form S-4/S-1 containing a prospectus or a registration statement on Form 10 and Wabtec will file with the SEC a registration statement on Form S-4 and a proxy statement on Schedule 14A. If the transaction is effected via an exchange offer, GE will also file with the SEC a Schedule TO with respect thereto. This communication is not a substitute for any proxy statement, registration statement, proxy statement/prospectus or other documents GE, Wabtec and/or SpinCo may file with the SEC in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ CAREFULLY AND IN THEIR ENTIRETY THESE DOCUMENTS WHEN THEY BECOME AVAILABLE, ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, AND OTHER DOCUMENTS FILED BY GE, WABTEC OR SPINCO WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION, BECAUSE THESE DOCUMENTS WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of these materials and other documents filed with the SEC by GE, Wabtec and/or SpinCo through the website maintained by the SEC at www.sec.gov. Investors and security holders will also be able to obtain free copies of the documents filed by GE, Wabtec and/or SpinCo with the SEC from the respective companies by directing a written request to GE and/or SpinCo at General Electric Company, 41 Farnsworth Street, Boston, Massachusetts 02210 or by calling 617-443-3400, or to Wabtec at Wabtec Corporation, 1001 Air Brake Avenue, Wilmerding, PA 15148 or by calling 412-825-1543.

No Offer or Solicitation

This communication is for informational purposes only and not intended to and does not constitute an offer to subscribe for, buy or sell, the solicitation of an offer to subscribe for, buy or sell, or an invitation to subscribe for, buy or sell, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act, and otherwise in accordance with applicable law.

Participants in the Solicitation

This communication is not a solicitation of a proxy from any investor or security holder. GE, Wabtec, SpinCo, their respective directors, executive officers and other members of their management and employees may be deemed to be participants in the solicitation of proxies from shareholders of Wabtec in connection with the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the relevant materials when filed with the SEC. Information regarding the directors and executive officers of GE is contained in GE's proxy statement for its 2018 annual meeting of stockholders, filed with the SEC on March 23, 2018, its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 23, 2018, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which was filed with the SEC on May 1, 2018, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which was filed with the SEC on July 27, 2018, and certain of its Current Reports filed on Form 8-K. Information regarding the directors and executive officers of Wabtec is contained in Wabtec's proxy statement for its 2018 annual meeting of stockholders, filed with the SEC on April 5, 2018, its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 26, 2018, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 which was filed with the SEC on May 4, 2018, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which was filed on July 31, 2018 and certain of its Current Reports filed on Form 8-K. These documents can be obtained free of charge from the sources indicated above.

Caution Concerning Forward-Looking Statements

This communication contains "forward-looking" statements as that term is defined in Section 27A of the Securities Act and Section 21E of the Exchange Act, as amended by the Private Securities Litigation Reform Act of 1995, including statements regarding the proposed transaction between GE and Wabtec. All statements, other than historical facts, including statements regarding the expected timing and structure of the proposed transaction; the ability of the parties to complete the proposed transaction considering the various closing conditions; the expected benefits of the proposed transaction, including future financial and operating results, the tax consequences of the proposed transaction, and the combined company's plans, objectives, expectations and intentions; legal, economic and regulatory conditions; and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target" or other similar words or expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) that one or more closing conditions to the transaction, including certain regulatory approvals, may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the proposed transaction, may require conditions, limitations or restrictions in connection with such approvals or that the required approval by the stockholders of Wabtec may not be obtained; (2) the risk that the proposed transaction may not be completed on the terms or in the time frame expected by GE or Wabtec, or at all; (3) unexpected costs, charges or expenses resulting from the proposed transaction; (4) uncertainty of the expected financial performance of the combined company following completion of the proposed transaction; (5) failure to realize the anticipated benefits of the proposed transaction, including as a result of delay in completing the proposed transaction or integrating the businesses of GE, Wabtec and SpinCo; (6) the ability of the combined company to implement its business strategy; (7) difficulties and delays in achieving revenue and cost synergies of the combined company; (8) inability to retain and hire key personnel; (9) the occurrence of any event that could give rise to termination of the proposed transaction; (10) the risk that stockholder litigation in connection with the proposed transaction or other settlements or investigations may affect the timing or occurrence of the proposed transaction or result in significant costs of defense, indemnification and liability; (11) evolving legal, regulatory and tax regimes; (12) changes in general economic and/or industry specific conditions; (13) actions by third parties, including government agencies; and (14) other risk factors as detailed from time to time in GE's and Wabtec's reports filed with the SEC, including GE's and Wabtec's annual report on Form 10-K, periodic quarterly reports on Form 10-Q, periodic current reports on Form 8-K and other documents filed with the SEC. The foregoing list of important factors is not exclusive.

Any forward-looking statements speak only as of the date of this communication. Neither GE nor Wabtec undertakes any obligation to update any forward-looking statements, whether as a result of new information or development, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are filed with this report on Form 8-K:

Exhibit No.	Description
12.1	Statement Regarding Computation of Ratios of Earnings to Fixed Charges
15.1	Awareness Letter of KPMG LLP
23.1	Consent of KPMG LLP
23.2	Consent of Ernst & Young LLP
23.3	Consent of PricewaterhouseCoopers Audit
99.1	Audited combined financial statements of GE Transportation as of December 31, 2017 and 2016, and for the three years ended December 31, 2017, including the report of the independent registered public accounting firm thereon, and the notes thereto
99.2	Unaudited condensed combined financial statements of GE Transportation as of June 30, 2018 and for the six months ended June 30, 2018 and 2017, including the review report of the independent registered public accounting firm thereon, and the notes thereto
99.3	Unaudited pro forma condensed combined financial information
99.4	Audited consolidated financial statements of Wabtec as of December 31, 2017 and 2016, and for the three years ended December 31, 2017, including the reports of the independent registered public accounting firms thereon, and the notes thereto
99.5	Updated Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, from Westinghouse Air Brake Technologies Corporation’s Annual Report on Form 10-K for the year ended December 31, 2017
99.6	Updated Part II, Item 6. Selected Financial Data, from Westinghouse Air Brake Technologies Corporation’s Annual Report on Form 10-K for the year ended December 31, 2017
99.7	Information related to GE Transportation’s business and operations, including Management’s Discussion and Analysis of Financial Condition and Results of Operations for GE Transportation
99.8	Information related to certain risks related to the Transactions and risks related to Wabtec, including GE Transportation, after the Transactions
99.9	Investor Presentation
101	The financial statements of Wabtec, and notes thereto, included in this Current Report on Form 8-K formatted in eXtensible Business Reporting Language (XBRL)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Wabtec has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION

By: /s/ Patrick D. Dugan

Patrick D. Dugan
Executive Vice President and Chief Financial Officer

Date: September 10, 2018

Exhibit 12.1

Ratio of Earnings to Fixed Charges

	Year Ended December 31,					Six Months Ended June 30,
	2013	2014	2015	2016	2017	2018
Fixed Charges:						
Interest expense	$ 25,247	$ 29,074	$ 27,254	$ 50,298	$ 77,884	$ 52,204
Plus: estimated interest component of rent expense	5,372	5,891	5,921	8,272	10,335	4,778
Capitalized interest	4,950	4,234	3,441	8,066	6,229	6,771
Total Fixed Charges:	$ 35,570	$ 39,199	$ 36,616	$ 66,636	$ 94,448	$ 63,753
Earnings:						
Income from continuing operations before income taxes	$ 421,087	$ 507,855	$ 585,368	$ 412,837	$ 352,063	$ 207,355
Plus: Fixed charges	35,570	39,199	36,616	66,636	94,448	63,753
Less: capitalized interest	4,950	4,234	3,441	8,066	6,229	6,771
Total Earnings:	$ 451,706	$ 542,820	$ 618,542	$ 471,407	$ 440,282	$ 264,337
Ratio of earnings to fixed charges	12.70	13.85	16.89	7.07	4.66	4.15

Exhibit 15.1

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

September 10, 2018

The Board of Directors
General Electric Company:

Re: Registration Statement (No. 333-219657) on Form S-3 and Registration Statements (Nos. 333-53753, 333-39159, 333-02979, 333-115014, 333-137985, 333-41840, 333-40468, 333-35744, 333-89086, 333-179857, 333-219662, and 333-219663) on Form S-8

With respect to the subject registration statements, we acknowledge our awareness of the use on Form 8-K of Westinghouse Air Brake Technologies Corporation of our report dated August 7, 2018 related to our review of interim financial information of GE Transportation (a carve-out business of General Electric Company).

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent auditor within the meaning of Sections 7 and 11 of the Act.

Yours truly,

/s/ KPMG LLP

Chicago, Illinois

KPMG LLP is a Delaware limited liability partnership and the U.S. member
firm of the KPMG network of independent member firms affiliated with
KPMG International Cooperative (“KPMG International”), a Swiss entity.

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Consent of Independent Auditors

The Board of Directors
General Electric Company:

We consent to the incorporation by reference in the registration statement (No. 333-219657) on Form S-3 and in the registration statements (Nos. 333-53753, 333-39159, 333-02979, 333-115014, 333-137985, 333-41840, 333-40468, 333-35744, 333-89086, 333-179857, 333-219662, and 333-219663) on Form S-8 of Westinghouse Air Brake Technologies Corporation of our report dated June 4, 2018, with respect to the combined statement of financial position of GE Transportation (a carve-out business of General Electric Company) as of December 31, 2017 and 2016, the related combined statements of earnings, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes, which report appears in the Form 8-K of Westinghouse Air Brake Technologies Corporation dated September 10, 2018.

/s/ KPMG LLP

Chicago, Illinois
September 10, 2018

KPMG LLP is a Delaware limited liability partnership and the U.S. member
firm of the KPMG network of independent member firms affiliated with
KPMG International Cooperative (“KPMG International”), a Swiss entity.

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-53753) pertaining to the 1998 Employee Stock Purchase Plan of Westinghouse Air Brake Technologies Corporation,
(2) Registration Statement (Form S-8 No. 333-39159) pertaining to the 1997 Executive Retirement Plan of Westinghouse Air Brake Technologies Corporation,
(3) Registration Statement (Form S-8 No. 333-02979) pertaining to the 1995 Non-Employee Directors' Fee and Stock Option Plan of Westinghouse Air Brake Technologies Corporation,
(4) Registration Statement (Form S-8 No. 333-115014) pertaining to the 2004 Bonus Plan Agreements of Westinghouse Air Brake Technologies Corporation,
(5) Registration Statement (Form S-8 No. 333-137985) pertaining to the 2000 Stock Incentive Plan of Westinghouse Air Brake Technologies Corporation,
(6) Registration Statement (Form S-8 No. 333-41840) pertaining to the 2000 Stock Inventive Plan of Westinghouse Air Brake Technologies Corporation,
(7) Registration Statement (Form S-8 No. 333-40468) pertaining to the 1995 Non-Employee Directors' Fee and Stock Option Plan of Westinghouse Air Brake Technologies Corporation,
(8) Registration Statement (Form S-8 No. 333-35744) pertaining to the 2000 Savings Plan of Westinghouse Air Brake Technologies Corporation,
(9) Registration Statement (Form S-8 No. 333-89086) pertaining to the 2002 Employee Stock Ownership Plan of Westinghouse Air Brake Technologies Corporation,
(10) Registration Statement (Form S-8 No. 333-179857) pertaining to the 2011 Stock Incentive Plan of Westinghouse Air Brake Technologies Corporation,
(11) Registration Statement (Form S-3 No. 333-219657) of Westinghouse Air Brake Technologies Corporation,
(12) Registration Statement (Form S-8 No. 333-219662) pertaining to the 1995 Non-Employee Directors' Fee and Stock Option Plan of Westinghouse Air Brake Technologies Corporation, and
(13) Registration Statement (Form S-8 No. 333-219663) pertaining to the 2011 Stock Incentive Plan of Westinghouse Air Brake Technologies Corporation;

of our report dated February 26, 2018 (except for Notes 2, 4, 8, 13, 20, 21, 22 and 23 as to which the date is September 10 , 2018), with respect to the consolidated financial statements and schedule of Westinghouse Air Brake Technologies Corporation included in this Current Report on Form 8-K.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
September 10 , 2018

A member firm of Ernst & Young Global Limited

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-53753, 333-39159, 333-02979, 333-115014, 333-137985, 333-41840, 333-40468, 333-35744, 333-89086, 333-179857, 333-219662, and 333-219663) and Form S-3 (No. 333-219657) of WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION of our report dated February 23, 2017 relating to the financial statements of Faiveley Transport, which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers Audit

Neuilly-sur-Seine, France
September 10 , 2018

Exhibit 99.1

GE Transportation

(A carve-out business of General Electric Company)
Audited Combined Financial Statements
As of December 31, 2017 and 2016
And for the years ended December 31, 2017, 2016 and 2015 (With Report of Independent Registered Public Accounting Firm Thereon)

GE Transportation
(A carve-out business of General Electric Company)

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Contents **Pages**

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Report of Independent Registered Public Accounting Firm

To the Board of Directors
General Electric Company:

Opinion on the Combined Financial Statements

We have audited the accompanying combined statement of financial position of GE Transportation (a carve-out business of General Electric Company) (the Company) as of December 31, 2017 and 2016, the related combined statements of earnings, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the combined financial statements). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have served as the Company's auditor since 2017.

Chicago, Illinois
June 4, 2018

KPMG LLP is a Delaware limited liability partnership and the U.S member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

GE Transportation
(A carve-out business of General Electric Company)

COMBINED STATEMENT OF EARNINGS

For the years ended December 31 (In thousands)	2017	2016	2015
Revenues			
Sales of goods	$ 2,546,637	$ 3,046,546	$ 3,998,100
Sales of services	1,383,671	1,560,045	1,423,379
Total revenues (Note 3)	**3,930,308**	**4,606,591**	**5,421,479**
Costs of revenues			
Cost of goods sold	2,129,684	2,525,838	3,163,798
Cost of services sold	877,390	909,116	931,745
Gross profit	**923,234**	**1,171,637**	**1,325,936**
Selling, general and administrative expenses	449,651	432,229	414,488
Impairment of goodwill	—	2,027	85,421
Non-operating benefit costs	16,877	18,455	16,249
Other (expense) income	(24,307)	(11,409)	27,121
Earnings before income taxes	**432,399**	**707,517**	**836,899**
Provision for income taxes (Note 13)	(44,303)	(167,428)	(349,275)
Net earnings	**388,096**	**540,089**	**487,624**
Less net earnings attributable to noncontrolling interests	14,311	6,144	7,547
Net earnings attributable to Parent	**$ 373,785**	**$ 533,945**	**$ 480,077**

See Notes to the Combined Financial Statements

GE Transportation
(A carve-out business of General Electric Company)

COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31 (In thousands)	2017	2016	2015
Net earnings	**$ 388,096**	**$ 540,089**	**$ 487,624**
Less net earnings attributable to noncontrolling interests	14,311	6,144	7,547
Net earnings attributable to Parent	**373,785**	**533,945**	**480,077**
Other comprehensive income (loss)			
Foreign currency translation adjustments	15,568	22,970	(42,755)
Benefit plans, net of taxes	459	(1,092)	120
Other comprehensive income (loss), net of taxes	**16,027**	**21,878**	**(42,635)**
Less other comprehensive income (loss) attributable to noncontrolling interests	703	(6,101)	3,194
Other comprehensive income (loss) attributable to Parent	**15,324**	**27,979**	**(45,829)**
Comprehensive income (loss)	**404,123**	**561,967**	**444,989**
Less comprehensive income (loss) attributable to noncontrolling interests	15,014	43	10,741
Comprehensive income attributable to Parent	**$ 389,109**	**$ 561,924**	**$ 434,248**

See Notes to the Combined Financial Statements

GE Transportation
(A carve-out business of General Electric Company)

COMBINED STATEMENT OF CHANGES IN EQUITY

(In thousands)	Net Parent Investment	Accumulated Other Comprehensive Income / (Loss)	Equity Attributable to Noncontrolling Interests	Total Equity
Balances as of January 1, 2015	**$ 1,659,426**	**$ (53,066)**	**$ 11,831**	**$ 1,618,191**
Net earnings	480,077	—	7,547	487,624
Foreign currency translation adjustments	—	(45,959)	3,204	(42,755)
Benefit plans, net of taxes	—	130	(10)	120
Transfers (to) Parent	(635,458)	—	—	(635,458)
Changes in equity attributable to noncontrolling interests	—	—	(662)	(662)
Total equity balance as of December 31, 2015	**1,504,045**	**(98,895)**	**21,910**	**1,427,060**
Net earnings	533,945	—	6,144	540,089
Foreign currency translation adjustments	—	28,992	(6,022)	22,970
Benefit plans, net of taxes	—	(1,013)	(79)	(1,092)
Transfers (to) Parent	(612,311)	—	—	(612,311)
Changes in equity attributable to noncontrolling interests	—	—	6,248	6,248
Total equity balance as of December 31, 2016	**1,425,679**	**(70,916)**	**28,201**	**1,382,964**
Net earnings	373,785	—	14,311	388,096
Foreign currency translation adjustments	—	14,849	719	15,568
Benefit plans, net of taxes	—	475	(16)	459
Transfers (to) Parent	(112,313)	—	—	(112,313)
Changes in equity attributable to noncontrolling interests	—	—	(1,551)	(1,551)
Total equity balance as of December 31, 2017	**$ 1,687,151**	**$ (55,592)**	**$ 41,664**	**$ 1,673,223**

See Notes to the Combined Financial Statements

GE Transportation

(A carve-out business of General Electric Company)

COMBINED STATEMENT OF FINANCIAL POSITION

As of December 31 (In thousands)	**2017**	**2016**
Assets		
Cash and equivalents	$ 105,338	$ 151,151
Current receivables, net (Note 5)	172,386	162,536
Inventories (Note 6)	560,443	740,958
Contract and other deferred assets (Note 3)	535,442	465,532
Prepaid expenses and other current assets (Note 9)	226,280	185,415
Total current assets	**1,599,889**	**1,705,592**
Property, plant and equipment, net (Note 7)	943,168	934,515
Goodwill and intangible assets (Note 8)	537,526	547,420
Long-term contract and other deferred assets (Note 3)	321,392	357,231
Deferred income taxes (Note 13)	64,839	61,165
Other assets (Note 10)	77,759	20,995
Total assets	**$ 3,544,573**	**$ 3,626,918**
Liabilities and equity		
Short-term borrowings (Note 11)	$ 45	$ 21,740
Accounts payable	604,328	682,540
Progress collections and deferred income (Note 3)	592,427	689,946
Other current liabilities (Note 14)	282,723	241,301
Total current liabilities	**1,479,523**	**1,635,527**
Long-term borrowings (Note 11)	44,257	92,772
Long-term progress collections and other deferred income (Note 3)	23,797	9,798
Deferred income taxes (Note 13)	231,582	363,368
Other liabilities (Note 14)	92,191	142,489
Total liabilities	**1,871,350**	**2,243,954**
Net parent investment	1,687,151	1,425,679
Accumulated other comprehensive loss	(55,592)	(70,916)
Total equity attributable to Parent	**1,631,559**	**1,354,763**
Equity attributable to noncontrolling interests	41,664	28,201
Total equity	**1,673,223**	**1,382,964**
Total liabilities and equity	**$ 3,544,573**	**$ 3,626,918**

See Notes to the Combined Financial Statements

GE Transportation
(A carve-out business of General Electric Company)

COMBINED STATEMENT OF CASH FLOWS

For the years ended December 31 (In thousands)	**2017**	**2016**	**2015**
Cash flows - operating activities			
Net earnings	$ 388,096	$ 540,089	$ 487,624
Less net earnings attributable to noncontrolling interests	14,311	6,144	7,547
Net earnings attributable to the Parent	**373,785**	**533,945**	**480,077**
Adjustments to reconcile net earnings attributable to the Parent to cash provided by operating activities:			
Depreciation and amortization expenses	184,012	219,628	208,899
Unrealized (gains) losses from derivative instruments	2,535	(362)	(28,582)
Impairment of goodwill	—	2,027	85,421
Share-based compensation expense	7,375	10,587	13,825
Deferred income taxes	(135,461)	14,691	20,384
Losses (gains) from sale of property, plant and equipment	100	(14,157)	(5,565)
Changes in operating assets and liabilities:			
(Increase) decrease in current receivables	(10,148)	14,407	158,353
Decrease (increase) in inventories	189,659	155,356	(63,313)
(Increase) decrease in contract and other deferred assets	(56,228)	(85,394)	26,514
(Decrease) in prepaid expenses and other assets	(46,401)	(107,254)	(15,361)
(Decrease) increase in accounts payable	(82,736)	(70,253)	39,640
(Decrease) increase in progress collections and other deferred income	(83,519)	147,997	(25,549)
(Increase) decrease in other liabilities	(19,510)	35,345	(16,410)
All other operating activities	(1,459)	(2,851)	(3,099)
Cash provided by operating activities	**322,004**	**853,712**	**875,234**
Cash flows - investing activities			
Additions to property, plant and equipment	(116,811)	(116,389)	(188,970)
Dispositions of property, plant and equipment	25,550	63,430	15,587
Additions to internal-use software	(61,581)	(66,372)	(52,089)
Payments for principal businesses purchased	—	(63,439)	—
Investment in associated companies	(50,116)	(444)	—
All other investing activities	2,002	15,000	(403)
Cash (used for) investing activities	**(200,956)**	**(168,214)**	**(225,875)**
Cash flows - financing activities			
Newly issued debt (maturities longer than 90 days)	44,256	—	33,945
Repayments and other reductions (maturities longer than 90 days)	(114,466)	(13,961)	(16,651)
Transfers (to) Parent	(112,313)	(612,311)	(635,458)
All other financing activities	11,461	686	(4,606)
Cash (used for) financing activities	**(171,062)**	**(625,586)**	**(622,770)**
Effect of currency exchange rate changes on cash and equivalents	4,201	4,133	(7,784)
(Decrease) increase in cash and equivalents	(45,813)	64,045	18,805
Cash and equivalents at beginning of year	**151,151**	**87,106**	**68,301**
Cash and equivalents at end of year	**$ 105,338**	**$ 151,151**	**$ 87,106**
Supplemental disclosure of cash flow information			
Cash paid during the year for interest on borrowings	$ (4,484)	$ (7,611)	$ (6,321)
Cash paid during the year for income taxes	$ (200,482)	$ (313,672)	$ (296,776)

See Notes to the Combined Financial Statements

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF THE BUSINESS

GE Transportation (the "Business", "GET", "our" or "we") is a carve-out business of General Electric Company ("GE" or "Parent"). We are a leading global provider of products and solutions to transportation, logistics and other industrial markets. We design, engineer and manufacture diesel-electric locomotives, supply associated aftermarket parts and services and provide digital solutions. Our culture of innovation and differentiated aftermarket solutions has allowed us to build a leading global installed base of diesel-electric locomotives, significant contracted services backlog and longstanding customer relationships. Our products and services are critical to our customers' operating and financial success and enable them to operate with reliability and efficiency. Leveraging our heritage in diesel-electric locomotives, we have continued to innovate to expand our technologies into new products, end markets and logistics applications. Leveraging our core competencies in locomotive manufacturing, we produce electric motors and premium propulsion systems for mining, marine, stationary power and drilling applications. We have combined industry leadership with engineering and software capabilities to build a digital business that is leading the transformation of the transportation and mining industries. We employ approximately 9,000 employees and serve customers across approximately 60 countries.

The Business is comprised of three reportable segments, which reflect the way performance is assessed and resources are allocated.

EQUIPMENT

Our Equipment segment is a leading producer of diesel-electric locomotives serving freight and passenger railroads. We produce mission-critical products and solutions that help railroads reduce operating costs, decrease fuel use, minimize downtime and comply with stringent emissions standards. In addition to locomotives, we also produce a range of engines, electric motors and premium propulsion systems used in mining, marine, stationary power and drilling applications. This segment represents approximately 45%, 53% and 59% of annual revenues in the years ended December 31, 2017, 2016 and 2015, respectively.

SERVICES

Our Services segment is responsible for supporting railroads in the operation of their fleet of GE Transportation locomotives in an efficient manner throughout their entire lifecycle in terms of safety, availability, reliability and economic performance. We provide aftermarket parts and services to our global installed base, including predictive maintenance, regular maintenance, and unscheduled maintenance and overhaul services for locomotives. Our offerings include supply of parts, technical support and locomotive modernizations. Commercially, locomotive maintenance can be contracted on a fully transactional basis or through multi-year contracts (Contractual Service Agreements or "CSAs"), where we assume certain service activities, and the related performance risks, in return for fixed and variable payments based on underlying utilization of the asset(s) covered. This segment represents approximately 48%, 41% and 37% of annual revenues in the years ended December 31, 2017, 2016 and 2015, respectively.

DIGITAL

Our Digital segment combines decades of industrial leadership with cutting-edge data science and analytics acumen to create an efficient, productive and reliable digital-rail ecosystem – from shipper to receiver – from ports to intermodal terminals – main line locomotives and railcars – to train yards and operation centers. Digital includes transport logistics, transport intelligence, network optimization, train performance and digital mine. Our Digital segment develops and works with our customers to implement a comprehensive set of software-enabled solutions that deliver significant benefits across the transportation and mining landscape. Across global freight and mining industries, productivity and efficiency gains – and new business opportunities – will come largely from digital innovation. Digital tools will improve efficiency of existing assets, connect disparate processes, optimize key chokepoints and entire systems, and open up value across freight and mining. In industries characterized by in-house and boutique solution providers, the breadth and market presence of our Digital solutions have positioned us as a key player for digital innovation. This segment represents approximately 7%, 6% and 4% of annual revenues in the years ended December 31, 2017, 2016 and 2015, respectively.

On May 21, 2018, GE and Westinghouse Air Brake Technologies ("Wabtec") Corporation announced that they had entered into a definitive agreement whereby Wabtec acquired the Business (the "Proposed Transaction").

Under the agreement, which has been approved by the Boards of Directors of Wabtec and GE, GE will receive $2.9 billion in cash at closing. GE shareholders will own approximately 40.2%, GE will own approximately 9.9%, and Wabtec shareholders will own approximately 49.9% of the combined company on a fully diluted basis. The transaction is expected to be tax free to the companies' respective shareholders.

BASIS OF PRESENTATION

These combined financial statements were prepared on a stand-alone basis derived from the consolidated financial statements and accounting records of GE. These combined financial statements as of December 31, 2017 and 2016 and for each of the years ended December 31, 2017, 2016 and 2015 are presented as carve-out financial statements and reflect the combined historical results of operations, comprehensive income, financial position and cash flows of the Business, in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). Refer below to *Recent Accounting Pronouncements Reflected in These Combined Financial Statements* for a summary of recent accounting pronouncements that were adopted and applied in these combined financial statements.

These combined financial statements consolidate all majority-owned subsidiaries. The noncontrolling interests have been shown in the Combined Statement of Financial Position as Equity attributable to noncontrolling interests.

All intercompany balances and transactions within the Business have been eliminated in these combined financial statements. As described in Note 4 Related Party Transactions, certain transactions between the Business and GE have been included in these combined financial statements.

The Combined Statement of Financial Position reflects, among other things, all of the assets and liabilities of GE and the Business that are specifically identifiable as being directly attributable to the Business, including Net parent investment as a component of equity. Net parent investment represents GE's historical investment in the Business and includes accumulated net earnings attributable to GE, the net effect of transactions with GE and GE entities, and cost allocations from GE that were not historically allocated to the Business.

GE uses a centralized approach to cash management and financing of its operations. These arrangements are not reflective of the manner in which the Business would have financed its operations had it been a stand-alone business separate from GE during the periods presented. Cash pooling arrangements are excluded from the asset and liability balances in the Combined Statement of Financial Position. These amounts have instead been reported as Net parent investment as a component of equity.

GE and its affiliates provide a variety of services to the Business. The Business may also sell products in the ordinary course of business to GE and its affiliates. The Combined Statement of Earnings includes expense allocations for services and certain support functions ("GE Corporate Overhead") that are provided on a centralized basis within GE such as legal, business development, human resources, corporate audit, treasury and various other GE corporate functions that are routinely allocated to the Business and reflected in the Combined Statement of Earnings in Selling, general and administrative expenses. In addition to GE Corporate Overhead allocations, Selling, general and administrative expenses that would have been incurred in the ordinary course of business if the Business operated as a stand-alone company, such as compensation and benefits for employees of the Business, were included based on either specific identification of direct expenses or an allocation using an approach related to the nature of the item (e.g., external revenue or headcount).

Where allocations of amounts were necessary, the Business believes the allocation of these amounts were determined on a reasonable basis, reflecting all of the costs of GE Transportation and consistently applied in the periods presented. These allocated amounts, however, are not necessarily indicative of the actual amounts that might have been incurred or realized had the Business operated as a separate stand-alone entity during the periods presented. Consequently, these combined financial statements do not necessarily represent the results the Business would have achieved if the Business had operated as a separate stand-alone entity from GE during the periods presented.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) ESTIMATES AND ASSUMPTIONS

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of any contingent assets or liabilities at the date of these combined financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and judgments on historical experience and on various other assumptions and information that we believe to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty, and accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. While the Business believes that the estimates and assumptions used in the preparation of these combined financial statements are appropriate, actual results could differ from those estimates.

Estimates are used for, but are not limited to, determining the following: estimates of variable revenues and/or costs on long-term revenue generating contracts, recoverability of long-lived assets and inventory, valuation of goodwill, useful lives used in depreciation and amortization, income taxes and related valuation allowances, accruals for contingencies including warranties, actuarial assumptions used to determine costs on employee benefit plans, valuation assumptions for long term stock-based compensation expense, valuation and recoverability of receivables, valuation of derivatives and the fair value of assets acquired and liabilities assumed in acquisitions.

Our revenue recognition on long-term CSAs requires estimates of both customer payments expected to be received over the contract term as well as the costs expected to be incurred to perform required maintenance services. We routinely review estimates under CSAs and regularly revise them to adjust for changes in outlook, however these estimates may materially vary from actual payments and costs incurred over the life of the contracts.

(B) FOREIGN CURRENCY

Certain of our international operations have determined that the local currency is the functional currency whereas others have determined the U.S. dollar is their functional currency. When the functional currency is not the US dollar, the Business translates assets and liabilities to their U.S. dollar equivalents using rates that approximate the exchange rates in effect at the Combined Statement of Financial Position date, and the Business translates functional currency income and expense amounts to their U.S. dollar equivalents using rates that approximate average exchange rates for the period. The U.S. dollar effects that arise from changing translation rates from functional currencies are recorded in Accumulated other comprehensive loss in the Combined Statement of Financial Position.

Gains and losses from foreign currency transactions, such as those resulting from the settlement of monetary items in the non-functional currency and those resulting from remeasurements of monetary items, are included in Costs of revenues and Selling, general and administrative expenses. Gains (losses) of $26,177 thousand, $(18,735) thousand and $27,076 thousand were incurred in the years ended December 31, 2017, 2016 and 2015, respectively.

(C) EQUITY-ACCOUNTED INVESTMENTS

Associated companies are entities in which we do not have a controlling financial interest, but over which we have significant influence, most often because we hold a voting interest of 20% to 50%. Associated companies are accounted for as equity method investments. Results of associated companies are presented on a one-line basis. Investments in, and advances to, associated companies are presented in the caption Other assets in our Combined Statement of Financial Position. See Note 10 Other Assets. Income earned on these investments are presented in Other (expense) income in our Combined Statement of Earnings.

(D) ACQUISITIONS

Our combined financial statements include the operations of acquired businesses from the date of acquisition. The Business accounts for acquired businesses using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. When the Business acquires net assets that do not constitute a “business” as defined in U.S. GAAP, no goodwill is recognized.

Amounts recorded for acquisitions can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see Note 2(A) Estimates and Assumptions.

There were no significant acquisitions that were completed during the years ended December 31, 2017, 2016 and 2015 that affected our combined financial statements. See Note 8 for information on changes in goodwill and intangible assets as a result of acquisitions.

(E) CASH AND EQUIVALENTS

Marketable securities with original maturities of three months or less are included in Cash and equivalents. Cash held in commingled accounts with our Parent, or its affiliates, are presented within Net parent investment.

As of December 31, 2017, $80,228 thousand of Cash and equivalents were held in bank accounts and cannot be released, transferred or otherwise converted into a currency that is regularly transacted internationally, due to lack of market liquidity, capital controls or similar monetary or exchange limitations limiting the flow of capital out of the jurisdiction.

(F) CURRENT RECEIVABLES, NET

Current receivables, net are recorded at the invoiced amount, less an allowance for doubtful accounts, and do not bear interest. The Business maintains an allowance for doubtful accounts for estimated losses inherent in our accounts receivable portfolio. We establish an allowance for doubtful accounts based on various factors including the payment history and financial condition of our debtors and the economic environment. In addition, we consider current receivables aging, unless a specific reserve is established when customers are in bankruptcy or involved in legal disputes about amounts owed. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. See Note 5 Current Receivables, net.

(G) CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2017, one customer accounted for more than 10% of our combined revenues. For the years ended December 31, 2016 and 2015, three customers each accounted for more than 10% of our combined revenues Additionally, two customers accounted for approximately 14% and 13%, respectively, of gross customer receivables as of December 31, 2017 and one customer accounted for approximately 24% of gross customer receivables as of December 31, 2016. Although this concentration affects our overall exposure to credit risk, our customer receivables are spread over a diverse group of customers across many countries, which mitigates this risk. We perform periodic credit evaluations of our customers’ financial conditions, including monitoring our customers’ payment history and current credit worthiness to manage this risk. We do not generally require collateral in support of our customer receivables, but we may require payment in advance or security in the form of a letter of credit or a bank guarantee. Our customer receivables do not represent a significant concentration of credit risk as of December 31, 2017 and 2016 due to the wide variety of customers and markets into which our equipment and services are sold and their dispersion across geographic regions. See Note 5 Current Receivables, net.

See Note 19 Segment Information and Major Customers for further details.

(H) CURRENT RECEIVABLES FACTORING PROGRAM

Some of the Business's accounts receivables are legally transferred through current receivables factoring programs established for GE and various GE subsidiaries administered by an operation of GE Capital called Working Capital Solutions ("WCS"). GE Transportation participates in three different WCS Accounts Receivable factoring programs: GE Accounts Receivable ("GEAR"), On Book, and Emerging Market Debtor Pool ("EMDP"). GE Transportation also utilizes external syndication, which is facilitated either internally or by WCS.

Under the factoring programs, WCS performs a risk analysis and allocates a nonrecourse credit limit for each customer. If the customer exceeds this credit limit, then the remaining amount is either factored with recourse or is not factored as certain jurisdictions do not allow factoring with recourse.

All transfers of receivables qualify as true sales in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 860, *Transfers and Servicing* and are therefore derecognized from our Combined Statement of Financial Position. These factoring arrangements are for goods and services sold by GET to third parties in the ordinary course of business, and cash inflows received as part of the transaction are recorded as an operating cash inflow. See Note 4 Related Party Transactions.

The Business does not have any material off-balance-sheet credit exposure related to our customers. See Note 11 Borrowings.

(I) INVENTORIES

Inventories are stated at the lower of cost and net realizable values. Generally, production inventory including raw materials and work in process and finished goods inventory is valued at cost using a first-in, first-out ("FIFO") basis.

As necessary, we record provisions and write-downs for excess, slow moving and obsolete inventory. To determine these amounts, we regularly review inventory quantities on hand and compare them to estimates of historical utilization, future product demand, market conditions, production requirements and technological developments.

Effective January 1, 2018, we voluntarily changed the cost flow assumption of the U.S. inventories that were previously measured on a last-in, first-out ("LIFO") basis to FIFO basis. We believe the FIFO method is a preferable measure for our inventories as it is expected to better reflect the current value of inventory reported in the Combined Statement of Financial Position, improve the matching of cost of goods sold with related revenue and provide for greater consistency and uniformity across our operations with respect to the method of inventory valuation. The Business applied this change in accounting principle retrospectively to all prior periods presented herein in accordance with FASB ASC Topic 250, *Accounting Changes and Error Corrections*.

See Note 6 Inventories.

(J) RESTRUCTURING COSTS

Costs of restructuring are accounted for in accordance with FASB ASC 420, *Exit or Disposal Cost Obligations*, *ASC 712*, *Compensation* **-** *Nonretirement Postemployment Benefits* and other related pronouncements. ASC 420 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. ASC 712 requires employers to recognize the obligation to provide postemployment benefits if all of the following conditions are met: (a) if the obligation is attributable to employees' services already rendered, (b) employees' rights to those benefits accumulate or vest, (c) payment of the benefits is probable, and (d) the amount of the benefits can be reasonably estimated. If those four conditions are not met, the employer should account for postemployment benefits when it is probable that a liability has been incurred and the amount can be reasonably estimated. See Note 18 Restructuring and Other Activities for additional discussion.

NOTES TO COMBINED FINANCIAL STATEMENTS

(K) SEGMENT REPORTING

We conduct our operations through three operating and reportable segments, which are generally organized based on product lines. Operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. The chief operating decision maker uses a variety of measures to assess the performance of the Business as a whole, depending on the nature of the activity. Operating activities are managed through three reportable segments: Equipment, Services and Digital. The performance of these three segments is principally measured based on revenues and operating profit. See Note 19 Segment Information and Major Customers.

(L) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("P&E") is stated at cost and is depreciated over its estimated economic life. Subsequently, property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

P&E includes rotable assets used to support sales in our Services segment and are presented in the line item Machinery and equipment within P&E. These assets represent already-repaired equipment exchanged for equipment to be serviced, which in turn is repaired and kept for another exchange. Repair costs on rotable assets are expensed as incurred.

The Business incurs maintenance costs on our major equipment. Repair and maintenance costs are expensed as incurred. See Note 7 Property, Plant and Equipment, net.

(M) GOODWILL

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. Goodwill is assigned to specific reporting units, and the Business tests goodwill for impairment at the reporting unit level at least annually or more frequently when facts or circumstances indicate an impairment may have occurred. A reporting unit is an operating segment, or one level below that operating segment (the component level), if discrete financial information is prepared and regularly reviewed by segment management. The Business also tests goodwill for impairment when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Business uses quantitative assessment or qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Business chooses to perform a qualitative assessment and concludes it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a further quantitative fair value test is performed. The Business recognizes an impairment charge if the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill based on the results of our quantitative tests. The market and income approach are used for estimating the fair values for our reporting units. See Note 8 Goodwill and Intangible Assets.

(N) INTANGIBLE ASSETS, NET

All intangible assets of the Business other than goodwill are subject to amortization. The cost of intangible assets is amortized on a straight-line basis over their estimated useful lives. See Note 8 Goodwill and Intangible Assets.

INTERNAL USE SOFTWARE

Internal use software is software that is internally developed, purchased or modified to meet internal needs and for which no substantive plan exists to sell, lease or otherwise market the software externally. Software projects which meet this scope include internal software we use in running our business and software products developed to support certain revenue streams in our Digital segment (e.g., SaaS offerings). All costs associated with project tasks classified in the preliminary project development or post-implementation/operation stage are expensed as incurred. Capitalization of application development stage costs begin after both of the following occur:

(a) preliminary project development stage is completed, and (b) management authorizes and commits to funding the software project, and it is probable that the project will be completed and the software will be used for the purpose for which it was intended. Capitalization ceases when the project is substantially complete. Capitalized amounts are generally amortized using the straight-line method over the asset’s estimated economic life, which in most cases is five years, but does not exceed ten years.

EXTERNAL USE SOFTWARE

External use software is software that is (a) intended to be sold, licensed or marketed to our customers, or is (b) embedded and integral to our tangible products for which research and development has been completed. Costs that are related to the conceptual formulation and design of software are expensed as incurred. Costs that are incurred after technological feasibility has been established are capitalized as an intangible asset. Capitalized costs for software to be sold, leased, or otherwise marketed are amortized on an individual product basis. The annual amortization is the greater of the amount computed using (a) the ratio of current year gross revenues for a product to the total of current year and anticipated future gross revenues for that product, or (b) the straight-line method over the remaining estimated life of the product including the current year.

The Business performs reviews to ensure that unamortized capitalized software program costs remain recoverable from future revenue. See Note 8 Goodwill and Intangible Assets.

(O) TRADE PAYABLES ACCELERATED PAYMENT PROGRAM

The Business’s North American operations, and certain of its suppliers, participate in accounts payable programs with GE Capital. Supplier invoices may be settled early by GE Capital to obtain early pay cash discounts. The Business settles its obligations by reimbursing GE Capital on the invoice’s contractual due date. As the payables in the Trade Payables Services (“TPS”) program relate to operating activities incurred in the ordinary course of business and retain the principal characteristics of a trade payable, the results of this program are included within operating activities in our Combined Statement of Cash Flows. See Note 4 Related Party Transactions.

(P) RESEARCH AND DEVELOPMENT COSTS (“R&D”)

The Business conducts R&D activities to continually enhance our existing products and services, develop new products and services to meet our customer’s changing needs and requirements and address new market opportunities. R&D costs are expensed as incurred and amounted to $113,087 thousand, $175,020 thousand and $214,267 thousand for the years ended December 31, 2017, 2016 and 2015, respectively, and are included in Costs of revenues. This includes direct R&D expenses as well as expenses incurred with the use of services from GE Global Research. See Note 4 Related Party Transactions.

(Q) PENSION AND POSTRETIREMENT BENEFITS

Certain employees and retirees of the Business participate in pension and postretirement benefit plans sponsored by GE. These plans are accounted for in accordance with ASC Sub topic 715-80, *Compensation – Retirement Benefits: Multiemployer Plans* and Subtopic 715-20, *Compensation – Retirement Benefits: Defined Benefit Plans respectively*. See Note 17 Pension and Postretirement Benefit Plans.

(R) FAIR VALUE MEASUREMENTS

The following sections describe the valuation methodologies the Business uses to measure financial and non-financial instruments accounted for at fair value in accordance with the fair value hierarchy as set forth in ASC 820, *Fair Value Measurement and Disclosures.*

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Business would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 -	Quoted prices for identical instruments in active markets.
Level 2 -	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3 -	Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. In addition, the Business performs reviews to assess the reasonableness of the valuations. This detailed review may include the use of a third-party valuation firm.

(S) RECURRING FAIR VALUE MEASUREMENTS

The following sections describe the valuation methodologies used to measure different financial instruments at fair value on a recurring basis.

FINANCIAL INSTRUMENTS – GENERAL

Our financial instruments include trade receivables, trade payables, short and long-term debt and derivative financial instruments. The estimated fair value of our financial instruments as of December 31, 2017 and 2016 approximates their carrying value as reflected in our combined financial statements. See Note 5 Current Receivables, net, Note 9 Prepaid Expenses and Other Current Assets, Note 10 Other Assets, Note 11 Borrowings and Note 14 Other Current Liabilities and Other Liabilities.

DERIVATIVES

The Business uses closing prices for derivatives included in Level 1, which are traded either on exchanges or liquid over-the-counter markets. The majority of our derivatives are valued using internal models and are included in Level 2. Derivative assets and liabilities included in Level 2 are currency exchange contracts, foreign currency forward contracts, and commodity swap contracts.

All derivatives held as of December 31, 2017 and 2016 were valued using Level 2 inputs. See Note 2(W) Derivative Instruments and Hedging Activities.

There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2017 and 2016.

(T) NON-RECURRING FAIR VALUE MEASUREMENTS

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances. These assets can include long-lived assets that have been reduced to fair value when they are held for sale, and equity method investments and long-lived assets that are written down to fair value when they are impaired. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs. The following sections describe the valuation methodologies the Business uses to measure those assets not measured on an ongoing fair value basis.

The following sections describe the valuation methodologies the Business uses to measure those assets not measured on an ongoing fair value basis.

EQUITY METHOD INVESTMENTS

Equity method investments are valued using market observable data such as quoted prices when available. When market observable data is unavailable, investments are valued using a discounted cash flow model, comparative market multiples or a combination of both approaches as appropriate and other third-party pricing sources. These investments are included in Level 3.

LONG-LIVED ASSETS

Long-lived assets, such as property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. The required undiscounted cash flow estimates are derived from our historical experience and our internal business plans. To determine fair value, the Business uses quoted market prices when available, our internal cash flow estimates discounted at an appropriate discount rate, or independent appraisals, as appropriate. Fair values of long-lived assets are primarily derived internally and are based on observed sales transactions for similar assets. These assets are generally included in Level 3. See Note 18 Restructuring and Other activities for impairments recognized related to long-lived assets.

(U) INCOME TAXES

The Business is included in the consolidated U.S. federal, foreign and state income tax returns of GE, where applicable. The Business determines its current and deferred taxes based on the separate return method (i.e., as if the Business were a taxpayer separate from GE). All income taxes due to or due from the Business's Parent that have not been settled or recovered by the end of the period are reflected in Note 13 Income Taxes as such balances will be maintained and settled. Any differences between actual amounts paid or received by the Business and taxes accrued under the separate return method have been reflected in Net parent investment.

The Business accounts for taxes under the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial statement and tax return bases of assets and liabilities as well as from net operating losses and tax credit carryforwards, based on enacted tax rates expected to be in effect when taxes are actually paid or recovered and other provisions of the tax law. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. The Business currently intends to indefinitely reinvest earnings of our foreign subsidiaries with operations outside the U.S. and, accordingly, has not provided U.S. income tax on such earnings. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not, and a valuation allowance is established for any portion of a deferred tax asset that management believes it is not more likely than not to be realized.

Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. The Business operates in approximately 60 countries and our tax filings are subject to audit by the tax authorities in the jurisdictions where business is conducted. These audits may result in assessments of additional taxes that are resolved with the tax authorities or through the courts. The Business has provided for the amounts believed that will ultimately result from these proceedings. The Business recognizes uncertain tax positions that are "more likely than not" to be sustained if the relevant tax authority were to audit the position with full knowledge of all the relevant facts and other information. For those tax positions that meet this threshold, the Business measures the amount of tax benefit based on the largest amount of tax benefit that the Business has a greater than 50% chance of realizing in a final settlement with the relevant authority. The Business classifies interest and penalties associated with uncertain tax positions as interest expense and provision for income taxes, respectively, on the Combined Statement of Earnings. The effects of tax adjustments and settlements from taxing authorities are presented in these combined financial statements in the period they are recorded.

Due to the enactment of U.S. tax reform, repatriations of foreign earnings will generally be free of U.S. federal tax, but may incur other taxes, such as withholding or state taxes. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the Business. Most of these earnings have been reinvested in active non-U.S. business operations. At December 31, 2017, we have not changed our indefinite reinvestment decision as a result of U.S. tax reform, but will reassess this during the course of 2018; accordingly, we have not provided income tax on such earnings. It is not practicable to determine the income tax liability that would be payable if such earnings were not reinvested indefinitely.

Additionally, as part of U.S. tax reform, the U.S. has enacted a tax on "base eroding" payments from the U.S. and a minimum tax on foreign earnings (global intangible low-taxed income). Because aspects of the new minimum tax and the effect on our operations is uncertain and because aspects of the accounting rules associated with this provision have not been resolved, we have not made a provisional accrual for the deferred tax aspects of this provision and consequently have not made an accounting policy election on the deferred tax treatment of this tax.

(V) COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from product warranties, claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. See Note 15 Commitments and Contingencies.

(W) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our business activities are conducted in diverse markets around the world. As a result, the Business is exposed to the impact of foreign currency exchange. See Note 4 Related Party Transactions. We use derivatives to manage a variety of risks, including risks related to commodity prices. The Business designates our derivative instruments as economic hedges and does not have any derivatives qualifying as hedges of fair value or cash flows. As the hedged item and the hedging derivative may not fully offset, there may be a net effect on earnings in each period due to differences in the timing of earnings recognition between the derivative and the hedged item. See Note 12 Derivatives and Hedging.

(X) RECENT ACCOUNTING PRONOUNCEMENTS REFLECTED IN THESE COMBINED FINANCIAL STATEMENTS

As our combined financial statements will be distributed to users of our financial statements on a carve-out basis for the first time in 2018, we have applied the following new guidance for these combined financial statements.

REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the FASB issued a new comprehensive set of revenue recognition principles (ASU No. 2014-09, *Revenue from Contracts with Customers)* that supersedes most existing U.S. GAAP revenue recognition guidance (including ASC 605-35, *Revenue Recognition - Construction-Type and Production-Type Contracts).* The new standard became effective for annual reporting periods beginning after December 15, 2017. We have adopted the standard and applied it retrospectively to all periods presented. Refer to Note 3 Revenue Related to Contracts with Customers for more details.

CLASSIFICATION OF CERTAIN CASH RECEIPTS AND CASH PAYMENTS

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. The standard addresses the classification and presentation of eight specific cash flow items that currently result in diverse practices including the requirement to present cash receipts from a transferor's beneficial interest in securitized trade receivables to be classified as cash inflows from investing activities. This pronouncement is effective for annual reporting periods beginning after December 15, 2017 and is applied on a retrospective basis. The Business has adopted the new guidance and applied it retrospectively to all periods presented in the Combined Statement of Cash Flows. The impact of adopting this standard did not have an effect on the Combined Statement of Cash Flows.

IMPROVEMENTS TO EMPLOYEE SHARE-BASED PAYMENT ACCOUNTING

On September 30, 2016, the Business adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which was intended to simplify several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the Combined Statement of Cash Flows. The Business adopted the standard on a prospective basis with the effect of adoption reflected for the interim periods after the year beginning January 1, 2016 as required by the standard. The primary effects of adoption were the recognition of excess tax benefits in our provision for income taxes rather than net parent investment and the reclassification of cash flows related to excess tax benefits from a financing activity to an operating activity for the periods beginning January 1, 2016. The Business will continue to estimate the number of awards that are expected to vest in our determination of the related periodic compensation cost. The impact of adopting this standard did not have a material effect on the provision for income taxes or the classification within the Combined Statement of Cash Flows.

IMPROVING THE PRESENTATION OF NET PERIODIC PENSION COST AND NET PERIODIC POSTRETIREMENT BENEFIT COST

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires an employer to report the service cost component of net periodic pension benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, with other cost components presented separately from the service cost component and outside of income from operations. Additionally, only the service cost component of net periodic pension benefit cost is eligible for capitalization when applicable. Provisions related to presentation of components of pension costs are to be applied retrospectively, while provisions related to cost capitalization must be applied prospectively. The provisions of this ASU are effective for annual periods beginning after December 15, 2017. The Business has adopted the new guidance and applied it retrospectively to all periods.

SIMPLIFYING OF THE MEASUREMENT OF INVENTORY

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330), Simplifying of the Measurement of Inventory*, which requires inventory not measured using the (LIFO) or retail inventory method, to change the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Currently, inventory measured using these methods is required to be subsequently measured at the lower of cost or market with market defined as replacement cost, net realizable value or net realizable value less a normal profit margin. This ASU eliminates the requirement to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. This pronouncement is effective for annual reporting periods beginning after December 15, 2016 and is applied on a retrospective basis. The Business has adopted the new guidance and applied it retrospectively to all periods presented in the Combined Statement of Financial Position. The impact of adopting this standard did not have a material effect on the Combined Statement of Financial Position.

NOTES TO COMBINED FINANCIAL STATEMENTS

SIMPLIFYING THE ACCOUNTING FOR MEASUREMENT-PERIOD ADJUSTMENTS

On January 1, 2016, we adopted ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which eliminated the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. The Business will recognize measurement-period adjustments when amounts are determined.

BALANCE SHEET CLASSIFICATION OF DEFERRED TAXES

In November 2015, the FASB issued 2015-17, *Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes*. In order to simplify the presentation of deferred income taxes, this ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by this amendment. This ASU is effective for annual and interim reporting periods beginning after December 15, 2016 and is applied on a retrospective basis. The Business has adopted the new guidance and applied it retrospectively to all periods presented in the Combined Statement of Financial Position.

(Y) OTHER RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), creating ASC Subtopic 842, *Leases.* ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter, with early adoption permitted. The Business is currently evaluating the impact of the adoption of ASU 2016-02 on our financial position, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This ASU provides a new framework that will assist in the evaluation of whether business combination transactions should be accounted as acquisition of a business or a group of assets, as well as specifying the minimum required inputs and processes necessary to be a business. The provisions of this ASU are effective for years beginning after December 15, 2017. Any future acquisitions and disposals will be accounted for under these provisions.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill.* This ASU simplifies the measurement of goodwill impairment to a single-step test. The guidance removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation, and will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Under the revised guidance, failing step one will always result in goodwill impairment. The new guidance is effective for annual and interim goodwill impairment tests beginning after December 15, 2019 and early adoption is permitted. The Business is currently evaluating the impact of the adoption of ASU 2017-04 on our financial position, results of operations and cash flows.

In October 2016, the FASB issued ASU 2016-16, *Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*, which amends existing guidance on income taxes to require the accounting for the income tax effects of intercompany sales and transfers of assets other than inventory when the transfer occurs. As a result, the tax expense from the intercompany sale of assets, other than inventory, and associated changes to deferred taxes will be recognized when the sale occurs even though the pre-tax effects of the transaction have not been recognized. The pronouncement is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted at the beginning of an annual period for which no financial statements have already been issued. This amendment is to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Business will apply it on a modified retrospective basis.

NOTES TO COMBINED FINANCIAL STATEMENTS

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments.* The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The new standard will also apply to receivables arising from revenue transactions such as contract assets and accounts receivables and is effective for fiscal years beginning after December 15, 2019. We continue to evaluate the effect of the standard on our combined financial statements.

NOTE 3 REVENUE RELATED TO CONTRACTS WITH CUSTOMERS

ADOPTION OF TOPIC 606 REVENUE FROM CONTRACTS WITH CUSTOMERS

All periods presented in the combined financial statements are presented under the FASB's new accounting standard codification *Topic 606 Revenue from Contracts with Customers* as we elected the full retrospective method of adoption. Changes in accounting on a retrospective basis requires entities to restate their financial information as if the new accounting was always followed unless it is impracticable to do so. Certain of our CSA terms exceed 20 years making it impractical to restate this selection of contracts since their inception due to data limitations. As a result, contract balances prior to January 1, 2010 for these contracts were unadjusted for the impacts of the new revenue standard. We adjusted these balances prospectively from January 1, 2010 following our new accounting policies and procedures under the new revenue standard.

For the purposes of the financial statement display of Revenues and Costs of revenues in our Combined Statement of Earnings, "goods" include all sales of tangible products, and "services" include all other sales, including other services activities.

PERFORMANCE OBLIGATION IDENTIFICATION

The Business recognizes revenue as it satisfies its performance obligations to our customers. A single contract may have multiple performance obligations comprising multiple promises to our customers. We determine our performance obligations based on our customer's intended use of our products and services including considering whether we are providing a significant integration service on our customer's behalf. Non-complex products principally result in each completed product being a separate performance obligation recognized at a point in time. Complex products or services principally result in a single performance obligation as our customer is either procuring a bundled offering that is managed or utilized on a combined basis (e.g., software development solutions in our digital business) or there are multiple complex goods or services in the contract, which are substantially the same and recognized over time (e.g., CSAs or certain highly customized locomotives). When there are multiple performance obligations, revenue is allocated based on the relative stand-alone selling price.

DETERMINATION OF WHEN REVENUE SHOULD BE RECOGNIZED

Revenue for each performance obligation is recognized when our customers obtain control of the underlying goods and services allowing them the ability to direct the use of and substantially obtain all of the remaining benefits. This may occur at a point in time or over time. Non-complex equipment sales manufactured for a broad market, such as platform locomotives, spare parts and other high volume transactional orders are principally recognized at a point in time, which is generally when title transfers to the customer. Services and complex equipment manufactured to a customer's specification are principally recognized over time including CSAs, certain highly customized locomotives, premium propulsion systems, digital implementation projects and digital service offerings.

MANNER IN WHICH REVENUE IS RECOGNIZED FOR OVER TIME CONTRACTS

For those performance obligations recognized over time, we generally recognize revenue either using a straight-line or cost-to-cost measure. A cost-to-cost method is used when costs incurred directly correlates to the fulfillment of our performance obligation to our customers. Under this method of progress, we recognize revenue based upon costs incurred at the estimated margin rate of the related performance obligation. Contract costs are generally accumulated in inventory, and therefore excluded from our measure of progress until the inventory practically or contractually cannot be utilized to fulfill another customer's contract. Contract costs include direct labor, materials and subcontractors' costs, as well as a reasonable allocation of indirect costs related to the service provided or good produced. Certain costs, such as non-recurring engineering, may also be specifically related to the contract, however, do not directly contribute to the transfer of control of the tangible product being created. These types of costs are accounted for as fulfillment costs and amortized proportionally to cost of sales rather than included in our measure of progress.

ESTIMATION PROCESS FOR CONTRACTS RECOGNIZED USING THE COST-TO-COST METHOD

The Business utilizes historical customer data, prior product performance data, statistical analysis, third party data, and internal management estimates to calculate contract-specific margins as our complex products require estimation of costs and certain of our arrangements, including CSAs, have variable billing terms based on customer utilization of the covered assets. While we believe our estimates and estimation processes are reasonable, there can be no assurances that changes in estimates will not occur in the future and such changes may be material. Changes in estimates are recorded in the current period based on a cumulative catch up approach, which recognizes the cumulative effect of the changes on current and prior periods based on the revised percentage of completion and estimated contract margin. The changes in estimates, principally within our CSA portfolio in Services, impacted revenue and operating income by approximately $38,019 thousand, $83,464 thousand and $15,452 thousand for fiscal years ended 2017, 2016 and 2015, respectively. If our estimation process anticipates a loss on the performance obligation, we reserve for the loss that we expect to incur when it is evident.

MANNER IN WHICH CONTRACT MODIFICATIONS ARE TREATED

Contract modifications are routine in the performance of our complex equipment and CSAs. Modifications that do not change the scope or price of the contract are commonly accounted for as a change in estimate to our existing performance obligation. Contract modifications that significantly change the scope and/or price of our contracts, most commonly in our CSAs, are accounted for prospectively.

DISAGGREGATION OF REVENUES

GEOGRAPHIC MARKETS

(In thousands)		Equipment	Services	Digital	Total
U.S.	2017	$ 775,008	$ 1,205,801	$ 200,556	$ 2,181,365
	2016	1,317,493	1,296,111	224,155	2,837,759
	2015	2,218,226	1,366,143	153,640	3,738,009
Europe	2017	60,341	6,028	3,087	69,456
	2016	22,462	7,154	826	30,442
	2015	45,517	6,425	31,011	82,953
Asia	2017	190,484	199,383	4,093	393,960
	2016	174,085	180,959	3,996	359,040
	2015	127,272	211,206	12,124	350,602
Other	2017	742,135	475,743	67,649	1,285,527
	2016	930,200	407,316	41,834	1,379,350
	2015	789,927	415,966	44,022	1,249,915
Total revenue	2017	$ 1,767,968	$ 1,886,955	$ 275,385	$ 3,930,308
	2016	2,444,240	1,891,540	270,811	4,606,591
	2015	3,180,942	1,999,740	240,797	5,421,479

Geographic market is defined as the "ship to" location.

NOTES TO COMBINED FINANCIAL STATEMENTS

CONTRACT AND OTHER DEFERRED ASSETS AND PROGRESS COLLECTIONS AND OTHER DEFERRED INCOME

Contract assets reflect revenues earned in excess of billings on our long-term contracts related to our equipment and CSAs. Contract liabilities reflects billings in excess of revenue recognized on similar agreements. Other deferred assets are fulfillment costs that principally relate to contractually required non-recurring engineering incurred during the initial design phase of a contract, which is recoverable over revenues generated as part of our production efforts. Recoverable costs are capitalized and amortized to Costs of revenues based on their expected pattern of benefit of the customers' order. Amortization of fulfillment costs was approximately $23,828 thousand, $25,519 thousand and $23,329 thousand for fiscal periods ended 2017, 2016 and 2015, respectively.

Revenue recognized that was included in the contract liability at the beginning of the period was $570,651 thousand and $425,347 thousand for fiscal years ended 2017 and 2016, respectively.

CONTRACT AND OTHER DEFERRED ASSETS, NET

Contract and other deferred assets and progress collections, considering current and non-current classification, as of December 31, 2017 and 2016, are as follows:

	At December 31,	
(in thousands)	**2017**	**2016**
Contractual service agreements[(a)]	$ 416,199	$ 368,321
Equipment contract revenue[(b)]	79,588	73,102
Deferred inventory costs[(c)]	39,655	24,199
Total contract and other deferred assets	**$ 535,442**	**$ 465,532**
Long-term contractual service agreements[(a)]	$ 193,389	$ 227,610
Long-term equipment contract revenue[(b)]	33,484	14,549
Long-term non-recurring engineering costs[(d)]	86,868	84,539
Other	7,651	30,533
Total long-term contract and other deferred assets	**$ 321,392**	**$ 357,231**
Progress collections[(e)]	$ 564,971	$ 660,036
Deferred income	27,456	29,910
Total progress collections and deferred income	**$ 592,427**	**$ 689,946**
Long-term progress collections[(e)]	$ 20,740	$ 6,743
Long-term deferred income	3,057	3,055
Total long-term progress collections and other deferred income	**$ 23,797**	**$ 9,798**
Total contract and other deferred assets, net	**$ 240,610**	**$ 123,019**

(a) Reflects revenues earned in excess of billings on our CSAs in our Services segment.
(b) Reflects revenues earned in excess of billings primarily on our long-term contracts to construct equipment principally in our Equipment and Digital segments.
(c) Represents cost deferral for shipped goods and other costs for which the criteria for revenue recognition has not yet been met.
(d) Includes fulfillment costs incurred prior to production (e.g., engineering costs specific to an individual customer's contract) for long-term equipment production contracts, primarily within our Equipment segment, which are allocated proportionately over the life of the contract.
(e) Includes billings in excess of revenue on our long-term equipment and CSAs.

The Contract assets and other deferred assets, net, increased by $122,690 thousand from December 31, 2016, which was due to revenue recognized for work performed exceeding billings, principally in our long-term equipment and CSAs. The increase included $38,019 thousand related to changes in contract estimates, principally in our CSAs.

REMAINING PERFORMANCE OBLIGATIONS

As of December 31, 2017, the aggregate amount of the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations was $15,519,353 thousand. This amount excludes highly probable but uncommitted purchases from our customers that are not legally enforceable. We expect to recognize revenue as we satisfy the remaining performance obligations as follows:

- Equipment - total remaining performance obligations of $4,688,665 thousand of which 71% is expected to be satisfied within 5 year(s) and the remaining thereafter.
- Services - total remaining performance obligations of $10,263,026 thousand of which 52% is expected to be satisfied within 5 year(s), 80% within 10 year(s) and the remaining thereafter.
- Digital - total remaining performance obligations of $567,662 thousand of which 79% is expected to be satisfied within 5 year(s) and the remaining thereafter.

NOTE 4 RELATED PARTY TRANSACTIONS

As discussed in Note 1 Description of Business and Basis of Presentation, GE provides the Business with a number of services. Some of these services are provided directly by GE, and others are managed by GE through third-party service providers. The cost of certain of these services is either (a) recognized through our allocated portion of GE's Corporate Overhead, or (b) billed directly to the Business (such as most of our employee benefit costs). The cost of other services is included within the service itself, and the incremental cost for GE to provide the service is not discernible (such as payroll processing services included within the cost of payroll). In addition, we and our affiliates obtain a variety of goods (such as supplies and equipment) and services (such as GE Global Research Center) under various master purchasing and service agreements to which GE (and not the Business) is a party. We are billed directly for services we procure under these arrangements.

We receive an allocated share of GE's Corporate Overhead for certain services that GE provides to the Business, but which are not specifically billed to the Business, such as public relations, investor relations, treasury, and corporate internal audit services. Costs of $27,163 thousand, $28,249 thousand and $32,599 thousand for the years ended December 31, 2017, 2016 and 2015, respectively, were recorded in our Combined Statement of Earnings for our allocated share of GE's Corporate Overhead. The Business has related party revenues of $817 thousand, $279 thousand and $2,145 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. The majority of these sales were made by the Equipment segment to other GE industrial business units.

These combined financial statements include additional related party transactions with GE and GE entities that include the following:

- Amounts for due to / due from affiliates are recorded in Accounts payable and Current receivables, and are settled in cash. The Business has accounts payable resulting from amounts due to affiliates of $48,057 thousand and $70,008 thousand as of December 31, 2017 and 2016, respectively. The Business has current receivables resulting from amounts due from affiliates of $21,259 thousand and $9,295 thousand as of December 31, 2017 and 2016, respectively.
- The Business factors U.S. and non-U.S. receivables through WCS on a recourse and nonrecourse basis pursuant to various factoring and servicing agreements. The Business had factored receivables of $146,221 thousand and $216,967 thousand without recourse as of December 31, 2017 and 2016, respectively. The Business had factored receivables of $3,989 thousand and $4,509 thousand with recourse as of December 31, 2017 and 2016, respectively. For agreements with recourse, the Business establishes a bad debt reserve based on the aging policy discussed in Note 2(F) Current Receivables. Historically, the Business has outsourced our servicing responsibilities to Global Operations AR CoE for a market-based fee and therefore no servicing asset or liability has been recorded on the Combined

Statement of Financial Position as of December 31, 2017 and 2016. Under the programs, the Business incurred interest expense and finance charges of $19,943 thousand, $12,866 thousand and $6,355 thousand for the years ended December 31, 2017, 2016 and 2015, respectively, which are included in Other (expense) income.

- The Business's North American operations participate in accounts payable programs with TPS. The Business's liability associated with the funded participation in the accounts payable programs, which is presented as accounts payable within the Combined Statement of Financial Position, was $332,584 thousand and $364,655 thousand as of December 31, 2017 and 2016, respectively.
- The Business participates in GE Treasury centralized hedging and offsetting programs. See Note 12 Derivatives and Hedging.
- Employees of the Business participate in pensions and benefit plans that are sponsored by GE. See Note 17 Pension and Postretirement Benefit Plans.
- GE grants stock options, restricted stock units and performance share units to its group employees, including those of GE Transportation, under the GE Long-Term Incentive Plan. Compensation expense associated with this plan was $4,794 thousand, $6,881 thousand and $8,986 thousand for the years ended December 31, 2017, 2016 and 2015, respectively.
- Lease agreements are based on market terms. The Business incurs rent expense resulting from related party leases with GE or GE entities as lessor. See Note 16 Leases.
- All adjustments relating to certain transactions among the Business, GE and GE entities, which include the transfer of the balance of cash and equivalents to GE, transfer of the balance of cash held in cash pooling arrangements to GE, settlement of intercompany debt between the Business and GE or other GE entities and pushdown of all costs of doing business that were paid on behalf of the Business by GE or GE entities, are classified as Net parent investment.

NOTE 5 CURRENT RECEIVABLES, NET

Current receivables, net, as of December 31, 2017 and 2016 consist of the following:

As of December 31 (In thousands)	**2017**	**2016**
Customer receivables	$ 86,882	$ 77,782
Due from GE	21,259	9,295
Sundry receivables	69,127	82,881
	177,268	**169,958**
Less allowance for doubtful accounts	(4,882)	(7,422)
Current receivables, net	**$ 172,386**	**$ 162,536**

Sundry receivables primarily consist of value added tax receivables.

NOTE 6 INVENTORIES

Inventories as of December 31, 2017 and 2016 consist of the following:

As of December 31 (In thousands)	**2017**	**2016**
Raw materials and work in process	$ 268,261	$ 405,154
Finished goods	292,182	335,804
Total inventories	**$ 560,443**	**$ 740,958**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net as of December 31, 2017 and 2016 consist of the following:

As of December 31 (In thousands)	Depreciable Life (in years)	Original Cost 2017	Original Cost 2016	Net Carrying Value 2017	Net Carrying Value 2016
Land and improvements	8[a]	$ 19,857	$ 23,230	$ 16,781	$ 18,467
Buildings, structures and related equipment	8-40	565,076	518,375	337,978	336,369
Machinery and equipment[b]	4-20	1,305,883	1,474,625	476,407	484,414
Leasehold costs and manufacturing plant under construction	3-10	100,597	97,709	112,002	95,265
Total property, plant and equipment, net		**$ 1,991,413**	**$ 2,113,939**	**$ 943,168**	**$ 934,515**
ELTO (net)		$ 30,075	$ 220,011	$ 12,135	$ 23,586

(a) Depreciable lives exclude land.
(b) Equipment leased to others ("ELTO") is presented in the line item Machinery and equipment. This is equipment we own that is available to lease to customers and is stated at cost less accumulated depreciation.

In 2017, GE Transportation had an asset disposition as part of a sale to a customer with a carrying value of $25,297 thousand and recognized a gain on the sale of $203 thousand. The gain on sale is reflected in the Combined Statement of Earnings in Other (expense) income. This asset was included in our Services reportable segment. Based on estimated cash flows from the potential sale of the asset, an impairment loss of $2,203 thousand was recorded during the year ended December 31, 2017. The impairment loss was recorded on the Combined Statement of Earnings in Selling, general and administrative expenses.

In 2016, GE Transportation sold locomotives categorized as ELTO with a carrying value of $14,090 thousand and recognized a gain on the sale of $11,476 thousand. The gain on sale is included in the Combined Statement of Earnings in Other (expense) income.

Total depreciation expense was $112,283 thousand, $171,776 thousand and $172,454 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. In addition, restructuring activities in the Business related to underground mining actions, structural cost actions in our Erie manufacturing plant, the exit of a legacy manufacturing facility for a discontinued product line, and the shutdown of our mining leasing business impacted the decline in original cost from 2016 to 2017. Refer to Note 18 Restructuring and other activities for additional details.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS

GOODWILL

After initial recognition, goodwill is measured net of any accumulated impairment losses. Changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016, by reportable segment, are as follows:

(In thousands)	Equipment	Services	Digital	Total
Balance at December 31, 2015[a]	**$ 2,027**	**$ 112,483**	**$ 135,594**	**$ 250,104**
Acquisitions and purchase accounting adjustments	—	—	41,433	41,433
Impairments, currency translation, and other	(2,027)	—	—	(2,027)
Balance at December 31, 2016	**$ —**	**$ 112,483**	**$ 177,027**	**$ 289,510**
Acquisitions and purchase accounting adjustments	—	—	(6,886)	(6,886)
Impairments, currency translation, and other	—	—	—	—
Balance at December 31, 2017	**$ —**	**$ 112,483**	**$ 170,141**	**$ 282,624**

(a) Goodwill is reported net of $286,388 thousand of accumulated impairments at December 31, 2015, all of which occurred in the Equipment segment.

In performing the annual goodwill impairment test during 2017, we determined that the fair value of the reporting units was more than their carrying amounts. Therefore, no further impairment testing was required and no goodwill impairment was recognized during the fiscal year. As of December 31, 2017, we believe that goodwill is recoverable for all of the reporting units; however, there can be no assurance that the goodwill will not be impaired in future periods.

In 2016 and 2015, we recorded a $2,027 thousand and $85,421 thousand impairment charge, respectively, to a reporting unit within the Equipment reportable segment. The impairment charge was a direct result of a multi-year suppressed global commodities market and the related effect on the global mining investment environment that caused us to revise the expected cash flows of the reporting units. The impairment losses were recorded on the Combined Statement of Earnings in Impairment of goodwill and represented a complete impairment of goodwill in the Equipment reportable segment.

OTHER INTANGIBLE ASSETS

Intangible assets and accumulated amortization as of December 31, 2017 and 2016 consist of the following:

		2017			2016		
As of December 31 (In thousands)	**Useful Life (in years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Customer-related	11-20	$ 21,860	$ (7,636)	$ 14,224	$ 40,876	$ (12,172)	$ 28,704
Patents & technology	7-11	56,866	(21,419)	35,447	87,449	(49,747)	37,702
Capitalized software - internal-use	5	211,209	(116,151)	95,058	208,467	(93,348)	115,119
Capitalized software - external	5-10	130,245	(20,358)	109,887	88,325	(16,087)	72,238
Trademarks & other	18-30	286	(0)	286	6,887	(2,740)	4,147
Total		**$ 420,466**	**$ (165,564)**	**$ 254,902**	**$ 432,004**	**$ (174,094)**	**$ 257,910**

During 2017 and 2016, we recorded additions to intangible assets subject to amortization of $61,882 thousand and $72,400 thousand, respectively, primarily driven by capitalized software.

Amortization expense related to intangible assets subject to amortization was $71,728 thousand, $47,852 thousand and $36,445 thousand for the years ended December 31, 2017, 2016 and 2015, respectively.

Estimated annual amortization for intangible assets over the next five calendar years consists of the following:

(In thousands)	**2018**	**2019**	**2020**	**2021**	**2022**
Estimated annual amortization expense	$ 54,526	$ 54,745	$ 43,535	$ 37,036	$ 32,689

NOTE 9 PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of December 31, 2017 and 2016 consist of the following:

As of December 31 (In thousands)	**2017**	**2016**
Derivative assets	$ 3,303	$ 9,172
Miscellaneous deferred charges	36,807	31,179
Prepaid insurance and other	6,080	10,494
Income tax receivable	179,394	115,937
Other	696	18,633
Prepaid expenses and other current assets	**$ 226,280**	**$ 185,415**

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 10 OTHER ASSETS

Other assets as of December 31, 2017 and 2016 consist of the following:

As of December 31 (In thousands)	2017	2016
Associated companies	$ 56,428	$ 6,859
Other assets[(a)]	21,331	14,136
Total other assets	**$ 77,759**	**$ 20,995**

(a) Other assets consists of long-term prepaid expenses, advances to suppliers and non-current value added tax receivables.

NOTE 11 BORROWINGS

SHORT-TERM BORROWINGS

Beginning in September 2014, the Business entered into a series of unsecured loans with BNDES, a Brazilian Development Bank. The Business receives financing using local resources from this bank. The amounts outstanding under these loans as of December 31, 2017 and 2016 classified as short-term borrowings is $0 and $21,195 thousand, respectively. As of December 31, 2017, all of the BNDES loans had been paid in full and terminated. The weighted-average interest rate as of December 31, 2016 was 8.36%. Interest expense recognized for these loans was $1,824 thousand, $5,183 thousand and $2,336 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. Interest expense is included within Other (expense) income in the Combined Statement of Earnings.

LONG-TERM BORROWINGS

In November 2012, the Business entered into two unsecured term loans with General Electric Europe Holdings C.V. for a total of $131,545 thousand. The debt was related to the acquisition of Industrea Limited, a move that expanded the Business's product offering to the underground mining space. The estimated fair value approximates the carrying value. The debt carried a 5.07% interest rate, paid annually for the first year, with the interest rate resetting on the anniversary of the loan to the mid-rate of the one year swap rate plus a credit spread of 200 basis points. In November 2015, the Business extended both agreements by five years from the day of signing to a maturity date in November 2020 and amended the interest rate to the mid-rate of the one year swap rate plus a credit spread of 175 basis points. In May and November 2017, the Business terminated both loans early utilizing cash pool resources. Interest included in interest expense for long-term borrowings, including the current portion, is $2,377 thousand, $5,950 thousand and $8,043 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. Interest expense is included within Other (expense) income in the Combined Statement of Earnings.

In September 2017, the Business entered into an unsecured loan facility agreement with Wipro GE Healthcare Private Limited to fund various ongoing projects and operational requirements. The loan has a total value of $68,703 thousand, disbursed in three tranches. As of December 31, 2017 the first two tranches had been disbursed with a total value of $44,256 thousand. The final tranche will be disbursed in January 2018. The loan carries an 8% annual interest rate, paid quarterly until the maturity of the loan in January 2020. Interest included in interest expense for long-term borrowings, including the current portion, is $588 thousand, $0 thousand and $0 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. Interest expense is included within Other (expense) income in the Combined Statement of Earnings.

Due to the nature and terms of the debt, the Business carries the debt at face value and did not recognize a discount or premium at issuance. The current portion of long-term debt is included in Short-term borrowings, and the non-current portion of the debt is included in Long-term borrowings. The amounts outstanding under the long-term borrowings as of December 31, 2017 and 2016 are reflected in the table below.

LETTERS OF CREDIT

As of December 31, 2017 and 2016, the Business has off-balance sheet credit exposure for unused letters of credit, bank guarantees, bid bonds, and surety bonds of approximately $532,196 thousand and $453,750 thousand, respectively. Borrowings as of December 31, 2017 and 2016 consist of the following:

Short-term borrowings

As of December 31 (In thousands)	2017	2016
Current portion of long-term borrowings	$ 45	$ 120
Bank borrowings and other	—	21,620
Total short-term borrowings	**$ 45**	**$ 21,740**

Long-term borrowings

As of December 31 (In thousands)	*Maturities*	2017	2016
Long-term portion of borrowings	*2019-2020*	$ 44,257	$ 92,772
Total long-term borrowings		**$ 44,257**	**$ 92,772**

Total interest expense and other finance charges were $21,805 thousand, $20,002 thousand and $14,712 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. Interest expense includes expense related to current receivable factoring programs. See Note 4 Related Party Transactions.

NOTE 12 DERIVATIVES AND HEDGING

Economic hedges are not designated as hedged from an accounting standpoint (and therefore we do not apply hedge accounting to the relationship), but otherwise serve the same economic purpose as other hedging arrangements. We use economic hedges when we have exposures to currency exchange risk for which we are unable to meet the requirements for hedge accounting or when changes in the carrying amount of the hedged item are already recorded in earnings in the same period as the derivative-making hedge accounting unnecessary. Even though the derivative is an effective economic hedge, there may be a net effect on earnings in each period due to differences in the timing of earnings recognition between the derivative and the hedged item. Notional amounts outstanding are approximately $332,821 thousand and $240,589 thousand as of December 31, 2017 and 2016, respectively.

The following table provides information about the fair value of our derivatives, by contract type and the accounts in the Combined Statement of Financial Position in which the balances are presented:

	At December 31,			
	2017		2016	
(In thousands)	Prepaid expenses and other current assets	Other current liabilities	Prepaid expenses and other current assets	Other current liabilities
	Fair Value			
Currency exchange and commodity contracts	$ 3,303	$ 6,372	$ 9,172	$ 8,056

Derivative instruments are principally administered by GE and the (losses) gains are $(9,210) thousand, $(25,804) thousand and $32,414 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. These (losses) gains are included in Other (expense) income.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 13 INCOME TAXES

The tax provisions have been prepared on a separate return basis as if the Business was a separate group of companies under common ownership. The operations have been combined as if the Business was filing on a consolidated basis for U.S. Federal, U.S. state and non-U.S. income tax purposes, where allowable by law. The Business is subject to regulation under a wide variety of U.S. federal, U.S. state and non-U.S. tax laws, regulations and policies. Changes to these laws or regulations may affect our tax liability, return on investments and business operations.

COMBINED EARNINGS (LOSS) BEFORE INCOME TAXES

(In thousands)	2017	2016	2015
U.S.	$ 280,346	$ 619,667	$ 839,500
Non-U.S.	152,053	87,850	(2,601)
Total earnings	**$ 432,399**	**$ 707,517**	**$ 836,899**

COMBINED EXPENSE (BENEFIT) PROVISION FOR INCOME TAXES

(In thousands)	2017	2016	2015
Current			
U.S. Federal	$ 70,879	$ 61,949	$ 248,238
U.S. State and Local	20,202	33,362	43,290
Non-U.S.	92,028	55,838	48,411
Deferred			
U.S. Federal	(118,361)	7,305	(14,775)
U.S. State and Local	(1,564)	5,088	(1,151)
Non-U.S.	(18,881)	3,886	25,262
Total	**$ 44,303**	**$ 167,428**	**$ 349,275**

RECONCILIATION OF U.S. FEDERAL STATUTORY INCOME TAX RATE TO ACTUAL INCOME TAX RATE

(In thousands)	2017	2016	2015
Income before taxes	$ 432,399	$ 707,517	$ 836,899
Tax expected at 35%	151,340	247,631	292,915
Foreign operations and Foreign Tax Credits	843	(119,780)	(675)
State taxes	12,115	24,992	27,662
U.S. Tax Reform	(108,714)	—	—
Domestic manufacturing deduction benefits	(2,610)	(16,214)	(19,843)
Research & Development benefits	(4,147)	(1,601)	(3,223)
Valuation allowance	6,459	25,794	50,441
Other	(10,983)	6,606	1,998
Total income tax	**$ 44,303**	**$ 167,428**	**$ 349,275**
Actual Income tax rate	**10%**	**24%**	**42%**

UNRECOGNIZED TAX POSITIONS

The Business is under continuous examination by the Internal Revenue Service (IRS), various U.S. state taxing authorities, and non-U.S. taxing authorities as part of the audit of GE’s tax returns. The IRS is currently auditing GE's consolidated U.S. income tax returns for 2012-2013 and has begun the audit for 2014-2015. During 2015, the IRS completed the audit of GE's consolidated U.S. income tax returns for 2010-2011, except for certain issues that were completed in 2016. We believe that there are no jurisdictions in which the outcome of unresolved issues or claims is likely to be material to the results of operations, financial position or cash flows. We further believe that we have made adequate provisions for all income tax uncertainties.

The balance of unrecognized tax benefits, the amount of related interest and penalties we have provided and what we believe to be the range of reasonably possible changes in the next 12 months were as follows:

UNRECOGNIZED TAX BENEFITS

Liability (In thousands)	**2017**	**2016**
Unrecognized tax benefits	$ (5,717)	$ (4,802)
Accrued interest on unrecognized tax benefits	(2,222)	(2,565)
Accrued penalties on unrecognized tax benefits	(1,446)	(1,629)
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	—	—
Portion that, if recognized, would reduce tax expense and effective tax rate	(5,717)	(4,802)

UNRECOGNIZED TAX BENEFITS RECONCILIATION

(In thousands)	**2017**	**2016**
Balance at January 1	$ (4,802)	$ (4,465)
Additions for tax positions of the current year	—	—
Additions for tax positions of prior years	(1,320)	(561)
Reductions for tax positions of prior years	405	224
Settlements with tax authorities	—	—
Expiration of the statute of limitations	—	—
Balance at December 31	**$ (5,717)**	**$ (4,802)**

At December 31, 2017, we had $5,717 thousand of unrecognized tax benefits. In addition, we have accrued interest and penalties of $2,222 thousand and $1,446 thousand, respectively. The amount of unrecognized tax benefits that would impact the effective tax rate would be $5,717 thousand. Additionally, none of the amount of unrecognized tax benefits are expected to change in the next twelve months. We classify interest on tax deficiencies as interest expense; we classify income tax penalties as a provision for income taxes.

DEFERRED INCOME TAXES

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. GE Transportation did not operate as a stand-alone entity in the past and, accordingly, tax losses, receivables and other deferred tax assets included in the combined carve-out financial statements on a separate return basis may not be available upon separation of the Business from GE.

We regularly evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if necessary, to reduce the deferred tax assets to an amount that is more likely than not to be realized (a likelihood of more than 50 percent). Significant judgment is required to determine whether a valuation allowance is necessary and the amount of such valuation allowance. In assessing the recoverability of our deferred tax assets at December 31, 2017, we considered all available evidence, including the nature of financial statement losses and reversing taxable temporary differences and future operating profits.

NOTES TO COMBINED FINANCIAL STATEMENTS

Aggregated deferred income tax amounts are summarized below.

DEFERRED INCOME TAX AMOUNTS

(In thousands)	**2017**	**2016**
Assets	$ 6,770	$ 1,322
Liabilities	(173,513)	(303,526)
Net deferred income tax (liability)	**$ (166,743)**	**$ (302,204)**

COMPONENTS OF THE NET DEFERRED INCOME TAX ASSET LIABILITY

(In thousands)	**2017**	**2016**
Deferred tax assets		
Goodwill & other intangibles	$ 88,232	$ 72,246
Operating loss carryforwards	56,783	54,098
Employee benefits	12,373	16,230
Other	—	319
Total deferred income tax asset	**157,388**	**142,893**
Valuation allowances	(150,618)	(141,571)
Total deferred income tax asset after valuation allowance	**$ 6,770**	**$ 1,322**
Deferred tax liabilities		
Goodwill and other intangibles	$ (21,888)	$ (32,185)
Property	(80,075)	(162,055)
Receivables	(41,374)	(73,755)
Inventory	(3,433)	(25,468)
Other accrued expenses	(15,059)	(10,063)
Other	(11,684)	—
Total deferred income tax liability	**$ (173,513)**	**$ (303,526)**
Net deferred income tax liability	**$ (166,743)**	**$ (302,204)**

NET OPERATING LOSSES

At December 31, 2017 and 2016, the Business had net operating loss carryforwards of approximately $191,063 thousand and $181,672 thousand, respectively. The net operating loss carryforwards result in a deferred tax asset of $56,783 thousand and $54,098 thousand at December 31, 2017 and 2016. The majority of the net operating losses are located in Australia where losses can be carried forward indefinitely.

UNDISTRIBUTED EARNINGS

Substantially all of our undistributed earnings of our foreign subsidiaries are indefinitely reinvested. Due to the enactment of U.S. tax reform, repatriations of foreign earnings will generally be free of U.S. federal tax but may incur other taxes such as withholding or state taxes. Indefinite reinvestment is determined by management's intentions concerning the future operations of the Business. Most of these earnings have been reinvested in active non-U.S. business operations, and we do not intend to repatriate these earnings to fund U.S. operations. In addition, as a result of U.S. tax reform, substantially all of our prior unrepatriated foreign earnings were subject to U.S. tax, and accordingly we expect to have the ability to repatriate those earnings without incremental U.S. federal tax cost. As of December 31, 2017, the cumulative amount of indefinitely reinvested foreign earnings is approximately $278,956 thousand. Computation of any deferred tax liability associated with these undistributed earnings and any other basis differences is not practicable.

TAX REFORM

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act ("U.S. tax reform") that lowers the statutory tax rate on our U.S. earnings, taxes historic foreign earnings at a reduced rate of tax, creates a territorial tax system and enacts new taxes associated with global operations. The impact of U.S. tax reform has been recorded on a provisional basis as the legislation provides for additional guidance to be issued by the U.S. Department of the Treasury on several provisions including the computation of the transition tax on historic foreign earnings. Future guidance could impact the information required for and the calculation of the transition tax charge and could affect decisions on timing of various U.S. and foreign items which would further impact the final 2017 amounts included in the transition charge and the revaluation of deferred taxes. In addition, analysis performed and conclusions reached as part of the tax return filing process and additional guidance on accounting for tax reform could affect the provisional estimate.

The U.S. has also enacted a minimum tax on foreign earnings ("global intangible low-taxed income"). Because we have tangible assets outside the U.S. and pay a rate of foreign tax above the minimum tax rate, we are not expecting a significant increase in tax liability from this new U.S. minimum tax. Because aspects of the new law and the effect on our operations is uncertain and because aspects of the accounting rules associated with these taxes have not been resolved, our deferred tax may be affected by these or other newly enacted provisions of U.S. law. Pending further accounting guidance and analysis, we have not made a provisional accrual for the deferred tax effects of the tax on base eroding payments and the tax on global intangible low-taxed income.

Included in 2017 is a tax charge of $5,454 thousand for the provisional estimate associated with the transition tax on historic foreign earnings under U.S. Tax Reform. Also, included in 2017 is a tax benefit of $114,168 thousand for the provisional estimate associated with the U.S. tax rate change. We expect to finalize these amount during 2018 as additional guidance is released by the U.S. Department of the Treasury and as we make final decisions and computations based on that guidance. In addition, there may be additional guidance during 2018 on the tax on base erosion payments and the tax on global intangible lower-taxed income. As these amounts are updated and analysis and conclusions to be performed as part of the U.S. tax return process are completed, the effect of revaluation of deferred taxes will also be finalized.

NOTE 14 OTHER CURRENT LIABILITIES AND OTHER LIABILITIES

OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2017 and 2016 consist of the following:

As of December 31 (In thousands)	**2017**	**2016**
Employee related liabilities[a]	$ 90,801	$ 105,796
Derivative liabilities	6,372	8,056
Discounts and allowances	14,132	2,593
Accrued taxes	47,113	41,642
Accrued costs for freight, utility & other	28,563	30,735
Warranties	49,564	25,672
Restructuring and sundry losses[b]	24,032	17,689
Other current liabilities[c]	22,146	9,118
Total other current liabilities	**$ 282,723**	**$ 241,301**

(a) Employee related liabilities are largely comprised of payroll, employee compensation and benefits, pension and other postretirement benefit obligations.
(b) Restructuring accruals and accruals for legal costs arising from claims, assessments, litigation, fines and penalties and other sources and are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. See Note 18 Restructuring and Other Activities.
(c) Other current liabilities primarily consists of professional fees and various other accruals.

OTHER LIABILITIES

Other liabilities as of December 31, 2017 and 2016 consist of the following:

As of December 31 (In thousands)	2017	2016
Employee related liabilities[a]	$ 27,135	$ 31,374
Sundry losses[b]	8,503	11,973
Warranties	30,753	75,820
Tax related liabilities[c]	7,163	6,431
Other liabilities[d]	18,637	16,891
Total other liabilities	**$ 92,191**	**$ 142,489**

(a) Employee related liabilities are largely comprised of long-term employee compensation programs.
(b) Consists of accruals for legal costs and various other accruals.
(c) Consists of reserves for uncertain tax positions.
(d) Other liabilities primarily consist of holdbacks and earn-outs.

NOTE 15 COMMITMENTS AND CONTINGENCIES

WARRANTY OBLIGATIONS

As part of our product sales we provide standard warranty coverage to our customers as part of customary practices in the market to provide assurance that the equipment sold will comply with agreed upon specifications and such standard warranty at the time of sale is limited to fixing product defects. Issuance of a product warranty constitutes a commitment, which must be accrued as a loss contingency if expenditures under the warranty are both probable and reasonably estimable. The Business provides for estimated product warranty expenses when the related product sale is recognized. Additionally, we may elect certain corrective actions, at our expense, for certain product-related matters impacting our product portfolios. Warranty obligations are recognized for these matters when we commit to these corrective actions and they are estimable. Because warranty estimates are forecasts that are based on the best available information, primarily based on historical warranty claims experience and outstanding warranty period, claims costs may differ from amounts provided.

(In thousands)	2017	2016
Balance at January 1	$ 101,492	$ 120,172
Current year provisions	54,346	50,359
Utilizations and other	(75,521)	(69,039)
Balance at December 31	**$ 80,317**	**$ 101,492**

Approximately 38% and 75% of warranty costs as of December 31, 2017 and 2016, respectively, are expected to be incurred beyond 12 months and therefore are classified as a long-term liability in Other liabilities. Refer to Note 14 Other Current Liabilities and Other Liabilities.

GUARANTEES

The Business provides guarantees in the ordinary course of business. The Business believes the likelihood is remote that any such arrangements could have a significant adverse effect on these combined financial statements of the Business. The Business records liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows, which are zero as of December 31, 2017 and 2016. The Business has off-balance sheet credit exposure through standby letters of credit, bank guarantees, bid bonds, and surety bonds. See Note 11 Borrowings. In addition, our Parent may provide the Business with parent company guarantees in certain jurisdictions where we lack the legal structure to issue the requisite guarantees required on certain projects. We are charged by our Parent the fair market value of such guarantees.

NOTES TO COMBINED FINANCIAL STATEMENTS

LITIGATION

The Business is subject to a variety of legal proceedings and legal compliance risks in all parts of the world where the Business operates or buys or sells its equipment and services. The Business has adopted appropriate risk management and compliance programs to address these and other matters that may arise from time to time. The global and diverse nature of our business and the changing enforcement environments in which it operates, means the Business will continue to face legal and compliance risks, the nature and outcome of which cannot be predicted with certainty. Currently, management believes there are no legal contingencies that are likely to have a material effect on the Business's Combined Statements of Financial Position, Earnings, or Cash Flows.

In late November 2017, staff of the Boston office of the U.S. Securities & Exchange Commission (SEC) notified GE that they are conducting an investigation of GE’s revenue recognition practices and internal controls over financial reporting related to long-term service agreements. We have provided documentation to Parent regarding our long-term service agreement practices. Parent is providing documents and other information requested by the SEC staff, and our Parent is cooperating with their ongoing investigation.

OTHER CONTRACTUAL COMMITMENTS

We also had commitments outstanding for purchase obligations, which represents take-or-pay contracts as well as purchase orders for goods and services utilized in the normal course of business such as capital expenditures, inventory and services under contracts.

At December 31, 2017, we had the following purchase commitments:

(In thousands)	2018	2019	2020	2021	2022
Purchase obligations	$ 19,436	$ 90	$ —	$ 22,669	$ 1,300

OTHER LOSS CONTINGENCIES

Other loss contingencies are uncertain and unresolved matters that arise in the ordinary course of business and result from events or actions by others that have the potential to result in a future loss. Suzch contingencies include, but are not limited to, environmental obligations, litigation, regulatory proceedings, product quality and losses resulting from other events and developments.

When a loss is considered probable and reasonably estimable, a liability is recorded in the amount of GE Transportation’s best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. However, the likelihood of a loss, with respect to a contingency, is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a loss is probable but a reasonable estimate cannot be made, disclosure is provided.

Disclosure is also provided when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. GE Transportation regularly reviews all contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss, or range of loss, can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with, or decisions by, third parties, such as regulatory agencies, the court system and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates.

NOTE 16 LEASES

LEASE COMMITMENTS

The Business is a lessee under various cancelable and non-cancelable operating lease arrangements for facilities, information technology, fleet, and other equipment having terms, which expire on various dates. Rent expense for third party leases was $23,274 thousand, $28,255 thousand and $30,411 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. We did not enter into any significant capital leases during the three years ended December 31, 2017.

Future minimum lease payments on non-cancelable operating lease arrangements, net of amounts due under subleases, as of December 31, 2017, consist of the following:

For the years ended December 31 (In thousands)	Total
Due in	
2018	$ 23,670
2019	15,081
2020	9,002
2021	8,641
2022	7,274
2023 and thereafter	36,429
Total	**$ 100,097**

This table excludes arrangements with GE and GE entities, which are cancelable at the option of the Business. Rent of approximately $5,828 thousand was paid to GE for these leases for the year ended December 31, 2017, which was generally consistent with prior years. See Note 4 Related Party Transactions.

NOTE 17 PENSION AND POSTRETIREMENT BENEFIT PLANS

Certain employees are covered under GE's retirement plans (e.g. pension, retiree health and life insurance). In addition, certain Canadian employees participate in the GE Canada Defined Benefit Pension Plan as well as the Canada Postretirement Benefits.

The Business is allocated relevant participation costs for these GE employee benefit plans by GE. As such, the Business has not recorded any liabilities associated with our participation in this multi-employer plan in our Combined Statement of Financial Position as of December 31, 2017 and 2016.

Expenses associated with our employees' participation in the U.S. GE pension and postretirement benefit plans are $77,965 thousand, $86,285 thousand and $108,647 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. Expenses associated with our employees' participation in the GE Canada Defined Benefit Pension Plan and Canada Postretirement Benefits are $1,019 thousand, $1,015 thousand and $1,792 thousand for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE 18 RESTRUCTURING AND OTHER ACTIVITIES

The Business plans for restructuring initiatives to be completed within one year from the date the plan is effective. Restructuring actions are an essential component of our improvement efforts to both existing operations and those recently acquired, and there have been several initiatives in recent years as we have right-sized our businesses for changing market conditions.

Restructuring and other charges relate primarily to workforce reductions, facility exit costs associated with the consolidation of sales, service and manufacturing facilities, and other asset write-downs. The Business continues to closely monitor the economic environment and may undertake further restructuring actions to more closely align our cost structure with earnings goals.

NOTES TO COMBINED FINANCIAL STATEMENTS

The Business's restructuring activities include consolidation of footprint and workforce reductions and realignment. In 2017 and 2016, restructuring activities were primarily in the U.S., Mexico, Canada, Australia, Chile and Brazil. In 2015, restructuring activities were primarily in the U.S., Canada, Mexico, Brazil and Australia. Restructuring expenses and related charges for the years ended December 31, 2017, 2016 and 2015 consist of the following:

	For the years ended December 31		
(In Thousands)	**2017**	**2016**	**2015**
Equipment			
Asset impairment	$ 73,576	$ 81,774	$ 3,922
Contract termination costs	33	19,359	—
Employee separation expense	24,522	29,375	8,861
Total Equipment	**$ 98,131**	**$ 130,508**	**$ 12,783**
Services			
Asset impairment	12,748	21,141	68
Contract termination costs	—	—	—
Employee separation expense	14,977	24,100	2,095
Total Services	**$ 27,725**	**$ 45,241**	**$ 2,163**
Digital			
Asset impairment	17,971	1,544	—
Contract termination costs	—	—	—
Employee separation expense	1,021	600	39
Total Digital	**$ 18,992**	**$ 2,144**	**$ 39**
Total	**$ 144,848**	**$ 177,893**	**$ 14,985**

Restructuring costs are reflected in the Combined Statement of Earnings in Selling, general and administrative expenses and Costs of revenues. Liabilities related to restructuring are included in Other current liabilities. See Note 14 Other Current Liabilities and Other Liabilities.

NOTE 19 SEGMENT INFORMATION AND MAJOR CUSTOMERS

BASIS OF PRESENTATION

Our reportable segments are organized based on the nature of markets and customers. Segment accounting policies are the same as described and referenced in Note 2 Summary of Significant Accounting Policies.

Certain information concerning our segments for the years ended December 31, 2017, 2016 and 2015 is presented in the following tables. Consistent accounting policies have been applied by all segments within the Business, within all reporting periods. A description of our reportable segments as of December 31, 2017 have been provided in Note 1 Description of Business and Basis of Presentation.

SEGMENT REVENUES

Refer to the table below for total revenues by segment for the years ended December 31, 2017, 2016 and 2015.

	Total revenues		
	For the years ended December 31		
(In Thousands)	**2017**	**2016**	**2015**
Equipment	$ 1,767,968	$ 2,444,240	$ 3,180,942
Services	1,886,955	1,891,540	1,999,740
Digital	320,406	344,854	339,423
Eliminations	(45,021)	(74,043)	(98,626)
Total revenues	**$ 3,930,308**	**$ 4,606,591**	**$ 5,421,479**

NOTES TO COMBINED FINANCIAL STATEMENTS

Revenues from customers located in the United States were $2,181,365 thousand, $2,837,759 thousand and $3,738,009 thousand for the years ending December 31, 2017, 2016 and 2015, respectively. Revenues from customers located outside the United States were $1,748,943 thousand, $1,768,832 thousand and $1,683,470 thousand for the years ended December 31, 2017, 2016 and 2015, respectively.

OTHER SEGMENT INFORMATION

The Business uses segment profit to manage the Business and allocate resources. Management defines segment profit as operating income, plus interest income, less noncontrolling interest. Costs for corporate overhead functions are first attributed to the segments to the extent possible before being subject to various allocation methodologies. Refer to the table below for segment profit and a reconciliation to Net earnings attributable to Parent for the years ended December 31, 2017, 2016 and 2015.

	For the years ended December 31		
(In Thousands)	**2017**	**2016**	**2015**
Equipment	$ (28,907)	$ 142,508	$ 130,407
Services	603,344	683,824	710,709
Digital	27,181	93,418	119,603
Segment profit	**$ 601,618**	**$ 919,750**	**$ 960,719**
Non-operating benefit costs	(16,877)	(18,455)	(16,249)
Impairment of goodwill	—	(2,027)	(85,421)
Restructuring costs	(144,848)	(177,893)	(14,985)
Interest expense and other finance charges	(21,805)	(20,002)	(14,712)
Provision for income taxes	(44,303)	(167,428)	(349,275)
Net earnings attributable to Parent	**$ 373,785**	**$ 533,945**	**$ 480,077**

The Business does not identify total assets by segment for internal purposes as the Business' CODM ("Chief Operating Decision Maker") does not assess performance, make strategic decisions, or allocate resources based on assets.

Refer to the table below for details on depreciation and amortization by segment for the years ended December 31, 2017, 2016 and 2015.

	Depreciation and amortization For the years ended December 31		
(In Thousands)	**2017**	**2016**	**2015**
Equipment	$ 119,657	$ 166,405	$ 146,305
Services	47,903	39,596	45,994
Digital	16,452	13,627	16,600
Total	$ **184,012**	$ **219,628**	$ **208,899**

MAJOR CUSTOMERS

For the year ended December 31, 2017, a single customer accounted for approximately 17% of combined revenues. For the years ended December 31, 2016 and 2015, three customers each accounted for approximately 19%, 13% and 13%, and 17%, 12% and 12% of combined revenues, respectively. These revenues are within the Equipment, Services, and Digital segments.

NOTE 20 SUBSEQUENT EVENTS

The Business performed an evaluation of subsequent events through June 4, 2018, the date these combined financial statements were issued, and determined there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in these combined financial statements. Refer to Note 1 Description of Business and Basis of Presentation for further detail on the Proposed Transaction announced on May 21, 2018.

Exhibit 99.2

GE Transportation

(A carve-out business of General Electric Company)
Unaudited Condensed Combined Financial Statements
As of June 30, 2018 and December 31, 2017
And for the three months and six months ended June 30, 2018 and 2017
(With Independent Auditors' Review Report Thereon)

GE Transportation
(A carve-out business of General Electric Company)

INDEX TO CONDENSED COMBINED FINANCIAL STATEMENTS

Contents	Pages

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Review Report

To the Board of Directors
General Electric Company:

Report on the Financial Statements

We have reviewed the condensed combined statement of financial position of GE Transportation (a carve-out business of General Electric Company) (the Company) as of June 30, 2018 and December 31, 2017, and the related condensed combined statement of earnings, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the three-month and six-month periods ended June 30, 2018 and June 30, 2017.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the combined financial information in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with U.S. generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America and in accordance with the auditing standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the combined financial information referred to above for it to be in accordance with U.S. generally accepted accounting principles.

Report on Combined Statement of Financial Position as of December 31, 2017

We have previously audited, in accordance with auditing standards generally accepted in the United States of America and in accordance with the auditing standards of the PCAOB, the combined statement of financial position as of December 31, 2017, and the related combined statement of earnings, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated June 4, 2018. In our opinion, the accompanying condensed combined statement of financial position of GE Transportation as of December 31, 2017, is consistent, in all material respects, with the audited combined financial statement from which it has been derived.

KPMG LLP

Chicago, Illinois
August 7, 2018

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

GE Transportation

(A carve-out business of General Electric Company)

CONDENSED COMBINED STATEMENT OF EARNINGS (UNAUDITED)

For the three months ended June 30 (In thousands)	2018	2017
Revenues		
Sales of goods	$ 570,726	$ 621,046
Sales of services	346,278	344,212
Total revenues (Note 3)	**917,004**	**965,258**
Costs of revenues		
Cost of goods sold	447,233	496,339
Cost of services sold	211,798	218,676
Gross profit	**257,973**	**250,243**
Selling, general and administrative expenses	142,746	116,194
Non-operating benefit costs	2,504	8,532
Other (expense) income	(6,623)	(11,492)
Earnings before income taxes	**106,100**	**114,025**
Provision for income taxes (Note 14)	(19,965)	(30,853)
Net earnings	**86,135**	**83,172**
Less net earnings attributable to noncontrolling interests	580	4,002
Net earnings attributable to Parent	**$ 85,555**	**$ 79,170**

See Notes to the Condensed Combined Financial Statements

GE Transportation
(A carve-out business of General Electric Company)

CONDENSED COMBINED STATEMENT OF EARNINGS (UNAUDITED)

For the six months ended June 30 (In thousands)	2018	2017
Revenues		
Sales of goods	$ 1,101,781	$ 1,312,160
Sales of services	672,107	668,425
Total revenues (Note 3)	**1,773,888**	**1,980,585**
Costs of revenues		
Cost of goods sold	881,336	1,116,321
Cost of services sold	405,955	446,245
Gross profit	**486,597**	**418,019**
Selling, general and administrative expenses	264,770	228,713
Non-operating benefit costs	5,155	11,262
Other (expense) income	(4,362)	(20,961)
Earnings before income taxes	**212,310**	**157,083**
Provision for income taxes (Note 14)	(44,084)	(56,984)
Net earnings	**168,226**	**100,099**
Less net earnings attributable to noncontrolling interests	4,136	6,811
Net earnings attributable to Parent	**$ 164,090**	**$ 93,288**

See Notes to the Condensed Combined Financial Statements

GE Transportation

(A carve-out business of General Electric Company)

CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended June 30 (In thousands)	2018	2017
Net earnings	**$ 86,135**	**$ 83,172**
Less net earnings attributable to noncontrolling interests	580	4,002
Net earnings attributable to Parent	**85,555**	**79,170**
Other comprehensive (loss) income		
Foreign currency translation adjustments	(31,893)	2,733
Benefit plans, net of taxes	48	576
Other comprehensive (loss) income, net of taxes	**(31,844)**	**3,309**
Less other comprehensive loss attributable to noncontrolling interests	(4,180)	(485)
Other comprehensive (loss) income attributable to Parent	**(27,665)**	**3,794**
Comprehensive income	**54,290**	**86,481**
Less comprehensive (loss) income attributable to noncontrolling interests	(3,600)	3,517
Comprehensive income attributable to Parent	**$ 57,890**	**$ 82,964**

See Notes to the Condensed Combined Financial Statements

GE Transportation
(A carve-out business of General Electric Company)

CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30 (In thousands)	2018	2017
Net earnings	**$ 168,226**	**$ 100,099**
Less net earnings attributable to noncontrolling interests	4,136	6,811
Net earnings attributable to Parent	**164,090**	**93,288**
Other comprehensive (loss) income		
Foreign currency translation adjustments	(20,849)	20,078
Benefit plans, net of taxes	2,173	772
Other comprehensive (loss) income, net of taxes	**(18,676)**	**20,850**
Less other comprehensive (loss) income attributable to noncontrolling interests	(2,400)	1,331
Other comprehensive (loss) income attributable to Parent	**(16,276)**	19,519
Comprehensive income	**149,550**	**120,949**
Less comprehensive income attributable to noncontrolling interests	1,736	8,142
Comprehensive income attributable to Parent	**$ 147,814**	**$ 112,807**

See Notes to the Condensed Combined Financial Statements

GE Transportation

(A carve-out business of General Electric Company)

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(In thousands)	Net Parent Investment	Accumulated Other Comprehensive Income / (Loss)	Equity Attributable to Noncontrolling Interests	Total Equity
Balances as of January 1, 2017	**$ 1,425,679**	**$ (70,916)**	**$ 28,201**	**$ 1,382,964**
Net earnings	93,288	-	6,811	100,099
Foreign currency translation adjustments	-	18,742	1,336	20,078
Benefit plans, net of taxes	-	777	(5)	772
Transfers (to) from Parent	221,471	-	-	221,471
Changes in equity attributable to noncontrolling interests	-	-	11,182	11,182
Total equity balance as of June 30, 2017	**$ 1,740,438**	**$ (51,397)**	**$ 47,525**	**$ 1,736,566**
Balances as of January 1, 2018	**$ 1,687,151**	**$ (55,592)**	**$ 41,664**	**$ 1,673,223**
Net earnings	164,090	-	4,136	168,226
Foreign currency translation adjustments	-	(18,432)	(2,417)	(20,849)
Benefit plans, net of taxes	-	2,156	17	2,173
Transfers (to) from Parent	6,499	-	-	6,499
Changes in equity attributable to noncontrolling interests	-	-	1,302	1,302
Total equity balance as of June 30, 2018	**$ 1,857,740**	**$ (71,868)**	**$ 44,702**	**$ 1,830,574**

See Notes to the Condensed Combined Financial Statements

GE Transportation

(A carve-out business of General Electric Company)

CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION

(In thousands)	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Cash, cash equivalents and restricted cash	$ 131,516	$ 105,338
Current receivables, net (Note 6)	207,527	172,386
Inventories (Note 7)	675,156	560,443
Contract and other deferred assets (Note 3)	581,100	535,442
Prepaid expenses and other current assets (Note 10)	230,426	226,280
Total current assets	**1,825,725**	**1,599,889**
Property, plant and equipment, net (Note 8)	931,717	943,168
Goodwill and intangible assets (Note 9)	536,192	537,526
Long-term contract and other deferred assets (Note 3)	400,933	321,392
Deferred income taxes (Note 14)	64,410	64,839
Other assets (Note 11)	80,294	77,759
Total assets	**$ 3,839,271**	**$ 3,544,573**
Liabilities and equity		
Short-term borrowings (Note 12)	$ 24	$ 45
Accounts payable	706,706	604,328
Progress collections and deferred income (Note 3)	619,410	592,427
Other current liabilities (Note 15)	284,247	282,723
Total current liabilities	**1,610,387**	**1,479,523**
Long-term borrowings (Note 12)	67,509	44,257
Long-term progress collections and other deferred income (Note 3)	17,333	23,797
Deferred income taxes (Note 14)	224,716	231,582
Other liabilities (Note 15)	88,752	92,191
Total liabilities	**2,008,697**	**1,871,350**
Net parent investment	1,857,740	1,687,151
Accumulated other comprehensive loss	(71,868)	(55,592)
Total equity attributable to Parent	**1,785,872**	**1,631,559**
Equity attributable to noncontrolling interests	44,702	41,664
Total equity	**1,830,574**	**1,673,223**
Total liabilities and equity	**$ 3,839,271**	**$ 3,544,573**

See Notes to the Condensed Combined Financial Statements

GE Transportation

(A carve-out business of General Electric Company)

CONDENSED COMBINED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended June 30 (In thousands)	2018	2017
Cash flows - operating activities		
Net earnings	$ 168,226	$ 100,099
Less net earnings attributable to noncontrolling interests	4,136	6,811
Net earnings attributable to the Parent	**164,090**	**93,288**
Adjustments to reconcile net earnings attributable to the Parent to cash provided by (used for) operating activities:		
Depreciation and amortization expenses	78,183	86,754
Unrealized losses from derivative instruments	1,620	4,205
Share-based compensation expense	5,524	3,754
Deferred income taxes	(6,436)	(30,647)
Gains from sale of property, plant and equipment	(955)	(2,103)
Gains from disposal of business	(5,614)	-
Changes in operating assets and liabilities:		
(Increase) decrease in current receivables	(57,126)	23,295
(Increase) decrease in inventories	(101,767)	43,361
(Increase) in contract and other deferred assets	(123,045)	(11,680)
(Increase) in prepaid expenses and other assets	(1,311)	(62,453)
Increase (decrease) in accounts payable	134,175	(48,450)
Increase (decrease) in progress collections and other deferred income	23,806	(104,457)
(Increase) decrease in other liabilities	(10,130)	(23,314)
All other operating activities	(24,578)	(5,673)
Cash provided by (used for) operating activities	**76,436**	**(34,120)**
Cash flows - investing activities		
Additions to property, plant and equipment	(56,041)	(71,022)
Dispositions of property, plant and equipment	1,315	4,099
Additions to software	(19,040)	(30,885)
Proceeds from principal business dispositions	5,687	-
Investment in associated companies	(323)	(50,104)
All other investing activities	9	3,939
Cash (used for) investing activities	**(68,393)**	**(143,973)**
Cash flows - financing activities		
Newly issued debt (maturities longer than 90 days)	24,570	-
Repayments and other reductions (maturities longer than 90 days)	-	(5,167)
Transfers (to) from Parent	6,499	221,471
All other financing activities	(10,521)	12,922
Cash provided by financing activities	**20,548**	**229,226**
Effect of currency exchange rate changes on cash, cash equivalents and restricted cash	(2,413)	10,139
Increase in cash, cash equivalents and restricted cash	26,178	61,272
Cash, cash equivalents and restricted cash at beginning of year	**105,338**	**151,151**
Cash, cash equivalents and restricted cash at June 30	**$ 131,516**	**$ 212,423**
Supplemental disclosure of cash flow information		
Cash paid during the six months ended June 30 for interest on borrowings	$ -	$ (947)
Cash paid during the six months ended June 30 for income taxes	$ (78,720)	$ (131,902)

See Notes to the Condensed Combined Financial Statements

NOTES TO THE CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF THE BUSINESS

GE Transportation (the "Business", "GET", "our" or "we") is a carve-out business of General Electric Company ("GE" or "Parent"). We are a leading global provider of products and solutions to transportation, logistics and other industrial markets. We design, engineer and manufacture diesel-electric locomotives, supply associated aftermarket parts and services, and provide digital solutions. Our culture of innovation and differentiated aftermarket solutions has allowed us to build a leading global installed base of diesel-electric locomotives, significant contracted services backlog and longstanding customer relationships. Our products and services are critical to our customers' operating and financial success and enable them to operate with reliability and efficiency. Leveraging our heritage in diesel-electric locomotives, we have continued to innovate to expand our technologies into new products, end markets and logistics applications. Leveraging our core competencies in locomotive manufacturing, we produce electric motors and premium propulsion systems for mining, marine, stationary power and drilling applications. We have combined industry leadership with engineering and software capabilities to build a digital business that is leading the transformation of the transportation and mining industries. We employ approximately 9,000 employees and serve customers across approximately 60 countries.

The Business is comprised of three reportable segments, which reflect the way performance is assessed and resources are allocated. These reportable segments are Equipment, Services, and Digital.

On May 21, 2018, GE and Westinghouse Air Brake Technologies ("Wabtec") Corporation announced that they had entered into a definitive agreement whereby Wabtec would acquire the Business (the "Proposed Transaction").

Under the agreement, which has been approved by the Boards of Directors of Wabtec and GE, GE will receive $2.9 billion in cash at closing. GE shareholders will own approximately 40.2%, GE will own approximately 9.9%, and Wabtec shareholders will own approximately 49.9% of the combined company on a fully diluted basis.

BASIS OF PRESENTATION

These condensed combined financial statements were prepared on a stand-alone basis derived from the consolidated financial statements and accounting records of GE. These unaudited condensed combined financial statements as of June 30, 2018 and for each of the three months and six months ended June 30, 2018 and 2017 are presented as carve-out financial statements and reflect the condensed combined historical results of earnings, comprehensive income, financial position and cash flows of the Business, in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). Refer below to *Recent Accounting Pronouncements Reflected in These Condensed Combined Financial Statements* for a summary of recent accounting pronouncements that were adopted and applied in these condensed combined financial statements.

These condensed combined financial statements consolidate all majority-owned subsidiaries of the Business. The noncontrolling interests have been shown in the Condensed Combined Statement of Financial Position as Equity attributable to noncontrolling interests.

All intercompany balances and transactions within the Business have been eliminated in these condensed combined financial statements. As described in Note 5 Related Party Transactions, certain transactions between the Business and GE have been included in these condensed combined financial statements.

The Condensed Combined Statement of Financial Position reflects, among other things, all of the assets and liabilities of GE and the Business that are specifically identifiable as being directly attributable to the Business, including Net parent investment as a component of equity. Net parent investment represents GE's historical investment in the Business and includes accumulated net earnings attributable to GE, the net effect of transactions with GE and GE entities, and cost allocations from GE that were not historically allocated to the Business.

GE uses a centralized approach to cash management and financing of its operations. These arrangements are not reflective of the manner in which the Business would have financed its operations had it been a stand-alone business separate from GE during the periods presented. Cash pooling arrangements are excluded from the asset and liability balances in the Condensed Combined Statement of Financial Position. These amounts have instead been reported as Net parent investment as a component of equity.

GE and its affiliates provide a variety of services to the Business. The Business may also sell products in the ordinary course of business to GE and its affiliates. The Condensed Combined Statement of Earnings includes expense allocations for services and certain support functions ("GE Corporate Overhead") that are provided on a centralized basis within GE such as legal, business development, human resources, corporate audit, treasury and various other GE corporate functions that are routinely allocated to the Business and reflected in the Condensed Combined Statement of Earnings in Selling, general and administrative expenses. In addition to GE Corporate Overhead allocations, Selling, general and administrative expenses that would have been incurred in the ordinary course of business if the Business operated as a stand-alone company, such as compensation and benefits for employees of the Business, were included based on either specific identification of direct expenses or an allocation using an approach related to the nature of the item (e.g., external revenue or headcount).

Where allocations of amounts were necessary, the Business believes the allocation of these amounts was determined on a reasonable basis, reflecting all of the costs of GE Transportation and consistently applied in the periods presented. These allocated amounts, however, are not necessarily indicative of the actual amounts that might have been incurred or realized had the Business operated as a separate stand-alone entity during the periods presented. Consequently, these condensed combined financial statements do not necessarily represent the results the Business would have achieved if the Business had operated as a separate stand-alone entity from GE during the periods presented.

INTERIM PERIOD PRESENTATION

These condensed combined financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of earnings, financial position and cash flows. The results reported in these condensed combined financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed combined financial statements be read in conjunction with the annual combined financial statements for the year ended December 31, 2017 and notes thereto.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of condensed combined financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of any contingent assets or liabilities at the date of these condensed combined financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and judgments on historical experience and on various other assumptions and information that we believe to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty, and accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. While the Business believes that the estimates and assumptions used in the preparation of these condensed combined financial statements are appropriate, actual results could differ from those estimates.

Estimates are used for, but are not limited to, determining the following: estimates of variable revenues and/or costs on long-term revenue generating contracts, recoverability of long-lived assets and inventory, valuation of goodwill, useful lives used in depreciation and amortization, income taxes and related valuation allowances, accruals for contingencies including warranties, actuarial assumptions used to determine costs on employee benefit plans, valuation assumptions for long term stock-based compensation expense, valuation and recoverability of receivables, valuation of derivatives and the fair value of assets acquired and liabilities assumed in acquisitions.

Our revenue recognition on long-term Contractual Service Agreements ("CSAs") requires estimates of both customer payments expected to be received over the contract term as well as the costs expected to be incurred to perform required maintenance services. We routinely review estimates under CSAs and regularly revise them to adjust for changes in outlook, however these estimates may materially vary from actual payments and costs incurred over the life of the contracts.

Additionally, please refer to Note 2, Summary of Significant Accounting Policies, in the annual 2017 combined financial statements for the discussion of our significant accounting policies.

(A) RECENT ACCOUNTING PRONOUNCEMENTS REFLECTED IN THESE CONDENSED COMBINED FINANCIAL STATEMENTS

Our combined annual financial statements for the year ended December 31, 2017 included the adoption of the following new accounting standards that became effective for annual reporting periods beginning after December 15, 2017. As a result, these interim condensed combined financial statements are consistently presented in accordance with the following recently adopted standards:

- ASU No. 2014-09, *Revenue from Contracts with Customers.* Refer to Note 3 Revenue Related to Contracts with Customers for more details.
- ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. Refer to the combined annual financial statements for more details.
- ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting.* Refer to the combined annual financial statements for more details.
- ASU 2017-07, *Compensation—Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* Refer to the combined annual financial statements for more details.
- ASU 2015-11, *Inventory (Topic 330), Simplifying of the Measurement of Inventory.* Refer to the combined annual financial statements for more details.
- ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments.* Refer to the combined annual financial statements for more details.
- ASU 2015-17, *Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes.* Refer to the combined annual financial statements for more details.

The following standards have been adopted within these interim condensed combined financial statements:

- ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This ASU provides a new framework that will assist in the evaluation of whether business combination transactions should be accounted as acquisition of a business or a group of assets, as well as specifying the minimum required inputs and processes necessary to be a business. The provisions of this ASU are effective for years beginning after December 15, 2017. All disposals in the current period were accounted for under the provision of the new guidance.

- ASU 2016-16, *Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*. This standard amends existing guidance on income taxes to require the accounting for the income tax effects of intercompany sales and transfers of assets other than inventory when the transfer occurs. As a result, the tax expense from the intercompany sale of assets, other than inventory, and associated changes to deferred taxes will be recognized when the sale occurs even though the pre-tax effects of the transaction have not been recognized. The pronouncement is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted at the beginning of an annual period for which no financial statements have already been issued. This amendment has been applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption, which did not have an impact on our historical results.

- ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This standard requires the changes in the total of cash and restricted cash to be presented in the statement of cash flows. In addition, when cash and restricted cash are presented on separate lines on the balance sheet, an entity is required to reconcile the totals in the statement of cash flows to the related line items in the balance sheet. While not a direct effect of the adoption of the standard, to simplify the reconciliation of the statement of cash flows to the cash balances presented in our statement of financial position, we have elected to present cash and restricted cash as a single line on the balance sheet, which did not have an impact on our historical results.

(B) OTHER RECENT ACCOUNTING PRONOUNCEMENTS

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill.* This ASU simplifies the measurement of goodwill impairment to a single-step test. The guidance removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation, and will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Under the revised guidance, failing step one will always result in goodwill impairment. The new guidance is effective for annual and interim goodwill impairment tests beginning after December 15, 2019 and early adoption is permitted. The Business is currently evaluating the impact of the adoption of ASU 2017-04 on our combined financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments.* The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models under current U.S. GAAP, which generally require that a loss be incurred before it is recognized. The new standard will also apply to receivables arising from revenue transactions such as contract assets and accounts receivables and is effective for fiscal years beginning after December 15, 2019. We continue to evaluate the effect of the standard on our combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), creating ASC Subtopic 842, *Leases.* ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter, with early adoption permitted. The Business is currently evaluating the impact of the adoption of ASU 2016-02 on our combined financial statements.

NOTE 3 REVENUE RELATED TO CONTRACTS WITH CUSTOMERS

ADOPTION OF TOPIC 606 REVENUE FROM CONTRACTS WITH CUSTOMERS

All periods presented in the condensed combined financial statements are presented under the FASB's new accounting standard codification *Topic 606 Revenue from Contracts with Customers* as we elected the full retrospective method of adoption.

DISAGGREGATION OF REVENUES

GE Transportation

(A carve-out business of General Electric Company)

GEOGRAPHIC MARKETS

For the three months ended June 30, *(In thousands)*		Equipment	Services	Digital	Total
U.S.					
	2018	$ 144,998	$ 321,577	$ 51,831	$ 518,406
	2017	180,089	332,028	48,765	560,882
Europe					
	2018	7,849	1,873	(451)	9,271
	2017	19,763	1,166	1,371	22,300
Asia					
	2018	57,092	63,243	840	121,175
	2017	32,941	46,880	696	80,517
Other					
	2018	111,529	143,881	12,742	268,152
	2017	180,960	106,123	14,476	301,559
Total revenue					
	2018	$ 321,468	$ 530,574	$ 64,962	$ 917,004
	2017	413,753	486,197	65,308	965,258

For the six months ended June 30, *(In thousands)*		Equipment	Services	Digital	Total
U.S.					
	2018	$ 257,802	$ 646,349	$ 83,896	$ 988,047
	2017	442,063	561,100	98,734	1,101,897
Europe					
	2018	14,574	1,796	700	17,070
	2017	34,200	3,053	2,010	39,263
Asia					
	2018	141,252	115,830	3,632	260,714
	2017	171,927	115,542	1,367	288,836
Other					
	2018	185,833	273,159	49,065	508,057
	2017	313,692	211,640	25,257	550,589
Total revenue					
	2018	$ 599,461	$ 1,037,134	$ 137,293	$ 1,773,888
	2017	961,882	891,335	127,368	1,980,585

Geographic market is defined as the "ship to" location.

CONTRACT AND OTHER DEFERRED ASSETS AND PROGRESS COLLECTIONS AND OTHER DEFERRED INCOME

Contract assets reflect revenues earned in excess of billings on our long-term contracts related to our equipment and CSAs. Contract liabilities reflect billings in excess of revenue recognized on similar agreements. Other deferred assets are fulfillment costs that principally relate to contractually required non-recurring engineering incurred during the initial design phase of a contract, which is recoverable over revenues generated as part of our production efforts. Recoverable costs are capitalized and amortized to Costs of revenues based on their expected pattern of benefit of the customers' order. Amortization of fulfillment costs was approximately $8,944 thousand and $9,422 thousand for the three months ended June 30, 2018 and 2017, respectively, and $12,553 thousand and $15,198 thousand for the six months ended June 30, 2018 and 2017, respectively.

Revenue recognized that was included in the contract liability at the beginning of the period was $119,741 thousand and $124,560 thousand for the three months ended June 30, 2018 and 2017, respectively, and $280,321 thousand and $374,755 thousand for the six months ended June 30, 2018 and 2017, respectively.

CONTRACT AND OTHER DEFERRED ASSETS, NET

Contract and other deferred assets and progress collections, considering current and non-current classification, as of June 30, 2018 and December 31, 2017, are as follows:

(in thousands)		June 30, 2018		December 31, 2017
Contractual service agreements (a)	$	348,538	$	416,199
Equipment contract revenue (b)		201,336		79,588
Deferred inventory costs (c)		31,226		39,655
Total contract and other deferred assets	**$**	**581,100**	**$**	**535,442**
Long-term contractual service agreements (a)	$	268,122	$	193,389
Long-term equipment contract revenue (b)		37,680		33,484
Long-term non-recurring engineering costs (d)		95,131		86,868
Other		-		7,651
Total long-term contract and other deferred assets	**$**	**400,933**	**$**	**321,392**
Progress collections (e)	$	601,655	$	564,971
Deferred income		17,755		27,456
Total progress collections and deferred income	**$**	**619,410**	**$**	**592,427**
Long-term progress collections (e)	$	17,071	$	20,740
Long-term deferred income		262		3,057
Total long-term progress collections and other deferred income	**$**	**17,333**	**$**	**23,797**
Total contract and other deferred assets, net	**$**	**345,290**	**$**	**240,610**

(a) Reflects revenues earned in excess of billings on our CSAs in our Services segment.

(b) Reflects revenues earned in excess of billings primarily on our long-term contracts to construct equipment principally in our Equipment and Digital segments.

(c) Represents cost deferral for shipped goods and other costs for which the criteria for revenue recognition has not yet been met.

(d) Includes fulfillment costs incurred prior to production (e.g., engineering costs specific to an individual customer's contract) for long-term equipment production contracts, primarily within our Equipment segment.

(e) Includes billings in excess of revenue on our long-term equipment and CSAs.

Contract assets, net, increased by $112,498 thousand from December 31, 2017 due to an increase in revenue recognized in excess of billings principally in our Equipment segment, offset by an increase in progress collections principally in our Equipment segment. The changes in estimates for the six months ended June 30, 2018 and 2017, principally within our CSA portfolio in Services, increased revenue and operating income by approximately $27,058 thousand and $25,533 thousand, respectively.

REMAINING PERFORMANCE OBLIGATIONS

As of June 30, 2018, the aggregate amount of the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations was $15,615,131 thousand. This amount excludes highly probable but uncommitted purchases from our customers that are not legally enforceable. We expect to recognize revenue as we satisfy the remaining performance obligations as follows:

- Equipment - total remaining performance obligations of $5,377,356 thousand of which 73% is expected to be satisfied within 5 year(s) and the remaining thereafter.

- Services - total remaining performance obligations of $9,761,717 thousand of which 49% is expected to be satisfied within 5 year(s), 78% within 10 year(s) and the remaining thereafter.

- Digital - total remaining performance obligations of $476,057 thousand of which 82% is expected to be satisfied within 5 year(s) and the remaining thereafter.

NOTE 4 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As of June 30, 2018, $109,716 thousand of cash and equivalents were held in bank accounts and cannot be released, transferred or otherwise converted into a currency that is regularly transacted internationally, due to lack of market liquidity, capital controls or similar monetary or exchange limitations limiting the flow of capital out of the jurisdiction.

NOTE 5 RELATED PARTY TRANSACTIONS

As discussed in Note 1 Description of Business and Basis of Presentation, GE provides the Business with a number of services. Some of these services are provided directly by GE, and others are managed by GE through third-party service providers. The cost of certain of these services is either (a) recognized through our allocated portion of GE's Corporate Overhead, or (b) billed directly to the Business (such as most of our employee benefit costs). The cost of other services is included within the service itself, and the incremental cost for GE to provide the service is not discernible (such as payroll processing services included within the cost of payroll). In addition, we and our affiliates obtain a variety of goods (such as supplies and equipment) and services (such as GE Global Research Center) under various master purchasing and service agreements to which GE (and not the Business) is a party. We are billed directly for services we procure under these arrangements.

We receive an allocated share of GE's Corporate Overhead for certain services that GE provides to the Business, but which are not specifically billed to the Business, such as public relations, investor relations, treasury, and corporate internal audit services. Costs of $6,291 thousand and $6,791 thousand for the three months ended June 30, 2018 and 2017, respectively and $12,582 thousand and $13,582 thousand for the six months ended June 30, 2018 and 2017, respectively, were recorded in our Unaudited Condensed Combined Statement of Earnings for our allocated share of GE's Corporate Overhead. The Business has related party revenues of $3,122 thousand and $156 thousand for the three months ended June 30, 2018 and 2017, respectively and $3,755 thousand and $359 thousand for the six months ended June 30, 2018 and 2017, respectively. The majority of these sales were made by the Equipment segment to other GE industrial business units.

These condensed combined financial statements include additional related party transactions with GE and GE entities that include the following:

- Amounts for due to / due from affiliates are recorded in Accounts payable and Current receivables, and are settled in cash. The Business has accounts payable resulting from amounts due to affiliates of $82,492 thousand and $48,057 thousand as of June 30, 2018 and December 31, 2017, respectively. The Business has current receivables resulting from amounts due from affiliates of $31,952 thousand and $21,259 thousand as of June 30, 2018 and December 31, 2017, respectively.

- The Business factors U.S. and non-U.S. receivables through its Working Capital Solutions (“WCS”), on a recourse and nonrecourse basis pursuant to various factoring and servicing agreements. The Business had factored receivables of $134,370 thousand and $146,221 thousand without recourse as of June 30, 2018 and December 31, 2017, respectively. The Business had factored receivables of $3,477 thousand and $3,989 thousand with recourse as of June 30, 2018 and December 31, 2017, respectively. For agreements with recourse, the Business establishes a bad debt reserve based on the aging policy. Historically, the Business has outsourced our servicing responsibilities to Global Operations AR CoE for a market-based fee, and therefore, no servicing asset or liability has been recorded on the Unaudited Condensed Combined Statement of Financial Position as of June 30, 2018 and December 31, 2017. Under the programs, the Business incurred interest expense and finance charges of $3,787 thousand and $8,514 thousand for the three months ended June 30, 2018 and 2017, respectively, and $6,694 thousand and $14,049 thousand for the six months ended June 30, 2018 and 2017, respectively, which are included in Other (expense) income.

- The Business’s North American operations participate in accounts payable programs with Trade Payables Services (“TPS”). The Business’s liability associated with the funded participation in the accounts payable programs, which is presented as accounts payable within the Condensed Combined Statement of Financial Position, was $411,878 thousand and $332,584 thousand as of June 30, 2018 and December 31, 2017, respectively.

- The Business participates in GE Treasury centralized hedging and offsetting programs. See Note 13 Derivatives and Hedging.

- Employees of the Business participate in pensions and benefit plans that are sponsored by GE. See Note 18 Pension and Postretirement Benefit Plans.

- GE grants stock options, restricted stock units and performance share units to its group employees, including those of GE Transportation, under the GE Long-Term Incentive Plan.

- Lease agreements are based on market terms. The Business incurs rent expense resulting from related party leases with GE or GE entities as lessor. See Note 17 Leases.

- All adjustments relating to certain transactions among the Business, GE and GE entities, which include the transfer of the balance of cash and equivalents to GE, transfer of the balance of cash held in cash pooling arrangements to GE, settlement of intercompany debt between the Business and GE or other GE entities and pushdown of all costs of doing business that were paid on behalf of the Business by GE or GE entities, are classified as Net parent investment.

NOTE 6 CURRENT RECEIVABLES, NET

Current receivables, net, as of June 30, 2018 and December 31, 2017 consist of the following:

(In thousands)	June 30, 2018	December 31, 2017
Customer receivables	$ 123,950	$ 86,882
Due from GE	31,952	21,259
Sundry receivables	60,037	69,127
	215,939	**177,268**
Less allowance for doubtful accounts	(8,412)	(4,882)
Current receivables, net	**$ 207,527**	**$ 172,386**

Sundry receivables primarily consist of value added tax receivables.

NOTE 7 INVENTORIES

Inventories as of June 30, 2018 and December 31, 2017 consist of the following:

(In thousands)	June 30, 2018	December 31, 2017
Raw materials and work in process	$ 391,627	$ 268,261
Finished goods	283,529	292,182
Total inventories	**$ 675,156**	**$ 560,443**

NOTE 8 PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net as of June 30, 2018 and December 31, 2017 consist of the following:

	Depreciable	Original Cost		Net Carrying Value	
(In thousands)	Life (in years)	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Land and improvements	8(a)	$ 18,115	$ 19,857	$ 15,443	$ 16,781
Buildings, structures and related equipment	8-40	571,770	565,076	343,984	337,978
Machinery and equipment (b)	4-20	1,252,344	1,305,883	464,898	476,407
Leasehold costs and manufacturing plant under construction	3-10	118,445	100,597	107,392	112,002
Total property, plant and equipment, net		**$ 1,960,674**	**$ 1,991,413**	**$ 931,717**	**$ 943,168**
ELTO (net)		$ 29,101	$ 30,075	$ 14,337	$ 12,135

(a) Depreciable lives exclude land.

(b) Equipment leased to others ("ELTO") is presented in the line item Machinery and equipment. This is equipment we own that is available to lease to customers and is stated at cost less accumulated depreciation.

Total depreciation expense was $26,958 thousand and $29,294 thousand for the three months ended June 30, 2018 and 2017 and$55,109 thousand and $62,438 thousand for the six months ended June 30, 2018 and 2017, respectively.

NOTE 9 INTANGIBLE ASSETS

INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets and accumulated amortization as of June 30, 2018 and December 31, 2017 consist of the following:

		June 30, 2018			December 31, 2017		
(In thousands)	Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer-related	11-20	$ 21,818	$ (8,338)	$ 13,480	$ 21,860	$ (7,636)	$ 14,224
Patents & technology	7-11	58,800	(26,056)	32,744	56,866	(21,419)	35,447
Capitalized software - internal-use	5	219,134	(130,174)	88,960	211,209	(116,151)	95,058
Capitalized software - external	5-10	144,060	(25,953)	118,107	130,245	(20,358)	109,887
Trademarks & other	18-30	277	-	277	286	-	286
Total		**$ 444,089**	**$ (190,521)**	**$ 253,568**	**$ 420,466**	**$ (165,564)**	**$ 254,902**

During the six months ended June 30, 2018, we recorded additions to intangible assets subject to amortization of $19,040 thousand, primarily driven by capitalized software.

Amortization expense related to intangible assets subject to amortization was $11,523 thousand and $10,810 thousand for the three months ended June 30, 2018 and 2017 and $23,074 thousand and $24,316 thousand for the six months ended June 30, 2018 and 2017, respectively.

NOTE 10 PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of June 30, 2018 and December 31, 2017 consist of the following:

(In thousands)	June 30, 2018	December 31, 2017
Derivative assets	$ 65	$ 3,303
Miscellaneous deferred charges	33,944	36,807
Prepaid insurance and other	5,197	6,080
Income tax receivable	183,641	179,394
Other	7,579	696
Prepaid expenses and other current assets	**$ 230,426**	**$ 226,280**

NOTE 11 OTHER ASSETS

Other assets as of June 30, 2018 and December 31, 2017 consist of the following:

(In thousands)		June 30, 2018		December 31, 2017
Associated companies (a)	$	57,334	$	56,428
Other assets (b)		22,960		21,331
Total other assets	**$**	**80,294**	**$**	**77,759**

(a) Associated companies are entities in which we do not have a controlling financial interest, but over which we have significant influence, most often because we hold a voting interest of 20% to 50%.
(b) Other assets mainly consist of long-term prepaid expenses and non-current value added tax receivables.

NOTE 12 BORROWINGS

In September 2017, the Business entered into an unsecured loan facility agreement with Wipro GE Healthcare Private Limited to fund various ongoing projects and operational requirements. The loan had a total disbursement value of $68,703 thousand, disbursed in three tranches. As of December 31, 2017 the first two tranches had been disbursed with a total value of $44,256 thousand. The final tranche was disbursed in the first quarter of 2018. The loan carries an 8% annual interest rate, compounded quarterly and matures in three tranches due October 2019, November 2019, and January 2020. Interest included in interest expense for long-term borrowings, including the current portion, is $1,256 thousand and $0 thousand for the three months ended June 30, 2018 and 2017 and $2,480 thousand and $0 thousand for the six months ended June 30, 2018 and 2017, respectively. Interest expense is included within Other (expense) income in the Unaudited Condensed Combined Statement of Earnings.

Due to the nature and terms of the debt, the Business carries the debt at face value and did not recognize a discount or premium at issuance. The current portion of long-term debt is included in Short-term borrowings, and the non-current portion of the debt is included in Long-term borrowings. The amounts outstanding under the long-term borrowings as of June 30, 2018 and December 31, 2017 are reflected in the table below.

LETTERS OF CREDIT

As of June 30, 2018 and December 31, 2017, the Business has off-balance sheet credit exposure for unused letters of credit, bank guarantees, bid bonds, and surety bonds of approximately $679,779 thousand and $532,196 thousand, respectively.

Borrowings as of June 30, 2018 and December 31, 2017 consist of the following:

Short-term borrowings

(In thousands)		June 30, 2018		December 31, 2017
Current portion of long-term borrowings	$	24	$	45
Total short-term borrowings	**$**	**24**	**$**	**45**

Long-term borrowings

(In thousands)		June 30, 2018	December 31, 2017
	Maturities		
Long-term portion of borrowings	*2019-2020*	$ 67,509	$ 44,257
Total long-term borrowings		**$ 67,509**	**$ 44,257**

Total interest expense and other finance charges were $5,055 thousand and $9,141 thousand for the three months ended June 30, 2018 and 2017 and $9,381 thousand and $15,353 thousand for the six months ended June 30, 2018 and 2017, respectively. Interest expense includes expense related to current receivable factoring programs. See Note 4 Related Party Transactions.

NOTE 13 DERIVATIVES AND HEDGING

Economic hedges are not designated as hedged from an accounting standpoint (and therefore we do not apply hedge accounting to the relationship), but otherwise serve the same economic purpose as other hedging arrangements. We use economic hedges when we have exposures to currency exchange risk for which we are unable to meet the requirements for hedge accounting or when changes in the carrying amount of the hedged item are already recorded in earnings in the same period as the derivative, making hedge accounting unnecessary. Even though the derivative is an effective economic hedge, there may be a net effect on earnings in each period due to differences in the timing of earnings recognition between the derivative and the hedged item. Notional amounts outstanding are approximately $374,724 thousand and $332,821 thousand as of June 30, 2018 and December 31, 2017, respectively.

The following table provides information about the fair value of our derivatives, by contract type and the accounts in the Unaudited Condensed Combined Statement of Financial Position in which the balances are presented:

	June 30, 2018		December 31, 2017	
(In thousands)	Prepaid expenses and other current assets	Other current liabilities	Prepaid expenses and other current assets	Other current liabilities
	Fair Value			
Currency exchange and commodity contracts	$ 65	$ 11,530	$ 3,303	$ 6,372

Derivative instruments are principally administered by GE and the gains are $6,273 thousand and $4,069 thousand for the three months ended June 30, 2018 and 2017 and $8,140 thousand and $9,507 thousand for the six months ended June 30, 2018 and 2017, respectively. These gains are included in Other (expense) income.

NOTE 14 INCOME TAXES

Our consolidated effective income tax rates were 21% and 36% during the six months ended June 30, 2018 and 2017, respectively. The rate for 2018 benefited from a lower U.S. statutory rate effective for years beginning in 2018 due to U.S. tax reform and favorable changes in mix of earnings.

On December 22, 2017, the U.S. enacted legislation commonly known as the Tax Cuts and Jobs Act ("U.S. tax reform") that lowered the statutory tax rate on U.S. earnings to 21%, taxes historic foreign earnings at a reduced rate of tax, establishes a territorial tax system and enacts new taxes associated with global operations.

The impact of enactment of U.S. tax reform was recorded on a provisional basis as the legislation provides for additional guidance to be issued by the U.S. Department of the Treasury on several provisions. Guidance during 2018 could impact the information required for and the calculation of the foreign-derived intangible income ("FDII"), base erosion anti-abuse tax ("BEAT") and global intangible low-taxed income ("GILTI") provisions and could affect decisions that affect the tax on various U.S. and foreign items, which would further impact the final amounts included in these provisions and impact the revaluation of deferred taxes. In addition, analysis performed and conclusions reached as part of the tax return filing process and additional guidance on accounting for U.S. tax reform could affect the provisional amount.

Additionally, as part of tax reform, the U.S. has enacted a minimum tax on foreign earnings ("GILTI"). We have not made an accounting policy election on the deferred tax treatment and, consequently, we have not made an accrual for the deferred tax aspects of this provision.

In the next twelve months, we do not expect uncertain tax positions to materially change.

NOTE 15 OTHER CURRENT LIABILITIES AND OTHER LIABILITIES

OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2018 and December 31, 2017 consist of the following:

(In thousands)	June 30, 2018	December 31, 2017
Employee related liabilities (a)	$ 122,861	$ 90,801
Derivative liabilities	11,530	6,372
Discounts and allowances	11,119	14,132
Accrued taxes	48,258	47,113
Accrued costs for freight, utility & other	25,975	28,563
Warranties	23,132	49,564
Restructuring and sundry losses (b)	16,277	24,032
Other current liabilities (c)	25,095	22,146
Total other current liabilities	**$ 284,247**	**$ 282,723**

(a) Employee related liabilities are largely comprised of payroll, employee compensation and benefits, pension and other postretirement benefit obligations.

(b) Restructuring accruals and accruals for legal costs arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

(c) Other current liabilities primarily consist of accruals related to prior acquisitions and investments, as well as various other miscellaneous accruals.

OTHER LIABILITIES

Other liabilities as of June 30, 2018 and December 31, 2017 consist of the following:

(In thousands)	June 30, 2018	December 31, 2017
Employee related liabilities (a)	$ 21,237	$ 27,135
Sundry losses	684	8,503
Warranties	43,094	30,753
Tax related liabilities (b)	6,041	7,163
Other liabilities (c)	17,696	18,637
Total other liabilities	**$ 88,752**	**$ 92,191**

(a) Employee related liabilities are largely comprised of long-term employee compensation programs.

(b) Consists of reserves for uncertain tax positions.

(c) Other liabilities primarily consist of holdbacks and earn-outs.

NOTE 16 COMMITMENTS AND CONTINGENCIES

WARRANTY OBLIGATIONS

As part of our product sales we provide standard warranty coverage to our customers as part of customary practices in the market to provide assurance that the equipment sold will comply with agreed upon specifications and such standard warranty at the time of sale is limited to fixing product defects. Issuance of a product warranty constitutes a commitment, which must be accrued as a loss contingency if expenditures under the warranty are both probable and reasonably estimable. The Business provides for estimated product warranty expenses when the related product sale is recognized. Additionally, we may elect certain corrective actions, at our expense, for certain product-related matters impacting our product portfolios. Warranty obligations are recognized for these matters when we commit to these corrective actions and they are estimable. Because warranty estimates are forecasts that are based on the best available information, primarily based on historical warranty claims experience and outstanding warranty period, claims costs may differ from amounts provided.

(In thousands)	2018	2017
Balance at January 1	**$ 80,317**	**101,492**
Current year provisions	20,803	25,128
Utilizations and other	(34,894)	(33,384)
Balance at June 30	**$ 66,226**	**93,236**

Approximately 65% and 59% of the warranty provision as of June 30, 2018 and June 30, 2017, respectively, are expected to be consumed beyond 12 months and therefore, are classified as a long-term liability in Other liabilities. Refer to Note 15 Other Current Liabilities and Other Liabilities.

GUARANTEES

The Business provides guarantees in the ordinary course of business. The Business believes the likelihood is remote that any such arrangements could have a significant adverse effect on these condensed combined financial statements of the Business. The Business records liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows, which are zero as of June 30, 2018 and December 31, 2017. The Business has off-balance sheet credit exposure through standby letters of credit, bank guarantees, bid bonds, and surety bonds. See Note 12 Borrowings. In addition, our Parent may provide the Business with parent company guarantees in certain jurisdictions where we lack the legal structure to issue the requisite guarantees required on certain projects. We are charged by our Parent the fair market value of such guarantees.

LITIGATION

The Business is subject to a variety of legal proceedings and legal compliance risks in all parts of the world where the Business operates or buys or sells its equipment and services. The Business has adopted appropriate risk management and compliance programs to address these and other matters that may arise from time to time. The global and diverse nature of our business and the changing enforcement environments in which it operates, means the Business will continue to face legal and compliance risks, the nature and outcome of which cannot be predicted with certainty. Currently, management believes there are no legal contingencies that are likely to have a material effect on the Business's Condensed Combined Statements of Financial Position, Earnings, or Cash Flows.

In late November 2017, staff of the Boston office of the U.S. Securities & Exchange Commission (SEC) notified GE that they are conducting an investigation of GE's revenue recognition practices and internal controls over financial reporting related to long-term service agreements. We have provided documentation to Parent regarding our long-term service agreement practices. Parent is providing documents and other information requested by the SEC staff, and our Parent is cooperating with their ongoing investigation.

NOTE 17 LEASES

LEASE COMMITMENTS

The Business is a lessee under various cancelable and non-cancelable operating lease arrangements for facilities, information technology, fleet, and other equipment having terms which expire on various dates. Rent expense for third party leases was $6,351 thousand and $5,539 thousand for the three months ended June 30, 2018 and 2017 and $11,977 thousand and $12,861 thousand for the six months ended June 30, 2018 and 2017, respectively. Rent of approximately $181 thousand and $499 thousand was charged by GE for these leases for the three months ended June 30, 2018 and 2017 and $1,396 thousand and $1,064 thousand for the six months ended June 30, 2018 and 2017, respectively, which was generally consistent with prior years. See Note 5 Related Party Transactions.

NOTE 18 PENSION AND POSTRETIREMENT BENEFIT PLANS

Certain employees are covered under GE's retirement plans (e.g. pension, retiree health and life insurance). In addition, certain Canadian employees participate in the GE Canada Defined Benefit Pension Plan as well as the Canada Postretirement Benefits.

The Business is allocated relevant participation costs for these GE employee benefit plans by GE. As such, the Business has not recorded any liabilities associated with our participation in this multi-employer plan in our Unaudited Condensed Combined Statement of Financial Position as of June 30, 2018 and December 31, 2017.

Expenses associated with our employees' participation in the U.S. GE pension and postretirement benefit plans are $20,158 thousand and $21,951 thousand for the three months ended June 30, 2018 and 2017 and $39,709 thousand and $41,415 thousand for the six months ended June 30, 2018 and 2017, respectively. Expenses associated with our employees' participation in the GE Canada Defined Benefit Pension Plan and Canada Postretirement Benefits are $284 thousand and $317 thousand for the three months ended June 30, 2018 and 2017 and $569 thousand and $550 thousand for the six months ended June 30, 2018 and 2017, respectively.

NOTE 19 SEGMENT INFORMATION

BASIS OF PRESENTATION

Our reportable segments are organized based on the nature of markets and customers. Segment accounting policies are the same as described and referenced in Note 2 Summary of Significant Accounting Policies of our annual financial statements.

Certain information concerning our segments for the three and six months ended June 30, 2018 and 2017 is presented in the following tables. Consistent accounting policies have been applied by all segments within the Business, within all reporting periods.

SEGMENT REVENUES

Refer to the table below for total revenues by segment for the three months ended June 30, 2018 and 2017.

	Total revenues	
	For the three months ended June 30	
(In Thousands)	2018	2017
Equipment	$ 321,468	$ 413,753
Services	530,574	486,197
Digital	74,495	72,847
Eliminations	(9,533)	(7,539)
Total revenues	**$ 917,004**	**$ 965,258**

	Total revenues	
	For the six months ended June 30	
(In Thousands)	2018	2017
Equipment	$ 599,461	$ 961,882
Services	1,037,134	891,335
Digital	156,775	150,723
Eliminations	(19,482)	(23,355)
Total revenues	**$ 1,773,888**	**$ 1,980,585**

OTHER SEGMENT INFORMATION

The Business uses segment profit to manage the Business and allocate resources. Management defines segment profit as operating income, plus interest income, less noncontrolling interest. Costs for corporate overhead functions are first attributed to the segments to the extent possible before being subject to various allocation methodologies. Refer to the table below for segment profit and a reconciliation to Net earnings attributable to Parent for the three months and six months ended June 30, 2018 and 2017.

	For the three months ended June 30	
(In thousands)	2018	2017
Equipment	$ (49,658)	$ (9,506)
Services	164,160	151,860
Digital	1,159	4,978
Segment profit	**$ 115,661**	**$ 147,332**
Non-operating benefit costs	(2,504)	(8,532)
Restructuring costs	(2,582)	(19,636)
Interest expense and other finance charges	(5,055)	(9,141)
Provision for income taxes	(19,965)	(30,853)
Net earnings attributable to Parent	**$ 85,555**	**$ 79,170**

(In thousands)	For the six months ended June 30 2018	2017
Equipment	$ (96,163)	$ (12,992)
Services	322,440	252,945
Digital	849	6,611
Segment profit	**$ 227,126**	**$ 246,564**
Non-operating benefit costs	(5,155)	(11,262)
Restructuring costs	(4,416)	(69,677)
Interest expense and other finance charges	(9,381)	(15,353)
Provision for income taxes	(44,084)	(56,984)
Net earnings attributable to Parent	**$ 164,090**	**$ 93,288**

The Business does not identify total assets by segment for internal purposes as the Business' CODM ("Chief Operating Decision Maker") does not assess performance, make strategic decisions, or allocate resources based on assets.

NOTE 20 SUBSEQUENT EVENTS

The Business performed an evaluation of subsequent events through August 7, 2018, the date these unaudited condensed combined financial statements were issued, and determined there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in these condensed combined financial statements. Refer to Note 1 Description of Business and Basis of Presentation for further detail on the Proposed Transaction announced on May 21, 2018.

Exhibit 99.3

Unaudited Pro Forma Condensed Combined Financial Statements

The following unaudited pro forma condensed combined financial statements are presented to illustrate the estimated effects of the Transactions (as defined below).

The following unaudited pro forma condensed combined balance sheet as of June 30, 2018, and the unaudited pro forma condensed combined statements of income for the six months ended June 30, 2018 and the year ended December 31, 2017 (collectively, the "Pro Forma Statements") have been prepared in compliance with the requirements of Regulation S-X under the Securities Act of 1933, as amended (the "Securities Act") using accounting policies in accordance with U.S. GAAP. The unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of Westinghouse Air Brake Technologies Corporation ("Wabtec") and the historical combined financial statements of General Electric Company's transportation business (collectively, "GE Transportation") as adjusted to give effect to the Transactions, including the Merger (as defined below).

Accounting policies used in the preparation of the Pro Forma Statements are based on the audited consolidated financial statements of Wabtec for the year ended December 31, 2017 and the unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2018. Pro Forma adjustments have been made to GE Transportation's financial statements to align to Wabtec's accounting policies. Specifically, GE Transportation adopted Accounting Standards Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers" using the full retrospective method. Included as a pro forma adjustment in the unaudited pro forma condensed combined statement of income for the year ended December 31, 2017 is an adjustment to conform GE Transportation's method of adopting ASC 606 to Wabtec's method of adoption which was the modified retrospective method.

The Transactions have not been consummated. The pro forma adjustments are based on preliminary estimates and currently available information and assumptions that Wabtec management believes are reasonable. The notes to the Pro Forma Statements provide a discussion of how such adjustments were derived and presented in the Pro Forma Statements. Changes in facts and circumstances or discovery of new information may result in revised estimates. As a result, there may be material adjustments to the Pro Forma Statements. See note 7 to the Pro Forma Statements. Certain historical GE Transportation and Wabtec financial statement caption amounts have been reclassified or combined to conform to Wabtec's presentation and the disclosure requirements of the combined company. See note 6 to the Pro Forma Statements.

The Pro Forma Statements should be read in conjunction with the audited consolidated financial statements of Wabtec as of and for the year ended December 31, 2017 included elsewhere in this Current Report on Form 8-K, Wabtec's interim financial statements as of and for the six - month period ended June 30, 2018, which are included in Wabtec's quarterly report on Form 10-Q filed with the U.S. Securities and Exchange Commission for the quarter ended June 30, 2018, and the audited combined financial statements of GE Transportation as of and for the year ended December 31, 2017 and GE Transportation's interim financial statements as of and for the six - month period ended June 30, 2018 included elsewhere in this Current Report on Form 8-K. GE Transportation's historical financial statements included elsewhere in this Current Report on Form 8-K have been presented on a "carve-out" basis from GE's consolidated financial statements using the historical results of operations, cash flows, assets and liabilities of GE Transportation and include allocations of corporate expenses from GE. These allocations reflect significant assumptions, and the financial statements do not fully reflect what GE Transportation's financial position, results of operations or cash flows would have been had it been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of GE Transportation's future results of operations, financial position or cash flows. The note disclosure requirements of annual consolidated financial statements provide additional disclosures to that required for pro forma condensed combined financial information.

The unaudited Pro Forma Statements give effect to the Transactions as if they had occurred on January 1, 2017, for the purposes of the unaudited pro forma condensed combined statements of income for the six months ended June 30, 2018 and the year ended December 31, 2017. The unaudited Pro Forma Statements give effect to the Transactions as if they had occurred on June 30, 2018, for the purposes of the unaudited pro forma condensed combined balance sheet. In the opinion of Wabtec's management, these Pro Forma Statements include all material adjustments necessary to be in accordance with Article 11 of Regulation S-X under the Securities Act.

The Pro Forma Statements are presented for illustrative purposes only and may not be indicative of the results of operations that would have occurred if the events reflected therein had been in effect on the dates indicated or the results which may be obtained in the future. In preparing the Pro Forma Statements, no adjustments have been made to reflect the potential operating synergies and administrative cost savings or the costs of integration activities that could result from the combination of Wabtec and GE Transportation. Actual amounts recorded upon consummation of the Transactions will differ from the Pro Forma Statements, and the differences may be material.

Westinghouse Air Brake Technologies Corporation
Pro Forma Condensed Combined Statements of Income (Unaudited)
For the Six Months Ended June 30, 2018

In millions, except per share data *(In U.S. dollars unless otherwise indicated)*	Wabtec Historical	GE Transportation Historical	Reclassification Adjustments (Note 6)	Pro Forma Adjustments	Notes	Pro Forma Combined Wabtec/GE Transportation
Sales of goods	$ 2,167.9	$ 1,101.8	$ (91.3)	$ (29.2)		$ 3,149.2
Sales of services	-	672.1	91.3	(58.0)	7(a)	705.4
Net sales	2,167.9	1,773.9	-	(87.2)		3,854.6
Cost of goods sold	(1,533.0)	(881.3)	153.1	19.6	7(d)	(2,241.6)
Cost of services sold	-	(406.0)	(73.9)	(3.1)	7(d)	(483.0)
Gross profit	634.8	486.6	79.2	(70.7)		1,129.9
Selling, general and administrative expenses	(318.4)	(264.8)	-	50.5	7(n)	(532.7)
Engineering expenses	(41.4)	-	(56.1)	-		(97.5)
Amortization expense	(20.3)	-	(23.1)	(86.1)	7(e)	(129.5)
Total operating expenses	(380.0)	(264.8)	(79.2)	(35.6)		(759.6)
Income from operations	254.8	221.8	-	(106.3)		370.3
Interest expense, net	(52.2)	-	(10.0)	(55.2)	7(k)	(117.4)
Non-operating benefit costs	-	(5.2)	5.2	-		-
Other (expense) income, net	4.8	(4.4)	4.8	-		5.2
Income from operations before income taxes	207.4	212.3	-	(161.5)		258.2
Income tax expense	(36.6)	(44.1)	-	36.2	7(j)	(44.5)
Net income	170.7	168.2	-	(125.3)		213.6
Less: Net income attributable to noncontrolling interest	2.1	(4.1)	-	-		(2.0)
Net income attributable to Wabtec shareholders	$ 172.8	$ 164.1	$ -	$ (125.3)		$ 211.6
Earnings Per Common Share						
Basic						
Net income attributable to Wabtec shareholders	$ 1.80	-	-	-		$ 1.09
Diluted						
Net income attributable to Wabtec shareholders	$ 1.79	-	-	-		$ 1.08
Weighted average shares outstanding						
Basic	95.867	-	-	98.480	7(m)	194.347
Diluted	96.471	-	-	98.480		194.951

Westinghouse Air Brake Technologies Corporation

Pro Forma Condensed Combined Statements of Income (Unaudited)

For the Twelve Months Ended December 31, 2017

In millions, except per share data *(In U.S. dollars unless otherwise indicated)*	Wabtec Historical	GE Transportation Historical	Reclassification Adjustments (Note 6)	Pro Forma Adjustments	Notes	Pro Forma Combined Wabtec/GE Transportation
Sales of goods	$ 3,881.8	$ 2,546.6	$ (196.1)	$ (73.8)	7(a)	$ 6,158.5
Sales of services	-	1,383.7	196.1	(78.9)	7(a)	1,500.9
Net sales	3,881.8	3,930.3	-	(152.7)		7,659.4
Cost of goods sold	(2,816.4)	(2,129.7)	319.0	52.5	7(a), 7(d)	(4,574.6)
Cost of services sold	-	(877.4)	(149.4)	(4.4)	7(a), 7(d)	(1,031.2)
Gross profit	1,065.3	923.2	169.6	(104.6)		2,053.5
Selling, general and administrative expenses	(512.6)	(449.7)	15.2	-		(947.1)
Engineering expenses	(95.2)	-	(113.1)	-		(208.3)
Amortization expense	(36.5)	-	(71.7)	(146.6)	7(e)	(254.8)
Total operating expenses	(644.2)	(449.7)	(169.6)	(146.6)		(1,410.1)
Income from operations	421.1	473.5	-	(251.2)		643.4
Interest expense, net	(77.9)	-	(41.2)	(133.7)	7(k)	(252.8)
Non-operating benefit costs	-	(16.9)	16.9	-		-
Other (expense) income, net	8.9	(24.3)	24.3	(1.0)	7(a)	7.9
Income from operations before income taxes	352.2	432.4	-	(385.9)		398.7
Income tax expense	(89.8)	(44.3)	-	113.8	7(j)	(20.3)
Net income	262.4	388.1	-	(272.1)		378.4
Less: Net income attributable to noncontrolling interest	-	(14.3)	-	-		(14.3)
Net income attributable to Wabtec shareholders	$ 262.4	$ 373.8	$ -	$ (272.1)		$ 364.1
Earnings Per Common Share						
Basic						
Net income attributable to Wabtec shareholders	$ 2.74	-	-	-		$ 1.87
Diluted						
Net income attributable to Wabtec shareholders	$ 2.72	-	-	-		$ 1.87
Weighted average shares outstanding						
Basic	95.453	-	-	98.480	7(m)	193.933
Diluted	96.125	-	-	98.480		194.605

Westinghouse Air Brake Technologies Corporation
Pro Forma Condensed Combined Balance Sheet (Unaudited)
As of June 30, 2018

In millions *(In U.S. dollars unless otherwise indicated)*	Wabtec Historical	GE Transportation Historical	Reclassification Adjustment (Note 6)	Pro Forma Adjustments	Notes	Pro Forma Combined Wabtec/GE Transportation
Assets						
Current Assets						
Cash and cash equivalents	$ 245.6	$ 131.5	$ -	$ (127.2)	7(b), 7(c), 7(g)	$ 249.9
Accounts receivable	835.2	207.5	-	(10.4)		1,032.3
Unbilled accounts receivables	378.1	-	581.1	(283.0)	7(a)	676.2
Contract and other deferred assets	-	581.1	(581.1)	-		-
Inventories	863.8	675.2	-	74.0	7(l)	1,613.0
Other current assets	124.3	230.4	-	-		354.7
Total current assets	2,446.9	1,825.7	-	(346.6)		3,926.0
Property, plant and equipment	1,009.2	1,960.7	-	(734.3)	7(d)	2,235.6
Accumulated depreciation	(453.4)	(1,029.0)	-	1,029.0	7(d)	(453.4)
Property, plant and equipment, net	555.8	931.7	-	294.7	7(d)	1,782.2
Other Assets						
Goodwill	2,428.6	282.6	-	8,972.3	7(f)	11,683.5
Other intangibles, net	1,174.4	253.6	-	3,346.4	7(e)	4,774.4
Long-term contract and other deferred assets	-	400.9	(400.9)	-		-
Deferred income taxes	-	64.4	(64.4)	-		-
Other noncurrent assets	71.9	80.3	465.3	(369.3)	7(a), 7(h)	248.2
Total other assets	3,674.9	1,081.9	-	11,949.4		16,706.2
Total Assets	$ 6,677.6	$ 3,839.3	$ -	$ 11,897.5		$ 22,414.4
Liabilities and Shareholders' Equity						
Current Liabilities						
Accounts payable	$ 615.7	$ 706.7	$ -	$ (10.4)		$ 1,312.0
Customer deposits	390.1	-	619.4	-		1,009.5
Progress collections and other deferred income	-	619.4	(619.4)	-		-
Accrued compensation	163.6	-	122.9	-		286.5
Accrued warranty	137.1	-	23.1	-		160.2
Current portion of long-term debt	27.1	-	-	-		27.1
Other accrued liabilities	272.9	284.2	(146.0)	(29.8)	7(a), 7(i)	381.3
Total current liabilities	1,606.5	1,610.4	-	(40.2)		3,176.7
Long-term debt	1,857.8	67.5	-	2,810.7	7(c), 7(g)	4,736.0
Long-term progress collections and other deferred income	-	17.3	(17.3)	-		-
Reserve for postretirement and pension benefits	98.7	-	21.2	-		119.9
Deferred income taxes	155.6	224.7	-	(224.7)	7(h)	155.6
Accrued warranty	16.8	-	43.1	-		59.9
Other long term liabilities	67.6	88.8	(47.0)	345.6	7(a), 7(i)	455.0
Total Liabilities	3,803.0	2,008.7	-	2,891.4		8,703.1
Equity						
Preferred Stock	-	-	-	-		-
Common Stock	1.3	-	-	1.0	7(m)	2.3
Additional paid-in capital	910.4	-	1,857.7	8,971.1	7(a), 7(m)	11,739.2
Net parent investment	-	1,857.7	(1,857.7)	-		-
Treasury stock	(821.2)	-	-	-		(821.2)
Retained earnings	2,923.0	-	-	(37.9)		2,885.1
Accumulated other comprehensive loss	(156.2)	(71.9)	-	71.9	7(m)	(156.2)

In millions *(In U.S. dollars unless otherwise indicated)*	Wabtec Historical	GE Transportation Historical	Reclassification Adjustment (Note 6)	Pro Forma Adjustments	Notes	Pro Forma Combined Wabtec/GE Transportation
Total Group shareholders' equity	2,857.3	1,785.9	-	9,006.1		13,649.3
Noncontrolling Interest	17.3	44.7	-	-		62.0
Total Equity	2,874.6	1,830.6	-	9,006.1		13,711.3
Total Liabilities and Equity	$ 6,677.6	$ 3,839.3	$ -	$ 11,897.5		$ 22,414.4

Westinghouse Air Brake Technologies Corporation
Notes to Pro Forma Statements (Unaudited)
(Expressed in U.S. dollars, unless otherwise indicated)

1. Description of the transaction

General Electric Company ("GE"), Wabtec, Transportation Systems Holdings Inc., a Delaware corporation ("SpinCo"), and Wabtec US Rail Holdings, Inc., a Delaware corporation ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement") on May 20, 2018, and GE, SpinCo, Wabtec and Wabtec US Rail, Inc. ("Direct Sale Purchaser") entered into the Separation, Distribution and Sale Agreement (the "Separation Agreement") on May 20, 2018, which together provide for the combination of Wabtec and GE Transportation through a modified Reverse Morris Trust transaction structure. In connection with the separation of GE Transportation from the remaining business of GE (the "Separation"), GE will conduct an internal reorganization within GE of GE Transportation in anticipation of the direct sale of certain assets of GE Transportation (collectively, the "Direct Sale") from GE to Direct Sale Purchaser in exchange for a cash payment of $2.9 billion (the "Direct Sale Purchase Price"), the SpinCo Transfer (as defined below) and the Distribution (as defined below) as contemplated by the Separation Agreement (the "Internal Reorganization"). The Transactions have been approved by the board of directors of Wabtec (the "Wabtec Board") and the board of directors of GE (the "GE Board").

In connection with the Direct Sale, certain assets of GE Transportation, potentially including the equity interests of certain pre-Transaction subsidiaries of GE that compose part of GE Transportation, will be sold to Direct Sale Purchaser for a cash payment of $2.9 billion, and Direct Sale Purchaser will assume certain liabilities of GE Transportation in connection with this purchase. Thereafter, GE will transfer the business and operations of GE Transportation, but not including certain specified assets and liabilities of GE Transportation acquired or assumed in the Direct Sale (the "SpinCo Business"), to SpinCo and its subsidiaries (to the extent not already held by SpinCo and its subsidiaries) pursuant to the Separation Agreement (the "SpinCo Transfer"), and SpinCo will issue to GE additional shares of SpinCo common stock in the SpinCo Transfer. Following this issuance of additional SpinCo common stock to GE, GE will own 8,700,000,000 shares of SpinCo common stock, or such other amount as GE determines, subject to the consent of Wabtec not to be unreasonably withheld, conditioned or delayed, which will constitute all of the outstanding SpinCo common stock.

Following the Direct Sale and based on market conditions , corporate finance considerations and timing considerations, GE will distribute the shares of SpinCo common stock to GE's stockholders in a spin-off or a split-off transaction (the "Distribution"). Immediately after the Distribution and on the closing date of the Merger (as defined below), Merger Sub will merge with and into SpinCo, whereby the separate corporate existence of Merger Sub will cease and SpinCo will continue as the surviving company and a wholly owned subsidiary of Wabtec (the "Merger"). In the Merger, subject to adjustment in accordance with the Merger Agreement, each share of SpinCo common stock will be converted into the right to receive a number of shares of common stock, par value $0.01 per share, of Wabtec ("Wabtec common stock") based on the exchange ratio set forth in the Merger Agreement. As used herein, the "Transactions" means the transactions contemplated by the Merger Agreement and the Separation Agreement, which provide for, among other things, the Separation (including the Internal Reorganization), the Direct Sale, the SpinCo Transfer, the Distribution and the Merger.

Upon consummation of the Merger and calculated based on Wabtec's outstanding common stock immediately prior to the Merger on a fully-diluted, as converted and as-exercised basis, 50.1% of the outstanding shares of Wabtec common stock would be held collectively by GE and pre-Merger holders of GE common stock (with approximately 9.9% of the outstanding shares of Wabtec common stock expected to be held by GE) and 49.9% of the outstanding shares of Wabtec common stock would be held by pre-Merger Wabtec stockholders. The shares held by GE will be subject to GE's obligations under (x) the Tax Matters Agreement to be entered into prior to the time established by the GE Board as the effective time of the Distribution on the date on which the Distribution occurs (the "Distribution Date") by and among GE, SpinCo, Wabtec and Direct Sale Purchaser (the "Tax Matters Agreement"), to sell a number of shares of Wabtec common stock within two years of the Distribution Date and (y) the Shareholders Agreement, to be entered into as of the closing date of the Merger, between Wabtec and GE (the "Shareholders Agreement") to sell, subject to limited exceptions, all of the shares of Wabtec common stock GE beneficially owns within three years of the closing date of the Merger and prior thereto, to vote all of such shares in the proportion required under the Shareholders Agreement. GE has the right to increase the percentage of the outstanding shares of Wabtec common stock to be held by pre-Merger GE stockholders (subject to a corresponding reduction in the percentage held by GE).

The estimated total value of the consideration to be paid by Wabtec in the Transactions is subject to the market price of shares of Wabtec common stock at the date of closing. Using Wabtec's closing stock price on the NYSE as of August 17, 2018, the total value of the consideration for the Transactions would be approximately $14.2 billion, including the Direct Sale Purchase Price, contingent consideration, assumed debt and net of cash acquired. The following chart illustrates the impact of a 10% change in Wabtec's stock price on the transaction purchase price and estimated goodwill (in millions):

	Purchase Price	Estimated Goodwill
As presented in the Pro Forma Combined results	$ 14,164.6	$ 9,254.9
10% Increase in Wabtec Common Stock Price	$ 15,247.6	$ 10,337.9
10% Decrease in Wabtec Common Stock Price	$ 13,081.6	$ 8,171.9

2. Basis of presentation

The Transactions have been accounted for as a business combination using the acquisition method in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 805, Business Combinations. As the acquirer for accounting purposes, Wabtec has estimated the fair value of GE Transportation's assets acquired and liabilities assumed and conformed the accounting policies of GE Transportation to its own accounting policies.

The pro forma purchase price allocation is subject to change based on the market price of Wabtec common stock at the time of the Merger, finalization of purchase price adjustments and completion of Wabtec management's assessment of the fair values of the assets and liabilities acquired. Wabtec has not completed the final valuation necessary to determine the acquisition date fair market value of GE Transportation's net assets. As more information becomes available, Wabtec will complete a more detailed review of the preliminary allocation of the purchase price to reflect the acquisition date fair value of those assets and liabilities. As a result of that review, more information could become available that, when analyzed, could have a material impact on the Pro Forma Statements.

Estimated remaining transaction costs for Wabtec and GE Transportation are reflected as an adjustment to cash and retained earnings in the unaudited pro forma condensed combined balance sheet. Estimated remaining transaction costs for Wabtec and GE Transportation have not been reflected in the unaudited pro forma condensed combined statement of income on the basis that these expenses are directly related to the Transactions but are nonrecurring in nature. Total estimated transaction costs for Wabtec and GE Transportation are approximately $100 million. Certain of GE Transportation's transaction costs will be borne by GE.

In addition, Wabtec expects to record post-combination compensation expense related to the acceleration of unvested stock compensation awards and other employee compensation arrangements directly related to the Merger. This amount is excluded from the unaudited pro forma condensed combined statements of income because it does not have a continuing impact on operations. At this point in time Wabtec is unable to provide a reasonable estimate of the total compensation expense related to the merger; therefore, no adjustment has been recorded to retained earnings in the unaudited pro forma condensed combined balance sheet.

3. Preliminary purchase price allocation

The Transactions have been accounted for as a business combination in accordance with Financial Accounting Standards Board ASC 805, Business Combinations. Under the acquisition method of accounting, Wabtec allocated purchase price to the tangible and intangible net assets acquired pursuant to the Direct Sale and the Merger based on the preliminary estimated fair values as of the assumed date of the Merger.

Wabtec has performed a preliminary valuation analysis of the fair market value of GE Transportation's assets and liabilities. The following table summarizes the allocation of the preliminary purchase price as of the assumed date of the Merger (in millions):

Cash and cash equivalents	$	0.0
Accounts receivable		495.2
Inventories		749.2
Other current assets		230.4
Property, plant and equipment		1,226.4
Goodwill		9,254.9
Trade names		300.0
Intellectual property		600.0
Backlog		2,000.0
Customer relationships		700.0
Other noncurrent assets		176.2
Total assets acquired		15,732.3
Current liabilities		(1,488.0)
Contingent consideration		(434.7)
Other noncurrent liabilities		(99.1)
Total liabilities assumed		(2,021.8)
Net assets acquired	$	13,710.5
Noncontrolling interest acquired	$	(44.7)

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the Pro Forma Statements. The final purchase price allocation will be determined when Wabtec has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include (1) changes in fair values of property, plant and equipment, (2) changes in allocations to intangible assets such as trade names, backlog, intellectual property, and customer relationships as well as goodwill and (3) other changes to assets and liabilities.

4. Financing transactions

Wabtec, Wabtec Coöperatief U.A. and the other borrowers party thereto from time to time (the “Borrowers”), the other borrowing subsidiaries party thereto from time to time, the lenders party thereto from time to time, PNC Bank, National Association, as administrative agent, and the other parties thereto entered into the credit agreement dated as of June 8, 2018 (the “Credit Agreement”), which includes (i) a $1.2 billion unsecured revolving credit facility (the “Revolving Credit Facility”), (ii) a $350.0 million refinancing term loan (the “Refinancing Term Loan”) and (iii) a $400.0 million delayed draw term loan (the “Delayed Draw Term Loan”). Wabtec has also obtained commitments (the “Bridge Commitments”) in respect of a bridge loan facility (the “Bridge Loan Facility”) in an amount not to exceed $2.5 billion. The Bridge Commitments will be reduced by any alternative financing (including any other loans or debt securities) that Wabtec arranges prior to the Direct Sale, subject to customary exceptions. Wabtec will use funds available under the Delayed Draw Term Loan and the Bridge Loan Facility (or any alternative financing that Wabtec arranges, which would reduce the Bridge Commitments under the Bridge Loan Facility) to pay the Direct Sale Purchase Price. Additionally, in the Merger, Wabtec will issue common stock valued (based on Wabtec’s closing stock price on the NYSE as of August 17, 2018) at approximately $10.8 billion.

5. Tax benefits

As a result of the Transactions, Wabtec will be able to deduct for tax purposes the stepped-up basis of certain assets acquired including, but not limited to, property, plant and equipment, trade names, intellectual property, customer relationships, backlog and goodwill. Wabtec estimates the fair value of these tax benefits created in the Transactions to be approximately $1.5 billion. The final amount and timing of when these tax benefits may be realized could differ materially from the preliminary estimate.

Deferred taxes have not been reflected in the Pro Forma Statements because based on currently available information there are no significant book to tax differences on the acquired assets and assumed liabilities.

6. Reclassification adjustments

Certain reclassifications have been made to the historical presentation of GE Transportation to conform to the historical financial statement presentation of Wabtec. Specifically, Wabtec presents Engineering expense and Amortization expense as separate captions within the statement of income, while GE Transportation presents these expenses within the Cost of goods sold and Selling, general, and administrative expense captions within the statement of income. Reclassification adjustments have been made to conform the GE Transportation presentation of these expenses to the Wabtec financial statement presentation.

Additionally, certain other GE Transportation income statement and balance sheet accounts have been reclassified to conform to Wabtec’s financial statement presentation. Reclassifications have also been made to the historical presentation of Wabtec to disclose the amount of revenue and costs related to goods and services.

These reclassification adjustments had no net impact on Income from operations, Income from operations before income tax, Net income, Net income attributable to Wabtec shareholders, Total current assets, Total assets, Total current liabilities, Total liabilities, Total group shareholders’ equity, or Total equity.

7. Pro forma adjustments

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the Pro Forma Statements:

a. Reflects adjustments to GE Transportation’s historical financial statements to conform to Wabtec’s adoption of ASC 606 using the modified retrospective method. GE Transportation adopted Accounting Standards Update (“ASU”) No. 2014-09 “Revenue from Contracts with Customers” using the full retrospective method. Additionally, reflects adjustments to GE Transportation’s historical financial statements to conform to Wabtec’s revenue recognition policy for long term service contracts.

b. Represents the payment by Wabtec related to the Direct Sale Purchase Price of $2.9 billion of cash, less the GE Transportation cash and cash equivalents balance, after giving effect to the settlement of GE Transportation's loans payable to GE affiliates outside of GE Transportation of $64.0 million.

c. Represents additional borrowings of $2.9 billion to finance the Direct Sale Purchase Price.

d. Reflects the adjustment of $294.7 million to increase the basis in the acquired property, plant and equipment to estimated fair value and eliminates GE Transportation's historical Accumulated depreciation of $1,029.0 million against property, plant and equipment. The estimated useful lives range from three to forty years. The fair value and useful life calculations are preliminary and subject to change after Wabtec finalizes its review of the specific types, nature, age, condition and location of GE Transportation's property, plant and equipment. The following table summarizes the changes in the estimated depreciation expense (in millions):

	Year Ended December 31, 2017	Six Months Ended June 30, 2018
Estimated depreciation expense	$ 132.1	$ 64.9
Historical depreciation expense	(112.3)	(55.1)
Pro forma increase in depreciation expense	$ 19.8	$ 9.8

e. Reflects the adjustment of historical intangible assets acquired by Wabtec to their estimated fair values. As part of the preliminary valuation analysis, Wabtec identified intangible assets, including trade names, intellectual property, backlog and customer relationships. The fair value of identifiable intangible assets is determined primarily using the "income approach," which requires a forecast of expected future cash flows related to these intangibles.

The following table summarizes the estimated fair values of GE Transportation's identifiable intangible assets, their estimated useful lives and their amortization on a linear basis (in millions):

			Amortization	
	Estimated Fair Value	Estimated Useful Life in Years	Year Ended December 31, 2017	Six Months Ended June 30, 2018
Trade names	$ 300.0	9	$ 33.3	$ 16.7
Intellectual property	600.0	12	50.0	25.0
Backlog	2,000.0	20	100.0	50.0
Customer relationships	700.0	20	35.0	17.5
	$ 3,600.0		$ 218.3	$ 109.2
Historical amortization expense			(71.7)	(23.1)
Pro forma increase in amortization expense			$ 146.6	$ 86.1

f. Reflects adjustment to remove GE Transportation's historical goodwill of $282.6 million and record goodwill associated with the Transactions of $9,254.9 million as shown in Note 3.

g. Reflects the adjustment for the settlement of GE Transportation's loans payable to GE affiliates outside of GE Transportation in the amount of $67.5 million which will be settled prior to the consummation of the Transactions.

h. Reflects adjustment to eliminate GE Transportation's historical deferred tax assets and deferred tax liabilities in the amount of $64.4 million and $224.7 million, respectively.

i. Represents the estimated fair value of contingent consideration of $434.7 million related to payment of a fixed amount, $470.0 million, to GE which is directly related to the timing of tax benefits expected to be realized subsequent to the Transactions.

j. Reflects the income tax effect of pro forma adjustments based on an estimated combined tax rate of 29.5% and 22.4% for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively.

k. Represents the net increase to interest expense resulting from interest on incurrence of an assumed $2.9 billion of new debt to finance the Direct Share Purchase Price and other interest adjustments directly related to the Transactions, as follows (in millions):

	Year Ended December 31, 2017	Six Months Ended June 30, 2018
Interest expense on new debt	$ 125.5	$ 62.8
Elimination of interest on retired GET debt	(4.8)	(2.5)
Accretion of contingent consideration	8.8	4.4
Amortization of new debt issuance costs	4.2	2.1
Pro forma adjustments to interest expense	$ 133.7	$ 66.8

The effect of a 1/8 percent variance in the assumed interest rate related to the new debt would impact pro forma interest expense by approximately $3.6 million and $1.8 million for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively.

l. Represents the estimated adjustment to step up GE Transportation's inventory to a fair value of approximately $749.2 million, an increase of $74.0 million from the carrying value. The fair value calculation is preliminary and subject to change. The fair value was determined based on the estimated selling price of the inventory less the remaining manufacturing and selling costs and a normal profit margin on those manufacturing and selling efforts. After the consummation of the Transactions, the step-up in inventory fair value of $74.0 million will increase cost of sales over approximately 12 months as the inventory is sold. This increase is not reflected in the unaudited pro forma condensed combined statements of income because it does not have a continuing impact.

m. Represents the elimination of the historical equity of GE Transportation and the issuance of 98.5 million shares of Wabtec common stock as consideration in the Merger.

n. Represents the elimination of transaction costs of $50.5 million directly related to the Transactions which will not have a recurring impact on operations.

Exhibit 99.4

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Westinghouse Air Brake Technologies Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Westinghouse Air Brake Technologies Corporation (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedule as listed in the Index at Item 15.(2) (collectively referred to as the "consolidated financial statements"). In our opinion, based on our audits and the report of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with U.S. generally accepted accounting principles.

We did not audit the pre-acquisition historical basis consolidated financial statements of Faiveley Transport S.A., a consolidated subsidiary, which statements reflect total assets constituting 25.9% in 2016, and total revenues constituting 3.8% in 2016 of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Faiveley Transport S.A., is based solely on the report of the other auditors. We audited the adjustments necessary to convert the pre-acquisition historical amounts included for Faiveley Transport S.A. to the basis reflected in the Company's 2016 consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 26, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP
We have served as the Company's auditor since 2002.
Pittsburgh, Pennsylvania
February 26, 2018,
except for Notes 2, 4, 8, 13, 20, 21, 22 and 23 as to which the date is
September 10 , 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management Board of Faiveley Transport

In our opinion, the consolidated balance sheets and the related consolidated statement of income, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Faiveley Transport and its subsidiaries as of December 31, 2016 and November 30, 2016, and the results of their operations and their cash flows for the period from November 30, 2016 to December 31, 2016 (not presented separately herein), in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. As discussed in Note 3, the company has not applied push down accounting for its acquisition by Wabtec.

PricewaterhouseCoopers Audit

/s/ Philippe Vincent
Partner

Neuilly-sur-Seine, France
February 23, 2017

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEETS

In thousands, except shares and par value	December 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 233,401	$ 398,484
Accounts receivable	800,619	667,596
Unbilled accounts receivable	366,168	274,912
Inventories	742,634	658,510
Deposits in escrow	—	744,748
Other assets	122,291	123,381
Total current assets	2,265,113	2,867,631
Property, plant and equipment	1,026,046	912,230
Accumulated depreciation	(452,074)	(393,854)
Property, plant and equipment, net	573,972	518,376
Other Assets		
Goodwill	2,460,103	2,078,765
Other intangibles, net	1,204,432	1,053,860
Other noncurrent assets	76,360	62,386
Total other assets	3,740,895	3,195,011
Total Assets	$ 6,579,980	$ 6,581,018
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 552,525	$ 530,211
Customer deposits	369,716	256,591
Accrued compensation	164,210	145,324
Accrued warranty	137,542	123,190
Current portion of long-term debt	47,225	129,809
Other accrued liabilities	302,112	261,514
Total current liabilities	1,573,330	1,446,639
Long-term debt	1,823,303	1,762,967
Accrued postretirement and pension benefits	103,734	110,597
Deferred income taxes	175,902	245,680
Accrued warranty	15,521	15,802
Other long-term liabilities	59,658	22,508
Total liabilities	3,751,448	3,604,193
Commitment and Contingencies (Note 19)		
Equity		
Preferred stock, 1,000,000 shares authorized, no shares issued	—	—
Common stock, $.01 par value; 200,000,000 shares authorized: 132,349,534 shares issued and 96,034,352 and 95,425,432 outstanding at December 31, 2017 and December 31, 2016, respectively	1,323	1,323
Additional paid-in capital	906,616	869,951
Treasury stock, at cost, 36,315,182 and 36,924,102 shares, at December 31, 2017 and December 31, 2016, respectively	(827,379)	(838,950)
Retained earnings	2,773,300	2,553,258
Accumulated other comprehensive loss	(44,992)	(379,605)
Total Westinghouse Air Brake Technologies Corporation shareholders' equity	2,808,868	2,205,977
Noncontrolling interest	19,664	770,848
Total equity	2,828,532	2,976,825
Total Liabilities and Equity	$ 6,579,980	$ 6,581,018

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
In thousands, except per share data	**2017**	**2016**	**2015**
Net sales	$ 3,881,756	$ 2,931,188	$ 3,307,998
Cost of sales	(2,816,443)	(2,006,949)	(2,260,182)
Gross profit	1,065,313	924,239	1,047,816
Selling, general and administrative expenses	(512,552)	(373,559)	(346,086)
Engineering expenses	(95,166)	(71,375)	(71,213)
Amortization expense	(36,516)	(22,698)	(21,663)
Total operating expenses	(644,234)	(467,632)	(438,962)
Income from operations	421,079	456,607	608,854
Other income and expenses			
Interest expense, net	(77,884)	(50,298)	(27,254)
Other (expense) income, net	8,868	6,528	3,768
Income from operations before income taxes	352,063	412,837	585,368
Income tax expense	(89,773)	(99,433)	(186,740)
Net income	262,290	313,404	398,628
Less: Net income attributable to noncontrolling interest	(29)	(8,517)	—
Net income attributable to Wabtec shareholders	$ 262,261	$ 304,887	$ 398,628
Earnings Per Common Share			
Basic			
Net income attributable to Wabtec shareholders	$ 2.74	$ 3.37	$ 4.14
Diluted			
Net income attributable to Wabtec shareholders	$ 2.72	$ 3.34	$ 4.10
Weighted average shares outstanding			
Basic	95,453	90,359	96,074
Diluted	96,125	91,141	97,006

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
In thousands, except per share data	**2017**	**2016**	**2015**
Net income attributable to Wabtec shareholders	$ 262,261	$ 304,887	$ 398,628
Foreign currency translation gain (loss)	326,096	(93,684)	(132,899)
Unrealized gain (loss) on derivative contracts	9,799	305	(1,202)
Unrealized gain (loss) on pension benefit plans and post-retirement benefit plans	2,845	(12,021)	26,689
Other comprehensive gain (loss) before tax	338,740	(105,400)	(107,412)
Income tax (expense) benefit related to components of other comprehensive loss	(4,127)	2,514	(9,821)
Other comprehensive income (loss), net of tax	334,613	(102,886)	(117,233)
Comprehensive income attributable to Wabtec shareholders	$ 596,874	$ 202,001	$ 281,395

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2017	2016	2015
In thousands, except per share data			
Operating Activities			
Net income	$ 262,290	$ 313,404	$ 398,628
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	103,248	69,795	64,734
Stock-based compensation expense	21,287	20,813	26,019
Deferred income taxes	(67,423)	(10,228)	4,981
Loss on disposal of property, plant and equipment	1,907	232	587
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable and unbilled accounts receivable	(68,676)	19,728	21,500
Inventories	(8,955)	45,340	20,147
Accounts payable	(91,722)	(18,932)	(76,650)
Accrued income taxes	47,644	(11,759)	21,740
Accrued liabilities and customer deposits	(18,891)	(11,338)	(14,837)
Other assets and liabilities	8,102	33,475	(16,005)
Net cash provided by operating activities	188,811	450,530	450,844
Investing Activities			
Purchase of property, plant and equipment	(89,466)	(50,216)	(49,428)
Proceeds from disposal of property, plant and equipment	1,291	363	1,784
Acquisitions of business, net of cash acquired	(945,299)	(183,113)	(129,550)
Net cash used for investing activities	(1,033,474)	(232,966)	(177,194)
Financing Activities			
Proceeds from debt	1,216,740	1,875,000	787,400
Payments of debt	(1,269,537)	(1,102,748)	(612,680)
Stock re-purchase	—	(212,176)	(387,787)
Proceeds from exercise of stock options and other benefit plans	4,428	1,983	3,097
Payment of income tax withholding on share-based compensation	(6,844)	(6,658)	(14,565)
Cash dividends ($0.44, $0.36 and $0.28 per share for the years ended December 31, 2017, 2016 and 2015)	(42,218)	(32,430)	(26,963)
Net cash (used for) provided by financing activities	(97,431)	522,971	(251,498)
Effect of changes in currency exchange rates	32,263	(26,436)	(18,868)
(Decrease) increase in cash	(909,831)	714,099	3,284
Cash, cash equivalents and restricted cash, beginning of year	1,143,232	429,133	425,849
Cash, cash equivalents and restricted cash, end of year	$ 233,401	$ 1,143,232	$ 429,133

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In thousands, except share and per share data	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total
Balance, December 31, 2014	132,349,534	$ 1,323	$ 448,531	(36,075,139)	$ (392,262)	$ 1,909,136	$ (159,486)	$ 1,732	$ 1,808,974
Cash dividends ($0.28 dividend per share)	—	—	—	—	—	(26,963)	—	—	(26,963)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(2,918)	450,738	4,925	—	—	—	2,007
Stock based compensation	—	—	23,713	—	—	—	—	—	23,713
Net income	—	—	—	—	—	398,628	—	—	398,628
Translation adjustment	—	—	—	—	—	—	(132,899)	—	(132,899)
Unrealized loss on foreign exchange contracts, net of $14 tax	—	—	—	—	—	—	(66)	—	(66)
Unrealized loss on interest rate swap contracts, net of $444 tax	—	—	—	—	—	—	(678)	—	(678)
Change in pension and post-retirement benefit plans, net of $10,279 tax	—	—	—	—	—	—	16,410	—	16,410
Stock re-purchase	—	—	—	(4,889,027)	(387,787)	—	—	—	(387,787)
Balance, December 31, 2015	132,349,534	1,323	469,326	(40,513,428)	(775,124)	2,280,801	(276,719)	1,732	1,701,339
Cash dividends ($0.36 dividend per share)	—	—	—	—	—	(32,430)	—	—	(32,430)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(8,490)	328,245	5,038	—	—	—	(3,452)
Stock based compensation	—	—	17,748	—	—	—	—	—	17,748
Non-controlling interests associated with Faiveley Transport Acquisition	—	—	—	—	—	—	—	760,599	760,599
Net income	—	—	—	—	—	304,887	—	8,517	313,404
Translation adjustment	—	—	—	—	—	—	(93,684)	—	(93,684)
Unrealized loss on foreign exchange contracts, net of $45 tax	—	—	—	—	—	—	(324)	—	(324)
Unrealized gain on interest rate swap contracts, net of $230 tax	—	—	—	—	—	—	354	—	354
Change in pension and post-retirement benefit plans, net of $2,790 tax	—	—	—	—	—	—	(9,232)	—	(9,232)
Stock issued for Faiveley Transport Acquisition	—	—	391,367	6,307,489	143,312	—	—	—	534,679
Stock re-purchase	—	—	—	(3,046,408)	(212,176)	—	—	—	(212,176)
Balance, December 31, 2016	132,349,534	1,323	869,951	(36,924,102)	(838,950)	2,553,258	(379,605)	770,848	2,976,825
Cash dividends ($0.44 dividend per share)	—	—	—	—	—	(42,218)	—	—	(42,218)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(7,361)	608,920	4,945	—	—	—	(2,416)
Stock based compensation	—	—	16,650	—	—	—	—	—	16,650
Acquisition of Faiveley Transport noncontrolling interest	—	—	8,931	—	—	—	—	(751,213)	(742,282)
Net income	—	—	—	—	—	262,261	—	29	262,290
Translation adjustment	—	—	—	—	—	—	326,095	—	326,095
Unrealized gain on foreign exchange contracts, net of $1,763 tax	—	—	—	—	—	—	2,282	—	2,282
Unrealized gain on interest rate swap contracts, net of $1,079 tax	—	—	—	—	—	—	4,689	—	4,689
Change in pension and post-retirement benefit plans, net of $1,300 tax	—	—	—	—	—	—	1,546	—	1,546
Stock issued for Faiveley Transport Acquisition	—	—	18,445	—	6,626	—	—	—	25,071
Balance, December 31, 2017	132,349,534	$ 1,323	$ 906,616	(36,315,182)	$ (827,379)	$ 2,773,301	$ (44,993)	$ 19,664	$ 2,828,532

The accompanying notes are an integral part of these statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Wabtec is one of the world's largest providers of value-added, technology-based equipment, systems and services for the global passenger transit and freight rail industries. Our highly engineered products, which are intended to enhance safety, improve productivity and reduce maintenance costs for customers, can be found on most locomotives, freight cars, passenger transit cars and buses around the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 31 countries and our products can be found in more than 100 countries throughout the world. In 2017, about 66% of the Company's revenues came from customers outside the U.S.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the accounts of the Company and all subsidiaries that it controls. For consolidated subsidiaries in which the Company's ownership is less than 100%, the outside shareholders' interests are shown as noncontrolling interests. These statements have been prepared in accordance with U.S. generally accepted accounting principles. Sales between subsidiaries are billed at prices consistent with sales to third parties and are eliminated in consolidation.

Cash Equivalents Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Allowance for Doubtful Accounts The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The allowance for doubtful accounts was $12.3 million and $7.3 million as of December 31, 2017 and 2016, respectively.

Inventories Inventories are stated at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead.

Property, Plant and Equipment Property, plant and equipment additions are stated at cost. Expenditures for renewals and improvements are capitalized. Expenditures for ordinary maintenance and repairs are expensed as incurred. The Company computes book depreciation principally on the straight-line method. Accelerated depreciation methods are utilized for income tax purposes.

Leasing Arrangements The Company conducts a portion of its operations from leased facilities and finances certain equipment purchases through lease agreements. In those cases in which the lease term approximates the useful life of the leased asset or the lease meets certain other prerequisites, the leasing arrangement is classified as a capital lease. The remaining arrangements are treated as operating leases.

Goodwill and Intangible Assets Goodwill and other intangible assets with indefinite lives are not amortized. Other intangibles (with definite lives) are amortized on a straight-line basis over their estimated economic lives. Amortizable intangible assets are reviewed for impairment when indicators of impairment are present. The Company tests goodwill and indefinite-lived intangible assets for impairment at the reporting unit level and at least annually. The Company performs its annual impairment test during the fourth quarter after the annual forecasting process is completed, and also tests for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Periodically, Management of the Company assesses whether or not an indicator of impairment is present that would necessitate an impairment analysis be performed.

For 2017, the Company opted to proceed directly to the two-step quantitative impairment test for all reporting units with goodwill. In the first step of the quantitative assessment, our assets and liabilities, including existing goodwill and other intangible assets, are assigned to the identified reporting units to determine the carrying value of the reporting units. The income approach and the market approach are weighted at 50% and 50%, respectively, in arriving at fair value. The discounted cash flow model requires several assumptions including future sales growth, EBIT (earnings before interest and taxes) margins and capital expenditures for the reporting units. The discounted cash flow model also requires the use of a discount rate and a terminal revenue growth rate (the revenue growth rate for the period beyond the years forecasted by the reporting units), as well as projections of future operating margins. The market approach requires several assumptions including EBITDA (earnings before interest, taxes, depreciation and amortization) multiples for comparable companies that operate in the same markets as the Company's reporting units. The estimated fair value of all reporting units was substantially in excess of its respective carrying value, which resulted in a conclusion that no impairment existed.

Additionally, the Company proceeded directly to the quantitative impairment test for some trade names with indefinite lives. The fair value of all trade names subject to the quantitative impairment test exceeded its respective carrying value, resulting in a conclusion that no impairment existed. For trade names not subject to the quantitative testing, the Company opted to perform a qualitative trade name impairment assessment and determined from the qualitative assessment that it was not more likely than not that the estimated fair values of the trade names were less than their carrying values; therefore, no further analysis was required. In assessing the qualitative factors to determine whether it is more likely than not that the fair value of a trade name is less than its carrying amount, we assess relevant events and circumstances that may impact the fair value and the carrying amount of the trade name. The identification of relevant events and circumstances and how these may impact a trade name's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Wabtec specific events, share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

Warranty Costs Warranty costs are accrued based on Management's estimates of repair or upgrade costs per unit and historical experience. Warranty expense was $50.4 million, $28.9 million and $35.4 million for 2017, 2016 and 2015, respectively. Accrued warranty was $153.1 million and $139.0 million at December 31, 2017 and 2016, respectively.

Income Taxes Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws. The provision for income taxes includes federal, state and foreign income taxes.

Stock-Based Compensation The Company recognizes compensation expense for stock-based compensation based on the grant date fair value amortized ratably over the requisite service period following the date of grant.

Financial Derivatives and Hedging Activities The Company has entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Foreign currency forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date, the Company can either take delivery of the currency or settle on a net basis. For further information regarding the foreign currency forward contracts, see Footnote 17.

To reduce the impact of interest rate changes on a portion of its variable-rate debt, the Company has entered into an interest rate swap agreement with a notional value of $150 million. As of December 31, 2017, the Company has recorded a current liability of $1.2 million and a corresponding offset in accumulated other comprehensive loss of $0.7 million, net of tax, related to these agreements. For further information regarding the interest rate swap agreement, see Footnote 17.

Foreign Currency Translation Assets and liabilities of foreign subsidiaries, except for the Company's Mexican operations whose functional currency is the U.S. Dollar, are translated at the rate of exchange in effect on the balance sheet date while income and expenses are translated at the average rates of exchange prevailing during the period. Foreign currency gains and losses resulting from transactions, and the translation of financial statements are recorded in the Company's consolidated financial statements based upon the provisions of Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters." The effects of currency exchange rate changes on intercompany transactions and balances of a long-term investment nature are accumulated and carried as a component of accumulated other comprehensive loss. The effects of currency exchange rate changes on intercompany transactions that are denominated in a currency other than an entity's functional currency are charged or credited to earnings. Foreign exchange transaction losses recognized in other (expense) income, net were $6.6 million, $4.0 million and $4.7 million for 2017, 2016 and 2015, respectively.

Noncontrolling Interests In accordance with ASC 810, the Company has classified noncontrolling interests as equity on our condensed consolidated balance sheets as of December 31, 2017 and 2016. Net income attributable to noncontrolling interests was $8.5 million for the year ended December 31, 2016. Net income attributable to noncontrolling interest was not material for the years ended December 31, 2017 and 2015. Other comprehensive income attributable to noncontrolling interests for the years ended December 31, 2017, 2016 and 2015 was not material.

Revenue Recognition Revenue is recognized in accordance with ASC 605 "Revenue Recognition," The Company recognizes revenue when the following criteria are met: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred; 3) an established sales price has been set with the customer; 4) collection of the sale revenue from the customer is reasonably assured; and 5) no contingencies exist. Delivery is considered to have occurred when the customer assumes the risk and rewards of ownership. The Company estimates and records provisions for quantity rebates and sales returns and allowances as an offset to revenue in the same period the related revenue is recognized, based upon its experience. These items are included as a reduction in deriving net sales.

In general, the Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other input-based or output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised quarterly at a minimum and adjustments are reflected in the accounting period as such amounts are determined. Provisions are made currently for estimated losses on uncompleted contracts. Unbilled accounts receivables were $366.2 million and $274.9 million, customer deposits were $369.7 million and $256.6 million, and provisions for loss contracts were $94.0 million and $60.5 million at December 31, 2017 and 2016, respectively.

Certain pre-production costs relating to long-term production and supply contracts have been deferred and will be recognized over the life of the contracts. Deferred pre-production costs were $20.2 million and $29.4 million at December 31, 2017 and 2016, respectively.

Significant Customers and Concentrations of Credit Risk The Company's trade receivables are from rail and transit industry original equipment manufacturers, Class I railroads, railroad carriers and commercial companies that utilize rail cars in their operations, such as utility and chemical companies. No one customer accounted for more than 10% of the Company's consolidated net sales in 2017, 2016 or 2015.

Shipping and Handling Fees and Costs All fees billed to the customer for shipping and handling are classified as a component of net revenues. All costs associated with shipping and handling are classified as a component of cost of sales.

Research and Development Research and development costs are charged to expense as incurred. For the years ended December 31, 2017, 2016 and 2015, the Company incurred costs of approximately $95.2 million, $71.4 million, and $71.2 million, respectively.

Earnings Per Share Basic and diluted earnings per common share is computed in accordance with ASC 260 "Earnings Per Share." Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and included in the computation of earnings per share pursuant to the two-class method included in ASC 260-10-55. (See Note 11 "Earnings Per Share" included herein)

Reclassifications Certain prior year amounts have been reclassified, where necessary, to conform to the current year presentation. Refer to Recently Adopted Accounting Pronouncements below.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates. On an ongoing basis, Management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Recently Issued Accounting Pronouncements In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02 "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The amendments in this update address certain stranded income tax effects in accumulated other comprehensive income ("AOCI") resulting from the Tax Cuts and Jobs Act ("TCJA"). Current guidance requires the effect of a change in tax laws or rates on deferred tax balances to be reported in income from continuing operations in the accounting period that includes the period of enactment, even if the related income tax effects were originally charged or credited directly to AOCI. The amount of the reclassification would include the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, if any, at the date of the enactment of TCJA related to items in AOCI. The updated guidance is effective for reporting periods beginning after December 15, 2018 and is to be applied retrospectively to each period in which the effect of the TCJA related to items remaining in AOCI are recognized or at the beginning of the period of adoption. Early adoption is permitted. The Company is currently evaluating the potential impact of adopting this guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". The amendments in this update eliminate the requirement to perform Step 2 of the goodwill impairment test. Instead, an entity should perform a goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value up to the carrying amount of the goodwill. The ASU is effective for public companies in the fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The impact of adopting this guidance could result in a change in the overall conclusion as to whether or not a reporting units' goodwill is impaired and the amount of an impairment charge recognized in the event a reporting units' carrying value exceeds its fair value. All of the Company's reporting units had fair values that were greater than the carrying value as of the Company's last quantitative goodwill impairment test, which was performed as of October 1, 2017.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 814)” which requires lessees to recognize a right of use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. For leases with terms less than 12 months, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize a right of use asset and lease liability. The ASU is effective for public companies in the fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the potential impact of adopting this guidance on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-9, “Revenue from Contract with Customers.” The ASU will supersede most of the existing revenue recognition requirements in U.S. GAAP and will require entities to recognize revenue at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The new standard also requires significantly expanded disclosures regarding the qualitative and quantitative information of an entity’s nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Board voted to propose that the standard would take effect for reporting periods beginning after December 15, 2017 and that early adoption would be allowed as of the original effective date. The impact to results is not anticipated to be material because the analysis of the Company’s current long-term contracts under the new revenue recognition standard supports the recognition of revenue over time under the cost-to-cost method for substantially all of our long-term contracts, which is consistent with our current revenue recognition model. The Company plans to adopt this accounting standard update using the modified retrospective method, with the cumulative effect of initially applying this update recognized in the first reporting period of 2018. The Company has evaluated new disclosure requirements and is implementing appropriate changes to its business processes and controls to support disclosure under the new guidance.

Recently Adopted Accounting Pronouncements In March 2017, the FASB issued ASU No. 2017-07 “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. The amendments in this update require the service cost component of net benefit costs to be reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit costs are required to be presented in the income statement separately from the service cost component and outside income from operations. This update also allows the service cost component to be eligible for capitalization when applicable. In accordance with this update, the Company began recognizing the interest expense component of net periodic benefit cost in interest expense in the income statement and the expected return on plan assets, net amortization/deferrals, and curtailments in other income (expense), net in the income statement. This update has been adopted by the Company and applied retrospectively for presentation of the service cost component and other components of net benefit costs in accordance with the ASU. The impact of adoption resulted in increases of $0.6 million, $9.2 million and $9.8 million to selling, general, and administrative expense, interest expense, net and other income, net, respectively, in the income statement for the year ended December 31, 2017. The impact of adoption resulted in increases of $1.8 million, $7.7 million and $9.5 million to selling, general, and administrative expense, interest expense, net and other income, net, respectively, in the income statement for the year ended December 31, 2016. The impact of adoption resulted in a decrease of $1.3 million, an increase of $10.4 million and an increase of $9.1 million to selling, general, and administrative expense, interest expense, net and other income, net, respectively, in the income statement for the year ended December 31, 2015. Also, the capitalization of the service cost component of net benefit cost will be adopted prospectively in accordance with the ASU.

In November 2016, the FASB issued ASU No. 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash”. The amendments in this update require a statement of cash flows to explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The requirements of this update have been adopted by the Company and applied retrospectively. As a result restricted cash related to the acquisition of Faiveley Transport is included in the change in cash for the years ended December 31, 2017, 2016 and 2015.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The ASU simplifies several aspects for the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The ASU became effective for public companies during interim and annual reporting periods beginning after December 15, 2016. In accordance with this update, the Company began recognizing all excess tax deficiencies and tax benefits from share-based payment awards as a benefit or expense to income tax in the income statement. This update has been adopted prospectively in accordance with the ASU and the impact of adoption on the income statement was not material. Additionally, in accordance with this update, the Company began classifying excess income tax benefits from exercise of stock options as an operating activity on the consolidated statement of cash flows. The Company elected to adopt this amendment retrospectively and the impact of the adoption on operating and financing cash flows was not material.

3. ACQUISITIONS

Faiveley Transport

On November 30, 2016, the Company acquired majority ownership of Faiveley Transport S.A. ("Faiveley Transport") under the terms of a Share Purchase Agreement ("Share Purchase Agreement"). Faiveley Transport is a leading global provider of value-added, integrated systems and services for the railway industry with annual sales of about $1.2 billion and more than 5,700 employees in 24 countries. Faiveley Transport supplies railway manufacturers, operators and maintenance providers with a range of value-added, technology-based systems and services in Energy & Comfort (air conditioning, power collectors and converters, and passenger information), Access & Mobility (passenger access systems and platform doors), and Brakes and Safety (braking systems and couplers). The transaction was structured as a step acquisition as follows:

- On November 30, 2016, the Company acquired majority ownership of Faiveley Transport, after completing the purchase of the Faiveley family's ownership interest under the terms of the Share Purchase Agreement, which directed the Company to pay €100 per share of Faiveley Transport, payable between 25% and 45% in cash at the election of those shareholders and the remainder payable in Wabtec stock. The Faiveley family's ownership interest acquired by the Company represented approximately 51% of outstanding share capital and approximately 49% of the outstanding voting shares of Faiveley Transport. Upon completion of the share purchase under the Share Purchase Agreement, Wabtec commenced a tender offer for the remaining publicly traded Faiveley Transport shares. The public shareholders had the option to elect to receive €100 per share in cash or 1.1538 shares of Wabtec common stock per share of Faiveley Transport. The common stock portion of the consideration was subject to a cap on issuance of Wabtec common shares that was equivalent to the rates of cash and stock elected by the 51% owners.

- On February 3, 2017, the initial cash tender offer was closed, which resulted in the Company acquiring approximately 27% of additional outstanding share capital and voting rights of Faiveley Transport for approximately $411.8 million in cash and $25.2 million in Wabtec stock. After the initial cash tender offer, the Company owned approximately 78% of outstanding share capital and 76% of voting rights.

- On March 6, 2017, the final cash tender offer was closed, which resulted in the Company acquiring approximately 21% of additional outstanding share capital and 22% of additional outstanding voting rights of Faiveley Transport for approximately $303.2 million in cash and $0.3 million in Wabtec stock. After the final cash tender offer, the Company owned approximately 99% of the share capital and 98% of the voting rights of Faiveley Transport.

- On March 21, 2017, a mandatory squeeze-out procedure was finalized, which resulted in the Company acquiring the Faiveley Transport shares not tendered in the offers for approximately $17.5 million in cash. This resulted in the Company owning 100% of the share capital and voting rights of Faiveley Transport.

As of November 30, 2016, the date the Company acquired 51% of the share capital and 49% of the voting interest in Faiveley Transport, Faiveley Transport was consolidated under the variable interest entity model as the Company concluded that it was the primary beneficiary of Faiveley Transport as it then possessed the power to direct the activities of Faiveley Transport that most significantly impact its economic performance and it then possessed the obligation and right to absorb losses and benefits from Faiveley Transport.

The purchase price paid for 100% ownership of Faiveley Transport was $1,507 million. The $744.7 million included as deposits in escrow on the consolidated balance sheet at December 31, 2016 was cash designated for use as consideration for the tender offers.

The fair values of the assets acquired and liabilities assumed were determined using the income, cost and market approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market and are considered Level 3. The December 31, 2016 consolidated balance sheet includes the assets and liabilities of Faiveley Transport, which have been measured at fair value. The fair value of the noncontrolling interest was preliminarily determined using the market price of Faiveley Transport's publicly traded common stock multiplied by the number of publicly traded common shares outstanding at the acquisition date and is considered Level 1. The acquisition of the noncontrolling interest during the three months ended March 31, 2017 resulted in a $8.9 million increase to additional paid-in capital on the consolidated balance sheet which represents the difference in consideration paid to acquire the noncontrolling interest and the carrying value of noncontrolling interest at acquisition.

The following table summarizes the final fair values of the Faiveley Transport assets acquired and liabilities assumed.

In thousands		
Assets acquired		
Cash and cash equivalents	$	178,318
Accounts receivable		439,631
Inventories		205,649
Other current assets		70,930
Property, plant, and equipment		148,746
Goodwill		1,262,350
Trade names		346,328
Customer Relationships		233,529
Patents		1,201
Other noncurrent assets		184,564
Total assets acquired		3,071,246
Liabilities assumed		
Current liabilities		819,493
Debt		409,899
Other noncurrent liabilities		335,039
Total liabilities assumed		1,564,431
Net assets acquired	$	1,506,815

During the twelve months ended December 31, 2017, the estimated fair values for customer relationships and current liabilities were adjusted by $21.8 million and $65.3 million, respectively, for changes to initial estimates based on information that existed at the date of acquisition. Additionally, the estimated fair values for accounts receivable and current liabilities were adjusted by $2.8 million and $36.2 million, respectively, to correct errors in the preliminary estimated fair values of the Faiveley Transport assets acquired and liabilities assumed. Other noncurrent assets were adjusted by $30.0 million to record the deferred tax impact of these adjustments. As a result of these adjustments and other immaterial adjustments related to changes to initial estimates based on information that existed at the date of acquisition, goodwill increased by $74.1 million. Accounts receivable and current liabilities were adjusted by $64.3 million to correct an error in the preliminary estimated fair values of Faiveley Transport assets and liabilities assumed related to a factoring arrangement with recourse.

Substantially all of the accounts receivable acquired are expected to be collectible. Included in current liabilities is $25.9 million of accrued compensation for acquired share-based stock plans that are obligated to be settled in cash. Contingent liabilities assumed as part of the transaction were not material. These contingent liabilities are related to environmental, legal and tax matters. Contingent liabilities are recorded at fair value in purchase accounting, aside from those pertaining to uncertainty in income taxes which are an exception to the fair value basis of accounting.

Goodwill was calculated as the difference between the acquisition date fair value of the consideration transferred and the fair value of the net assets acquired, and represents the future economic benefits, including synergies and assembled workforce, that we expect to achieve as a result of the acquisition. Purchased goodwill is not deductible for tax purposes. The goodwill allocated to the Freight segment is $72.0 million and the goodwill allocated to the Transit segment is $1,190.4 million.

Other Acquisitions

The Company made the following acquisitions operating as a business unit or component of a business unit in the Freight Segment:

- On December 4, 2017, the Company acquired Melett Limited (“Melett”), a leader in the design, manufacture, and supply of high-quality turbochargers and replacement parts to the turbocharger aftermarket, for a purchase price of approximately $74.0 million, net of cash acquired, resulting in preliminary goodwill of $22.5 million, none of which will be deductible for tax purposes.

- On April 5, 2017, the Company acquired Thermal Transfer Corporation (“TTC”), a leading provider of heat transfer solutions for industrial applications, for a purchase price of approximately $32.5 million, net of cash acquired, resulting in preliminary goodwill of $16.3 million, all of which will be deductible for tax purposes.

- On March 13, 2017, the Company acquired Aero Transportation Products ("ATP"), a manufacturer of engineered covering systems for hopper freight cars, for a purchase price of approximately $65.3 million, net of cash acquired, resulting in preliminary goodwill of $29.0 million, all of which will be deductible for tax purposes.

- On December 14, 2016, the Company acquired Workhorse Rail LLC ("Workhorse"), a supplier of engineered freight car components, mainly for the aftermarket for a purchase price of approximately $43.8 million, net of cash acquired, resulting in goodwill of $22.3 million, 38% of which will be deductible for tax purposes.

- On November 17, 2016, the Company acquired the assets of Precision Turbo & Engine ("Precision Turbo"), a designer and manufacturer of high-performance, aftermarket turbochargers, wastegates, and heat exchangers for the automotive performance market for a purchase price of approximately $13.9 million, net of cash acquired, resulting in goodwill of $4.2 million, all of which will be deductible for tax purposes.

- On May 5, 2016, the Company acquired the assets of Unitrac Railroad Materials ("Unitrac"), a leading designer and manufacturer of railroad products and track work services for a purchase price of approximately $14.8 million, net of cash acquired, resulting in goodwill of $2.4 million, all of which will be deductible for tax purposes.

For the Melett, TTC, and ATP acquisitions, the following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of the acquisitions. For the Workhorse, Precision Turbo, and Unitrac acquisitions, the following table summarizes the final fair value of assets acquired and liabilities assumed at the date of acquisition.

In thousands	Melett December 4, 2017	TTC April 5, 2017	ATP March 13, 2017	Workhorse December 14, 2016	Precision Turbo November 17, 2016	Unitrac May 5, 2016
Current assets	$ 21,068	$ 3,746	$ 11,666	$ 9,137	$ 4,145	$ 11,476
Property, plant & equipment	5,917	5,909	5,354	—	1,317	1,768
Goodwill	22,501	16,309	29,034	22,273	4,248	2,442
Other intangible assets	39,259	12,300	25,000	21,500	5,200	1,230
Total assets acquired	88,745	38,264	71,054	52,910	14,910	16,916
Total liabilities assumed	(14,789)	(5,753)	(5,800)	(9,083)	(1,057)	(2,145)
Net assets acquired	$ 73,956	$ 32,511	$ 65,254	$ 43,827	$ 13,853	$ 14,771

The Company made the following acquisitions operating as a business unit or component of a business unit in the Transit Segment:

- On October 2, 2017, the Company acquired AM General Contractor ("AM General"), a manufacturer of safety systems, mainly for transit rail cars for a purchase price of approximately $10.4 million, net of cash acquired, resulting in preliminary goodwill of $12.9 million, none of which will be deductible for tax purposes.

- On August 1, 2016, the Company acquired Gerken Group S.A. ("Gerken"), a manufacturer of specialty carbon and graphite products for rail and other industrial applications, for a purchase price of approximately $62.8 million, net of cash acquired, resulting in goodwill of $17.5 million, none of which will be deductible for tax purposes.

For the AM General acquisition, the following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. For the Gerken acquisition, the following table summarizes the final fair value of the assets acquired and liabilities assumed at the date of the acquisition.

In thousands	AM General October 2, 2017	Gerken August 1, 2016
Current assets	$ 6,611	$ 32,706
Property, plant & equipment	4,140	7,667
Goodwill	12,943	17,470
Other intangible assets	12,097	30,560
Other assets	—	1,706
Total assets acquired	35,791	90,109
Total liabilities assumed	(25,375)	(27,262)
Net assets acquired	$ 10,416	$ 62,847

The acquisitions listed above include escrow deposits of $44.4 million, which may be released to the Company for indemnity and other claims in accordance with the purchase and escrow agreements.

The total goodwill and other intangible assets for acquisitions listed in the tables above was $2,117.8 million, of which $1,389.6 million and $728.2 million was related to goodwill and other intangible assets, respectively. Of the allocation of $728.2 million of acquired intangible assets, $380.9 million was assigned to trade names, $336.9 million was assigned to customer relationships, and $5.0 million was assigned to intellectual property. The trade names are considered to have an indefinite useful life while the intellectual property and customer relationships' useful life is 20 years.

The Company also made smaller acquisitions not listed above which are individually and collectively immaterial.

The following unaudited pro forma financial information presents income statement results as if the acquisitions listed above had occurred January 1, 2016:

In thousands	For the year ended December 31, 2017	2016
Net sales	$ 3,946,244	$ 4,212,617
Gross profit	1,095,101	1,275,835
Net income attributable to Wabtec shareholders	271,783	349,852
Diluted earnings per share		
As Reported	$ 2.72	$ 3.34
Pro forma	$ 2.82	$ 3.83

The historical consolidated financial information of the Company and the acquisitions detailed above have been adjusted in the pro forma information to give effect to pro forma events that are (1) directly attributable to the transactions, (2) factually supportable and (3) expected to have a continuing impact on the combined results. Pro forma data may not be indicative of the results that would have been obtained had these acquisitions occurred at the beginning of the periods presented, nor is it intended to be a projection of future results.

4. SUPPLEMENTAL CASH FLOW DISCLOSURES

In thousands	Year Ended December 31, 2017	2016	2015
Interest paid during the year	$ 75,317	$ 30,211	$ 19,372
Income taxes paid during the year, net of amount refunded	$ 89,379	$ 121,563	$ 147,958
Business acquisitions:			
Fair value of assets acquired	452,209	3,118,420	156,020
Liabilities assumed	207,788	1,453,382	20,789
Non-controlling interest (acquired) assumed	(761,786)	760,343	—
Stock and cash paid	1,006,207	904,695	135,231
Less: Cash acquired	35,408	186,903	5,681
Stock used for acquisition	25,500	534,679	—
Net cash paid	$ 945,299	$ 183,113	$ 129,550

5. INVENTORIES

The components of inventory, net of reserves, were:

In thousands	December 31, 2017	2016
Raw materials	$ 378,481	$ 331,465
Work-in-progress	167,390	145,462
Finished goods	196,763	181,583
Total inventories	$ 742,634	$ 658,510

6. PROPERTY, PLANT & EQUIPMENT

The major classes of depreciable assets are as follows:

In thousands	December 31, 2017	December 31, 2016
Machinery and equipment	$ 728,257	$ 645,354
Buildings and improvements	259,561	225,307
Land and improvements	38,228	41,569
Property, plant and equipment	1,026,046	912,230
Less: accumulated depreciation	(452,074)	(393,854)
Total	$ 573,972	$ 518,376

The estimated useful lives of property, plant and equipment are as follows:

	Years
Land improvements	10 to 20
Building and improvements	20 to 40
Machinery and equipment	3 to 15

Depreciation expense was $66.7 million, $47.1 million, and $43.1 million for 2017, 2016 and 2015, respectively.

7. INTANGIBLES

Goodwill and other intangible assets with indefinite lives are not amortized. Other intangibles with definite lives are amortized on a straight-line basis over their estimated economic lives. Goodwill and indefinite lived intangible assets are reviewed annually during the fourth quarter for impairment (See Note 2 “Summary of Significant Accounting Policies” included herein). Goodwill and indefinite live intangible assets were not impaired at December 31, 2017 and 2016.

The change in the carrying amount of goodwill by segment for the year ended December 31, 2017 is as follows:

In thousands	Freight Segment	Transit Segment	Total
Balance at December 31, 2016	$ 550,902	$ 1,527,863	$ 2,078,765
Additions	152,096	34,391	186,487
Foreign currency impact	15,960	178,891	194,851
Balance at December 31, 2017	$ 718,958	$ 1,741,145	$ 2,460,103

As of December 31, 2017 and 2016, the Company’s trade names had a net carrying amount of $603.4 million and $510.5 million, respectively, and the Company believes these intangibles have indefinite lives. Intangible assets of the Company, other than goodwill and trade names, consist of the following:

In thousands	December 31, 2017	December 31, 2016
Patents, non-compete and other intangibles, net of accumulated amortization of $43,021 and $40,638	$ 17,554	$ 15,360
Customer relationships, net of accumulated amortization of $126,824 and $87,334	583,459	528,068
Total	$ 601,013	$ 543,428

The remaining weighted average useful lives of patents, customer relationships and intellectual property were 10 years, 17 years and 15 years respectively. Amortization expense for intangible assets was $36.5 million, $22.7 million, and $21.7 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Estimated amortization expense for the five succeeding years is as follows (in thousands):

2018	$ 38,059
2019	36,076
2020	34,050
2021	33,777
2022	33,489

8. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	December 31, 2017	December 31, 2016
3.45% Senior Notes due 2026, net of unamortized debt issuance costs of $2,345 and $2,526	$ 747,655	$ 747,474
4.375% Senior Notes due 2023, net of unamortized discount and debt issuance costs of $1,433 and $1,690	248,567	248,310
Revolving Credit Facility and Term Loan, net of unamortized debt issuance costs of $2,451 and $3,850	853,124	796,150
Schuldschein Loan	11,998	98,671
Other Borrowings	6,860	1,153
Capital Leases	2,324	1,018
Total	1,870,528	1,892,776
Less - current portion	47,225	129,809
Long-term portion	$ 1,823,303	$ 1,762,967

Wabtec's acquisition of the controlling stake of Faiveley Transport triggered the early repayment of a syndicated loan and the mandatory offer to investors to repay the US and Schuldschein private placements. Both the syndicated loan and US private placements were repaid in full in December 2016.

3.45% Senior Notes Due November 2026

In October 2016, the Company issued $750.0 million of Senior Notes due in 2026 (the "2016 Notes"). The 2016 Notes were issued at 99.965% of face value. Interest on the 2016 Notes accrues at a rate of 3.45% per annum and is payable semi-annually on May 15 and November 15 of each year. The proceeds were used to finance the cash portion of the Faiveley Transport acquisition, refinance Faiveley Transport's indebtedness, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.7 million of deferred financing costs related to the issuance of the 2016 Notes.

The 2016 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2016 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2016 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

4.375% Senior Notes Due August 2023

In August 2013, the Company issued $250.0 million of Senior Notes due in 2023 (the "2013 Notes"). The 2013 Notes were issued at 99.879% of face value. Interest on the 2013 Notes accrues at a rate of 4.375% per annum and is payable semi-annually on February 15 and August 15 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.6 million of deferred financing costs related to the issuance of the 2013 Notes.

The 2013 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2013 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2013 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

2018 Refinancing Credit Agreement

On June 8, 2018, the Company entered into a credit agreement (the "2018 Refinancing Credit Agreement"), which replaced the Company's then-existing "2016 Refinancing Credit Agreement." As part of the 2018 Refinancing Credit Agreement, the Company entered into (i) a $1.2 billion revolving credit facility (the "Revolving Credit Facility"), which replaced the Company's revolving credit facility under the 2016 Refinancing Credit Agreement, and includes a letter of credit sub-facility of up to $450.0 million and a swing line sub-facility of $75.0 million, (ii) a $350.0 million term loan (the "Refinancing Term Loan"), which refinanced the term loan under the 2016 Refinancing Credit Agreement, and (iii) a new $400.0 million delayed draw term loan (the "Delayed Draw Term Loan"). The 2018 Refinancing Credit Agreement also provides for a bridge loan facility (the "Bridge Loan Facility") in an amount not to exceed $2.5 billion, such facility to become effective at the Company's request. Commitments in respect of the Bridge Loan Facility will be reduced by any alternative financing (including any other loans or any long-term notes) that the Company arranges prior to the Direct Sale, subject to customary exceptions. In addition, the 2018 Refinancing Credit Agreement contains an uncommitted accordion feature allowing the Company to request, in an aggregate amount not to exceed $600.0 million, increases to the borrowing commitments under the Revolving Credit Facility or a new incremental term loan commitment.

The Revolving Credit Facility matures on June 8, 2023 and is unsecured. The Refinancing Term Loan matures on June 8, 2021 and is unsecured. The Delayed Draw Term Loan matures on the third anniversary of the date on which it is borrowed and is unsecured. The Bridge Loan Facility, if used, will mature on the date set forth in the definitive documentation for the Bridge Loan Facility and is unsecured. The applicable interest rate for borrowings under the 2018 Refinancing Credit Agreement includes interest rate spreads based on the lower of the pricing corresponding to (i) the Company's ratio of total debt (less unrestricted cash up to $300.0 million) to EBITDA ("Leverage Ratio") or (ii) the Company's public rating, in each case that range between 1.000% and 1.875% for LIBOR/CDOR-based borrowings and 0.000% and 0.875% for Alternate Base Rate based borrowings. The obligations of the Company under the 2018 Refinancing Credit Agreement have been guaranteed by certain of the Company's subsidiaries.

The 2018 Refinancing Credit Agreement contains customary representations and warranties by the Company and its subsidiaries, including customary use of materiality, material adverse effect, and knowledge qualifiers. The Company and its subsidiaries are also subject to (i) customary affirmative covenants that impose certain reporting obligations on the Company and its subsidiaries and (ii) customary negative covenants, including limitations on: indebtedness; liens; restricted payments; fundamental changes; business activities; transactions with affiliates; restrictive agreements; changes in fiscal year; and use of proceeds. In addition, the Company is required to maintain (i) an Interest Coverage ratio at least 3.00 to 1.00 over each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter and (ii) a Leverage Ratio, calculated as of the last day of a fiscal quarter for a period of four consecutive fiscal quarters, of 3.25 to 1.00 or less; provided that, in the event the Company completes the Direct Sale and the Merger or any other material acquisition in which the cash consideration paid exceeds $500.0 million, the maximum Leverage Ratio permitted will be (x) 3.75 to 1.00 at the end of the fiscal quarter in which such acquisition is consummated and each of the three fiscal quarters immediately following such fiscal quarter and (y) 3.50 to 1.00 at the end of each of the fourth and fifth full fiscal quarters after the consummation of such acquisition. The Company is in compliance with the restrictions and covenants of the 2018 Refinancing Credit Agreement and does not expect that these measurements will limit the Company in executing its operating activities.

2016 Refinancing Credit Agreement

On June 22, 2016, the Company amended its existing revolving credit facility with a consortium of commercial banks. This "2016 Refinancing Credit Agreement" provides the Company with a $1.2 billion, 5 year revolving credit facility and a $400.0 million delayed draw term loan (the "Term Loan"). The Company incurred approximately $3.3 million of deferred financing cost related to the 2016 Refinancing Credit Agreement. The facility expires on June 22, 2021. The 2016 Refinancing Credit Agreement borrowings bear variable interest rates indexed as described below. At December 31, 2017, the Company had available bank borrowing capacity, net of $35.4 million of letters of credit, of approximately $679.0 million, subject to certain financial covenant restrictions.

The Term Loan was drawn on November 25, 2016. The Company incurred a 10 basis point commitment fee from June 22, 2016 until the initial draw on November 25, 2016.

Under the 2016 Refinancing Credit Agreement, the Company may elect a Base Rate of interest for U.S. Dollar denominated loans or, for certain currencies, an interest rate based on the London Interbank Offered Rate ("LIBOR") of interest, or other rates appropriate for such currencies (in any case, "the Alternate Rate"). The Base Rate adjusts on a daily basis and is the greater of the Federal Funds Effective Rate plus 0.50% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points, plus a margin that ranges from 0 to 75 basis points. The Alternate Rate is based on the quoted rates specific to the applicable currency, plus a margin that ranges from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins are dependent on the Company's consolidated total indebtedness to EBITDA ratios. The initial Base Rate margin is 0 basis points and the Alternate Rate margin is 175 basis points.

At December 31, 2017, the weighted average interest rate on the Company's variable rate debt was 2.92%. On January 12, 2012, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement is July 31, 2013, and the termination date was November 7, 2016. The impact of the interest rate swap agreement converted a portion of the Company's outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value was fixed at 1.415% plus the Alternate Rate margin. On June 5, 2014, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement is November 7, 2016, and the termination date is December 19, 2018. The impact of the interest rate swap agreement converts a portion of the Company's outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value will be fixed at 2.56% plus the Alternate Rate margin. As for these agreements, the Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions with excellent credit ratings and history of performance. The Company currently believes the risk of nonperformance is negligible.

The 2016 Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2016 Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations, sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; and imposes a minimum interest expense coverage ratio of 3.0 and a maximum debt to EBITDA ratio of 3.25. The Company is in compliance with the restrictions and covenants of the 2016 Refinancing Credit Agreement and does not expect that these measurements will limit the Company in executing our operating activities.

Schuldschein Loan, Due 2016

In conjunction with the acquisition of Faiveley Transport, Wabtec acquired $137.2 million of a Schuldshein private placement loan which was originally issued by Faiveley Transport on March 5, 2014 in Germany, in which approximately 20 international investors participated. This loan is denominated in euros. Subsequent to the acquisition of Faiveley Transport, the Company repaid $125.3 million of the outstanding Schuldschein loan. The remaining balance of $12.0 million as of December 31, 2017 matures on March 5, 2024 and bears a fixed rate of 4.00%.

Debt and Capital Leases

Scheduled principal repayments of debt and capital lease balances as of December 31, 2017 are as follows:

2018	$	47,225
2019		330,901
2020		559
2021		483,379
2022		208
Future years		1,008,256
Total	$	1,870,528

9. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans

The Company sponsors defined benefit pension plans that cover certain U.S., Canadian, German, and United Kingdom employees and which provide benefits of stated amounts for each year of service of the employee. The Company uses a December 31 measurement date for the plans.

The following tables provide information regarding the Company's defined benefit pension plans summarized by U.S. and international components.

Obligations and Funded Status

In thousands	U.S. 2017	U.S. 2016	International 2017	International 2016
Change in projected benefit obligation				
Obligation at beginning of year	$ (45,512)	$ (46,120)	$ (319,551)	$ (195,311)
Opening balance sheet adjustment	—	—	(5,321)	—
Service cost	(344)	(337)	(2,740)	(1,379)
Interest cost	(1,422)	(1,475)	(7,310)	(5,774)
Employee contributions	—	—	(880)	(195)
Plan curtailments and amendments	—	—	4,153	2,061
Benefits paid	3,079	3,893	12,906	9,427
Acquisition	—	—	—	(114,242)
Actuarial gain (loss)	(14)	(1,473)	(3,009)	(33,330)
Effect of currency rate changes	—	—	(31,265)	19,192
Obligation at end of year	$ (44,213)	$ (45,512)	$ (353,017)	$ (319,551)
Change in plan assets				
Fair value of plan assets at beginning of year	$ 35,802	$ 37,640	$ 241,283	$ 168,069
Opening balance sheet adjustment	—	—	2,058	—
Actual return on plan assets	4,223	2,055	19,102	20,066
Employer contributions	486	—	13,479	6,933
Employee contributions	—	—	880	195
Benefits paid	(3,079)	(3,893)	(12,905)	(9,427)
Acquisition	—	—	—	70,519
Settlements			(4,523)	
Effect of currency rate changes	—	—	22,228	(15,072)
Fair value of plan assets at end of year	$ 37,432	$ 35,802	$ 281,602	$ 241,283
Funded status				
Fair value of plan assets	$ 37,432	$ 35,802	$ 281,602	$ 241,283
Benefit obligations	(44,213)	(45,512)	(353,017)	(319,551)
Funded status	$ (6,781)	$ (9,710)	$ (71,415)	$ (78,268)
Amounts recognized in the statement of financial position consist of:				
Noncurrent assets	$ —	$ —	$ 10,577	$ 7,130
Current liabilities	—	—	(2,158)	(2,042)
Noncurrent liabilities	(6,781)	(9,710)	(79,834)	(83,356)
Net amount recognized	$ (6,781)	$ (9,710)	$ (71,415)	$ (78,268)
Amounts recognized in accumulated other comprehensive income (loss) consist of:				
Prior service cost	(6)	(8)	(32)	(56)
Net actuarial loss	(20,418)	(23,884)	(54,043)	(56,411)
Net amount recognized	$ (20,424)	$ (23,892)	$ (54,075)	$ (56,467)

The aggregate accumulated benefit obligation for the U.S. pension plans was $43.3 million and $44.5 million as of December 31, 2017 and 2016, respectively. The aggregate accumulated benefit obligation for the international pension plans was $344.3 million and $312.2 million as of December 31, 2017 and 2016, respectively.

	U.S.		International	
In thousands	**2017**	**2016**	**2017**	**2016**
Information for pension plans with accumulated benefit obligations in excess of Plan assets:				
Projected benefit obligation	$ (44,213)	$ (45,512)	$ (282,077)	$ (255,682)
Accumulated benefit obligation	(43,340)	(44,530)	(274,557)	(249,729)
Fair value of plan assets	37,432	35,802	200,218	170,367
Information for pension plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligation	$ (44,213)	$ (45,512)	$ (283,106)	$ (256,530)
Fair value of plan assets	37,432	35,802	201,115	171,133

Components of Net Periodic Benefit Costs

	U.S.			International		
In thousands	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Service cost	$ 344	$ 337	$ 381	$ 2,740	$ 1,379	$ 2,015
Interest cost	1,422	1,475	1,914	7,310	5,774	7,091
Expected return on plan assets	(1,731)	(2,076)	(2,168)	(12,412)	(9,971)	(9,591)
Amortization of initial net obligation and prior service cost	3	3	3	27	61	212
Amortization of net loss	989	914	1,062	2,846	1,818	2,379
Settlement and curtailment losses recognized	—	—	—	768	218	—
Net periodic benefit cost	$ 1,027	$ 653	$ 1,192	$ 1,279	$ (721)	$ 2,106

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income during 2017 are as follows:

In thousands	**U.S.**	**International**
Net gain (loss) arising during the year	$ 2,477	$ 3,683
Effect of exchange rates	—	(4,945)
Amortization, settlement, or curtailment recognition of net transition obligation	—	768
Amortization or curtailment recognition of prior service cost	3	27
Amortization or settlement recognition of net loss	989	2,846
Total recognized in other comprehensive gain	$ 3,469	$ 2,379
Total recognized in net periodic benefit cost and other comprehensive gain	$ 2,442	$ 1,100

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed.

	U.S.			International		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Discount rate	3.56%	3.95%	4.21%	2.40%	2.51%	3.56%
Expected return on plan assets	4.95%	5.70%	5.70%	5.02%	6.07%	5.81%
Rate of compensation increase	3.00%	3.00%	3.00%	2.54%	2.54%	3.10%

The discount rate is based on settling the pension obligation with high grade, high yield corporate bonds, and the rate of compensation increase is based on actual experience. The expected return on plan assets is based on historical performance as well as expected future rates of return on plan assets considering the current investment portfolio mix and the long-term investment strategy.

As of December 31, 2017, the following table represents the amounts included in other comprehensive loss that are expected to be recognized as components of periodic benefit costs in 2018.

In thousands	U.S.	International
Prior service cost	3	22
Net actuarial loss	970	2,193
	$ 973	$ 2,215

Pension Plan Assets

The Company has established formal investment policies for the assets associated with our pension plans. Objectives include maximizing long-term return at acceptable risk levels and diversifying among asset classes. Asset allocation targets are based on periodic asset liability study results which help determine the appropriate investment strategies. The investment policies permit variances from the targets within certain parameters. The plan assets consist primarily of equity security funds, debt security funds, and temporary cash and cash equivalent investments. The assets held in these funds are generally actively managed and are valued at the net asset value per share multiplied by the number of shares held as of the measurement date. (See Note 18 “Fair Value Measurement” included herein). Plan assets by asset category at December 31, 2017 and 2016 are as follows:

	U.S.		International	
In thousands	2017	2016	2017	2016
Pension Plan Assets				
Equity security funds	$ 18,122	$ 17,446	$ 100,453	$ 92,201
Debt security funds and other	18,304	17,038	178,730	145,003
Cash and cash equivalents	1,006	1,318	2,419	4,079
Fair value of plan assets	$ 37,432	$ 35,802	$ 281,602	$ 241,283

The U.S. plan has a target asset allocation of 55% equity securities and 45% debt securities. The International plan has a target asset allocation of 30% equity securities, 40% debt securities and 30% in other investments. Investment policies are determined by the respective Plan’s Pension Committee and set forth in its Investment Policy. Rebalancing of the asset allocation occurs on a quarterly basis.

The following tables summarize our pension plan assets measured at fair value on a recurring basis by fair value hierarchy level (See Note 18):

	December 31, 2017				
In thousands	NAV	Level 1	Level 2	Level 3	Total
US:					
Equity	$ —	$ 18,122	$ —	$ —	$ 18,122
Debt Securities	—	4,273	14,031	—	18,304
Cash and cash equivalents	—	1,006	—	—	1,006
International:					
Equity	$ 4,586	$ 38,647	$ 95,641	$ —	$ 138,874
Debt Securities	—	—	111,204	—	111,204
Insurance Contracts	—	—	15,893	13,123	29,016
Cash and cash equivalents	—	2,507	—	—	2,507
Total	$ 4,586	$ 64,555	$ 236,769	$ 13,123	$ 319,033

In thousands	December 31, 2016 NAV	Level 1	Level 2	Level 3	Total
US:					
Equity	$ —	$ 17,446	$ —	$ —	$ 17,446
Debt Securities	—	4,766	12,272	—	17,038
Cash and cash equivalents	—	1,318	—	—	1,318
International:					
Equity	$ 3,589	$ 38,053	$ 78,694	$ —	$ 120,336
Debt Securities	—	—	90,508	—	90,508
Insurance Contracts	—	—	13,037	12,996	26,033
Cash and cash equivalents	—	4,406	—	—	4,406
Total	$ 3,589	$ 65,989	$ 194,511	$ 12,996	$ 277,085

The following table presents a reconciliation of Level 3 assets:

In thousands	Total
Balance at December 31, 2015	$ —
Net purchases, issuances, and settlements	56
Net realized and unrealized gains (losses) included in earnings	(5)
Business acquisition	12,949
Other	(4)
Balance at December 31, 2016	$ 12,996
Net purchases, issuances, and settlements	778
Net realized and unrealized gains (losses) included in earnings	375
Opening balance sheet adjustment	(1,308)
Other	282
Balance at December 31, 2017	$ 13,123

Cash Flows

The Company’s funding methods are based on governmental requirements and differ from those methods used to recognize pension expense. The Company expects to contribute $7.3 million and $0.0 million to the international and U.S. plans, respectively, during 2018.

Benefit payments expected to be paid to plan participants are as follows:

In thousands	U.S.	International
Year ended December 31,		
2018	$ 3,250	$ 12,401
2019	3,301	12,403
2020	3,325	13,156
2021	3,160	13,799
2022	3,125	14,538
2023 through 2027	14,276	77,817

Postretirement Benefit Plans

In addition to providing pension benefits, the Company has provided certain unfunded postretirement health care and life insurance benefits for a portion of North American employees. The Company is not obligated to pay health care and life insurance benefits to individuals who had retired prior to 1990.

The Company uses a December 31 measurement date for all postretirement plans. The following tables provide information regarding the Company's post retirement benefit plans summarized by U.S. and international components.

Obligations and Funded Status

	U.S.		International	
In thousands	2017	2016	2017	2016
Change in projected benefit obligation				
Obligation at beginning of year	$ (11,876)	$ (12,959)	$ (3,425)	$ (3,290)
Service cost	(5)	(4)	(28)	(29)
Interest cost	(350)	(389)	(98)	(99)
Plan amendments	—	6	—	—
Benefits paid	970	720	199	133
Acquisition	—	(143)	—	—
Actuarial gain (loss)	(84)	893	(131)	(42)
Effect of currency rate changes	—	—	(237)	(98)
Obligation at end of year	$ (11,345)	$ (11,876)	$ (3,720)	$ (3,425)
Change in plan assets				
Fair value of plan assets at beginning of year	$ —	$ —	$ —	$ —
Employer contributions	970	720	199	133
Benefits paid	(970)	(720)	(199)	(133)
Fair value of plan assets at end of year	$ —	$ —	$ —	$ —
Funded status				
Fair value of plan assets	$ —	$ —	$ —	$ —
Benefit obligations	(11,345)	(11,876)	(3,720)	(3,425)
Funded status	$ (11,345)	$ (11,876)	$ (3,720)	$ (3,425)

	U.S.		International	
In thousands	2017	2016	2017	2016
Amounts recognized in the statement of financial position consist of:				
Current liabilities	$ (1,046)	$ (1,084)	$ (208)	$ (185)
Noncurrent liabilities	(10,299)	(10,792)	(3,512)	(3,160)
Net amount recognized	$ (11,345)	$ (11,876)	$ (3,720)	$ (3,345)
Amounts recognized in accumulated other comprehensive income (loss) consist of:				
Prior service credit	19,616	21,134	9	15
Net actuarial (loss) gain	(18,882)	(20,023)	154	292
Net amount recognized	$ 734	$ 1,111	$ 163	$ 307

Components of Net Periodic Benefit Cost

	U.S.			International		
In thousands	2017	2016	2015	2017	2016	2015
Service cost	$ 5	$ 4	$ 9	$ 28	$ 29	$ 38
Interest cost	350	389	1,233	98	99	128
Amortization of initial net obligation and prior service cost	(1,519)	(1,709)	(2,295)	(7)	(7)	(7)
Amortization of net loss (gain)	1,225	1,287	1,356	(23)	(29)	(30)
Net periodic benefit cost (credit)	$ 61	$ (29)	$ 303	$ 96	$ 92	$ 129

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income during 2017 are as follows:

In thousands	U.S.	International
Net loss arising during the year	(84)	(131)
Effect of exchange rates	—	16
Amortization or curtailment recognition of prior service cost	(1,519)	(7)
Amortization or settlement recognition of net loss (gain)	1,225	(23)
Total recognized in other comprehensive income (loss)	$ (378)	$ (145)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (317)	$ (53)

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also the net periodic benefit cost for the following year. The discount rate is based on settling the pension obligation with high grade, high yield corporate bonds.

	U.S.			International		
	2017	2016	2015	2017	2016	2015
Discount rate	3.43%	3.76%	3.95%	3.21%	3.46%	3.80%

As of December 31, 2017, the following table represents the amounts included in other comprehensive loss that are expected to be recognized as components of periodic benefit costs in 2018.

In thousands	U.S.	International
Prior service credit	(1,519)	(7)
Net actuarial loss (gain)	1,216	(8)
	$ (303)	$ (15)

The assumed health care cost trend rate for the U.S. plans grades from an initial rate of 6.30% to an ultimate rate of 4.50% by 2027 and for international plans from 6.23% to 4.50% by 2027. A 1.0% increase in the assumed health care cost trend rate will increase the service and interest cost components of the expense recognized for the U.S. and international post-retirement plans by less than $0.1 million for 2017, and increase the accumulated post-retirement benefit obligation by less than $0.1 million and $0.3 million, respectively. A 1.0% decrease in the assumed health care cost trend rate will decrease the service and interest cost components of the expense recognized for the U.S. and international post-retirement plans by less than $0.1 million for 2017, and decrease the accumulated post-retirement benefit obligation by less than $0.1 million and $0.3 million, respectively.

Cash Flows

Benefit payments expected to be paid to plan participants are as follows:

In thousands	U.S.	International
Year ended December 31,		
2018	$ 1,046	$ 208
2019	1,024	220
2020	986	225
2021	950	245
2022	908	251
2023 through 2027	3,956	1,352

Defined Contribution Plans

The Company also participates in certain defined contribution plans and multiemployer pension plans. Costs recognized under these plans are summarized as follows:

	For the year ended December 31,		
In thousands	2017	2016	2015
Multi-employer pension and health & welfare plans	$ 1,522	$ 2,054	$ 2,584
401(k) savings and other defined contribution plans	23,209	23,062	21,399
Total	$ 24,731	$ 25,116	$ 23,983

The 401(k) savings plan is a participant directed defined contribution plan that holds shares of the Company’s stock as one of the investment options. At December 31, 2017 and 2016, the plan held on behalf of its participants about 495,274 shares with a market value of $40.3 million, and 551,482 shares with a market value of $45.8 million, respectively.

Additionally, the Company has stock option based benefit and other plans further described in Note 12.

The Company contributes to several multi-employer defined benefit pension plans under collective bargaining agreements that cover certain of its union-represented employees. The risks of participating in such plans are different from the risks of single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer ceases to contribute to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Company ceases to have an obligation to contribute to the multi-employer plan in which it had been a contributing employer, it may be required to pay to the plan an amount based on the underfunded status of the plan and on the history of the Company's participation in the plan prior to the cessation of its obligation to contribute. The amount that an employer that has ceased to have an obligation to contribute to a multi-employer plan is required to pay to the plan is referred to as a withdrawal liability.

The Company's participation in multi-employer plans for the year ended December 31, 2017 is outlined in the table below. For plans that are not individually significant to the Company, the total amount of contributions is presented in the aggregate.

Pension Fund	EIN/PN (a)		Pension Protection Act Zone Status (b)		FIP/ RP Status Pending/ Implemented (c)	Contributions by the Company			Surcharge Imposed (d)	Expiration Dates of Collective Bargaining Agreements
			2016	2015		2017	2016	2015		
Idaho Operating Engineers-	EIN #	91-6075538	Green	Green	No	$ 1,020(1)	$ 1,306(1)	$ 1,820(1)	No	6/30/2018
Employers Pension Trust Fund	Plan#	001								
Automobile Mechanics' Local No 701 Union and	EIN #	36-6042061	Yellow	Red	Yes (2)	$ 501(3)	$ 748	$ 764	No (4)	6/1/2018
Industry Pension Plan	Plan #	001								
					Total Contributions	$ 1,521	$ 2,054	$ 2,584		

(1) The Company's contribution represents more than 5% of the total contributions to the plan.
(2) The Pension Fund's board adopted a Funding Improvement Plan on October 21, 2015, continuing the existing plan which increased the weekly pension fund contribution rates by $75 with corresponding decreases to the weekly welfare fund contribution rates until December 31, 2017.
(3) The number of employees covered by this fund decreased due to the closure of the Bensenville, Illinois facility, which affected the period-to-period comparability of 2016 and 2017 contributions.
(4) Critical status triggered a 5% surcharge on employer contributions effective June 2012. Effective January 1, 2013, this surcharge increases to 10%. The surcharge ended on October 21, 2015 when the rehabilitation plan commenced.

(a) The "EIN / PN" column provides the Employer Identification Number and the three-digit plan number assigned to a plan by the Internal Revenue Service.
(b) The most recent Pension Protection Act Zone Status available for 2017 and 2016 is for plan years that ended in 2016 and 2015, respectively. The zone status is based on information provided to the Company and other participating employers by each plan and is certified by the plan's actuary. A plan in the "red" zone has been determined to be in "critical status", based on criteria established under the Internal Revenue Code ("Code"), and is generally less than 65% funded. A plan in the "yellow" zone has been determined to be in "endangered status", based on criteria established under the Code, and is generally less than 80% funded. A plan in the "green" zone has been determined to be neither in "critical status" nor in "endangered status", and is generally at least 80% funded.
(c) The "FIP/RP Status Pending/Implemented" column indicates whether a Funding Improvement Plan, as required under the Code to be adopted by plans in the "yellow" zone, or a Rehabilitation Plan, as required under the Code to be adopted by plans in the "red" zone, is pending or has been implemented as of the end of the plan year that ended in 2017.
(d) The "Surcharge Imposed" column indicates whether the Company's contribution rate for 2017 included an amount in addition the contribution rate specified in the applicable collective bargaining agreement, as imposed by a plan in "critical status", in accordance with the requirements of the Code.

10. INCOME TAXES

The Company is responsible for filing consolidated U.S., foreign and combined, unitary or separate state income tax returns. The Company is responsible for paying the taxes relating to such returns, including any subsequent adjustments resulting from the redetermination of such tax liabilities by the applicable taxing authorities.

On December 23, 2017, the French government enacted the Finance Act for 2018 and it was published in the Official Bulletin on December 31, 2017. The Finance act reduced the French corporate tax rate from 28% in 2020 to 25%, enacting an additional 1.5% reduction in each year 2021 and 2022.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code that affect fiscal 2017, including, but not limited to requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years (the "Transition Tax"). The Tax Act also establishes new tax laws that will affect 2018 and later years, including, but not limited to, a reduction of the U.S. federal corporate tax rate from 35% to 21%, repeals the Domestic Manufacturing Deduction, a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries, new provisions designed to tax global intangible low-taxed income ("GILTI"), tax certain deductible base erosion payments called base erosion and anti-abuse tax ("BEAT"), and new interest expense limitation provisions.

In relation to the initial analysis of the impact of the all tax law changes, the Company has recorded a net tax expense of $4.3 million. This includes a provisional expense for the U.S. tax reform bill of $55.0 million, as well as a net benefit for the revaluation of deferred tax assets and liabilities of $50.7 million.

The Company has not completed its accounting for the income tax effects of the Tax Act. Where the Company has been able to make reasonable estimates of the effects for which its analysis is not yet complete, the Company has recorded provisional amounts in accordance with SEC Staff Accounting Bulletin No. 118. Where the Company has not yet been able to make reasonable estimates of the impact of certain elements, the Company has not recorded any amounts related to those elements and has continued accounting for them in accordance with ASC 740 on the basis of the tax laws in effect immediately prior to the enactment of the Tax Act.

The Company's accounting for the following impacted areas of the Tax Act is incomplete. However, the Company was able to make reasonable estimates of certain effects and, therefore, has recorded provisional amounts as follows:

Revaluation of deferred tax assets and liabilities: The Tax Act reduces the U.S. federal corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. In addition, the Tax Act makes certain changes to the depreciation rules and implements new limits on the deductibility of certain executive compensation. The Company has evaluated these changes and has recorded a provisional benefit to net deferred taxes of $24.6 million. The Company is still completing its calculation of the impact of these changes on its deferred tax balances.

Transition Tax on unrepatriated foreign earnings: The Transition Tax on unrepatriated foreign earnings is a tax on previously untaxed accumulated and current earnings and profits ("E&P") of the Company's foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, among other factors, the amount of post-1986 E&P of its foreign subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. The Company was able to make a reasonable estimate of the Transition Tax and has recorded a provisional Transition Tax expense of $51.8 million. The Company is continuing to gather additional information to more precisely compute the amount of the Transition Tax to complete its calculation of E&P as well as the final determination of non-U.S. income taxes paid.

The Company's accounting for the following elements of the Tax Act is incomplete, and it has not yet been able to make reasonable estimates of the effects of these items. Therefore, no provisional amounts were recorded.

Global intangible low taxed income ("GILTI"): The Tax Act creates a new requirement that certain income (i.e., GILTI) earned by foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. Due to the complexity of the new GILTI tax rules, the Company is continuing to evaluate this provision of the Tax Act and the application of ASC 740. Under U.S. GAAP, the Company is permitted to make an accounting policy election to either treat taxes due on future inclusions in U.S. taxable income related to GILTI as a current-period expense when incurred or to factor such amounts into the Company's measurement of its deferred taxes. The Company has not yet completed its analysis of the GILTI tax rules and is not yet able to reasonably estimate the effect of this provision of the Tax Act or make an accounting policy election for the ASC 740 treatment of the GILTI tax. Therefore, the Company has not recorded any amounts related to potential GILTI tax in its financial statements and has not yet made a policy decision regarding whether to record deferred taxes on GILTI.

Indefinite reinvestment assertion: Beginning in 2018, the Tax Act provides a 100% deduction for dividends received from 10-percent owned foreign corporations by U.S. corporate shareholders, subject to a one-year holding period. Although dividend income is now exempt from U.S. federal tax in the hands of the U.S. corporate shareholders, companies must still apply the guidance of ASC 740 to account for the tax consequences of outside basis differences and other tax impacts of their investments in non-U.S. subsidiaries. While the Company has accrued the Transition Tax on the deemed repatriated earnings that were previously indefinitely reinvested, the Company was unable to determine a reasonable estimate of the remaining tax liability, if any, under the Tax Act for its remaining outside basis differences or evaluate how the Tax Act will affect the Company's existing accounting position to indefinitely reinvest unremitted foreign earnings. Therefore, the Company has not included a provisional amount for this item in its financial statements for fiscal 2017. The Company will record amounts as needed for this item beginning in the first reporting period during the measurement period in which the Company obtains necessary information and is able to analyze and prepare a reasonable estimate.

The components of the income from operations before provision for income taxes for the Company's domestic and foreign operations for the years ended December 31 are provided below:

	For the year ended December 31,		
In thousands	**2017**	**2016**	**2015**
Domestic	$ 140,325	$ 276,218	$ 461,394
Foreign	211,738	136,619	123,974
Income from operations before income taxes	$ 352,063	$ 412,837	$ 585,368

The consolidated provision for income taxes included in the Statement of Income consisted of the following:

In thousands	For the year ended December 31, 2017	2016	2015
Current taxes			
Federal	$ 86,157	$ 72,317	$ 141,245
State	3,644	9,953	16,072
Foreign	67,395	27,391	24,442
	157,196	109,661	181,759
Deferred taxes			
Federal	(22,863)	11,013	9,606
State	(1,024)	1,953	770
Foreign	(43,536)	(23,194)	(5,395)
	(67,423)	(10,228)	4,981
Total provision	$ 89,773	$ 99,433	$ 186,740

A reconciliation of the United States federal statutory income tax rate to the effective income tax rate on operations for the years ended December 31 is provided below:

In thousands	For the year ended December 31, 2017	2016	2015
U.S. federal statutory rate	35.0%	35.0%	35.0%
State taxes	0.4%	2.1%	2.0%
Tax reserves	—%	(0.2)%	(0.4)%
Foreign	(8.3)%	(4.3)%	(2.1)%
Research and development credit	(0.8)%	(1.0)%	(0.4)%
Manufacturing deduction	(1.1)%	(1.8)%	(2.3)%
France tax rate change	(6.5)%	(6.5)%	—%
U.S. tax rate change	(7.9)%	—%	—%
U.S. tax reform provision	15.6%	—%	—%
Transaction costs related to acquisitions	—%	1.5%	—%
Other, net	(0.9)%	(0.7)%	0.1%
Effective rate	25.5%	24.1%	31.9%

The 6.5% decrease in the effective tax rate due to the France tax rate change was the result of adopted tax legislation that reduces the corporate income tax rate in France from 28.0% to 25.0% over the period 2021 to 2022. The 7.9% decrease in the effective tax rate due to the U.S. tax rate change was the result of adopted tax legislation that reduces the corporate income tax rate in the U.S. from 35.0% to 21.0% effective January 1, 2018. The 15.6% increase in the effective tax rate due to the U.S. tax reform previously discussed. Deferred income taxes result from temporary differences in the recognition of income and expense for financial and income tax reporting purposes. These deferred income taxes will be recognized as future tax benefits or costs when the temporary differences reverse.

Components of deferred tax assets and liabilities were as follows:

In thousands	December 31, 2017	December 31, 2016
Deferred income tax assets:		
Accrued expenses and reserves	$ 10,961	$ 26,117
Warranty reserve	20,211	24,131
Deferred compensation/employee benefits	18,353	25,755
Pension and postretirement obligations	21,637	25,595
Inventory	19,620	22,579
Net operating loss carry forwards	65,671	59,416
Tax credit carry forwards	1,921	621
Other	13,053	2,317
Gross deferred income tax assets	171,427	186,531
Valuation allowance	25,683	21,418
Total deferred income tax assets	145,744	165,113
Deferred income tax liabilities:		
Property, plant & equipment	37,015	47,321
Intangibles	288,141	359,312
Total deferred income tax liabilities	325,156	406,633
Net deferred income tax liability	$ (179,412)	$ (241,520)

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2017, the valuation allowance for certain foreign carryforwards was $25.7 million primarily in Brazil, China, United Kingdom, and South Africa.

Net operating loss carry-forwards in the amount of $65.7 million expire in various periods from December 31, 2018 to December 31, 2037.

As of December 31, 2017, the liability for income taxes associated with unrecognized tax benefits was $6.9 million, of which $4.4 million, if recognized, would favorably affect the Company's effective income tax rate. As of December 31, 2016, the liability for income taxes associated with unrecognized tax benefits was $8.4 million, of which $4.2 million, if recognized, would favorably affect the Company's effective tax rate. A reconciliation of the beginning and ending amount of the liability for income taxes associated with unrecognized tax benefits follows:

In thousands	2017	2016	2015
Gross liability for unrecognized tax benefits at beginning of year	$ 8,423	$ 10,557	$ 12,596
Gross increases - unrecognized tax benefits in prior periods	2,466	6	—
Gross increases - current period unrecognized tax benefits	—	—	1,682
Gross decreases - unrecognized tax benefits in prior periods	—	—	—
Gross decreases - audit settlement during year	(3,979)	—	(3,027)
Gross decreases - expiration of audit statute of limitations	—	(2,140)	(694)
Gross liability for unrecognized tax benefits at end of year	$ 6,910	$ 8,423	$ 10,557

The Company includes interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2017, the total interest and penalties accrued was approximately $0.7 million and $0.1 million, respectively. As of December 31, 2016, the total interest and penalties accrued was approximately $0.8 million and $0.3 million, respectively.

With limited exception, the Company is no longer subject to examination by various U.S. and foreign taxing authorities for years before 2012. At this time, the Company believes that it is reasonably possible that unrecognized tax benefits of approximately $5.2 million may change within the next 12 months due to the expiration of statutory review periods and current examinations.

11. EARNINGS PER SHARE

The computation of earnings per share from operations is as follows:

In thousands, except per share data	For the Year Ended December 31, 2017	2016	2015
Numerator			
Numerator for basic and diluted earnings per common share - net income attributable to Wabtec shareholders	$ 262,261	$ 304,887	$ 398,628
Less: dividends declared - common shares and non-vested restricted stock	(42,218)	(32,430)	(26,963)
Undistributed earnings	220,043	272,457	371,665
Percentage allocated to common shareholders (1)	99.7%	99.7%	99.7%
	219,383	271,640	370,550
Add: dividends declared - common shares	42,092	32,333	26,875
Numerator for basic and diluted earnings per common share	$ 261,475	$ 303,973	$ 397,425
Denominator			
Denominator for basic earnings per common share - weighted average shares	95,453	90,359	96,074
Effect of dilutive securities:			
Assumed conversion of dilutive stock-based compensation plans	672	782	932
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversion	96,125	91,141	97,006
Net income per common share attributable to Wabtec shareholders			
Basic	$ 2.74	$ 3.37	$ 4.14
Diluted	$ 2.72	$ 3.34	$ 4.10
(1) Basic weighted-average common shares outstanding	95,453	90,359	96,074
Basic weighted-average common shares outstanding and non-vested restricted stock expected to vest	95,740	90,627	96,388
Percentage allocated to common shareholders	99.7%	99.7%	99.7%

Options to purchase approximately 24,000, 20,000, and 13,000 shares of Common Stock were outstanding in 2017, 2016 and 2015, respectively, but were not included in the computation of diluted earnings because their impact would have been antidilutive.

12. STOCK-BASED COMPENSATION PLANS

As of December 31, 2017, the Company maintains employee stock-based compensation plans for stock options, restricted stock, and incentive stock units as governed by the 2011 Stock Incentive Compensation Plan, as amended and restated (the “2011 Plan”) and the 2000 Stock Incentive Plan, as amended (the “2000 Plan”). The 2011 Plan has a term through May 10, 2027 and as of December 31, 2017 the number of shares available for future grants under the 2011 Plan was 3,192,453 shares, which includes remaining shares to grant under the 2000 Plan. The amendment and restatement of the 2011 Plan was approved by stockholders of Wabtec on May 10, 2017. The Company also maintains a 1995 Non-Employee Directors’ Fee and Stock Option Plan as amended and restated (“the Directors Plan”). The amendment and restatement of the Directors Plan was approved by stockholders of Wabtec on May 10, 2017. The Directors Plan, as amended, authorizes a total of 1,000,000 shares of Common Stock to be issued. Under the Directors Plan options issued become exercisable over a three-year vesting period and expire ten years from the date of grant and restricted stock issued under the plan vests one year from the date of grant. As compensation for directors’ fees for the years ended December 31, 2017, 2016 and 2015, the Company issued a total of 16,500, 16,972 and 11,256 shares of restricted stock to non-employee directors. The total number of shares issued under the plan as of December 31, 2017 was 881,192 shares.

Stock-based compensation expense for all of the plans was $21.3 million, $20.8 million and $26.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company recognized associated tax benefits related to the stock-based compensation plans of $8.9 million, $14.9 million and $15.3 million for the respective periods. Included in the stock-based compensation expense for 2017 above is $1.7 million of expense related to stock options, $7.0 million related to non-vested restricted stock, $4.6 million related to restricted stock units, $6.5 million related to incentive stock units and $1.5 million related to units issued for Directors’ fees. At December 31, 2017, unamortized compensation expense related to those stock options, non-vested restricted shares and incentive stock units expected to vest totaled $24.6 million and will be recognized over a weighted average period of 1.2 years.

Stock Options Stock options are granted to eligible employees and directors at the fair market value, which is the average of the high and low Wabtec stock price on the date of grant. Under the 2011 Plan and the 2000 Plan, options become exercisable over a four year vesting period and expire 10 years from the date of grant.

The following table summarizes the Company's stock option activity and related information for the 2011 Plan, the 2000 Plan and Directors Plan for the years ended December 31:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic value (in thousands)
Outstanding at December 31, 2014	1,147,558	$ 28.33	5.5	$ 67,205
Granted	84,675	87.35		1,375
Exercised	(124,156)	26.70		(5,516)
Canceled	(10,754)	65.22		(64)
Outstanding at December 31, 2015	1,097,323	$ 32.70	4.8	$ 42,154
Granted	94,115	61.39		2,035
Exercised	(83,790)	25.58		(4,813)
Canceled	(8,825)	71.47		(102)
Outstanding at December 31, 2016	1,098,823	$ 35.39	4.3	$ 52,332
Granted	65,522	86.91		—
Exercised	(166,838)	21.37		(10,020)
Canceled	(13,995)	76.89		(64)
Outstanding at December 31, 2017	983,512	$ 40.62	4.0	$ 40,137
Exercisable at December 31, 2017	802,609	$ 32.52	3.3	$ 36,848

Options outstanding at December 31, 2017 were as follows:

Range of exercise prices	Number of Options Outstanding	Weighted Average Exercise Price of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
Under $15.00	180,000	$ 14.50	1.1	180,000	$ 14.50
15.00 - 23.00	193,701	18.77	1.3	193,701	18.77
23.00 - 30.00	136,924	28.75	2.8	136,924	28.75
30.00 - 38.00	94,496	35.24	4.1	94,496	35.24
Over 38.00	378,391	69.86	7.0	197,488	63.72
	983,512	$ 40.62		802,609	$ 32.52

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the year ended December 31,		
	2017	2016	2015
Dividend yield	0.23%	0.26%	0.14%
Risk-free interest rate	2.2%	1.5%	1.8%
Stock price volatility	23.4%	26.9%	27.3%
Expected life (years)	5.0	5.0	5.0
Weighted average fair value of options granted during the year	$ 20.69	$ 14.96	$ 24.41

The dividend yield is based on the Company's dividend rate and the current market price of the underlying common stock at the date of grant. Expected life in years is determined from historical stock option exercise data. Expected volatility is based on the historical volatility of the Company's stock. The risk-free interest rate is based on the 7 years U.S. Treasury bond rates for the expected life of the option.

Restricted Stock and Incentive Stock Beginning in 2006 the Company adopted a restricted stock program. As provided for under the 2011 and 2000 Plans, eligible employees are granted restricted stock that generally vests over four years from the date of grant. Under the Directors Plan, restricted stock units vest one year from the date of grant.

In addition, the Company has issued incentive stock units to eligible employees that vest upon attainment of certain cumulative three-year performance goals. Based on the Company's performance for each three year period then ended, the incentive stock units can vest and be awarded ranging from 0% to 200% of the initial incentive stock units granted. The incentive stock units included in the table below represent the number of shares that are expected to vest based on the Company's estimate for meeting those established performance targets. As of December 31, 2017, the Company estimates that it will achieve 84%, 77% and 91% for the incentive stock units expected to vest based on performance for the three year periods ending December 31, 2017, 2018, and 2019, respectively, and has recorded incentive compensation expense accordingly. If our estimate of the number of these stock units expected to vest changes in a future accounting period, cumulative compensation expense could increase or decrease and will be recognized in the current period for the elapsed portion of the vesting period and would change future expense for the remaining vesting period.

Compensation expense for the non-vested restricted stock and incentive stock units is based on the closing price of the Company's common stock on the date of grant and recognized over the applicable vesting period.

The following table summarizes the restricted stock activity and related information for the 2011 Plan, the 2000 Plan, and Directors Plan, and incentive stock units activity and related information for the 2011 Plan and the 2000 Plan with related information for the years ended December 31:

	Restricted Stock and Units	Incentive Stock Awards	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2014	438,543	791,608	$ 47.97
Granted	113,945	126,050	87.90
Vested	(182,776)	(433,932)	37.76
Adjustment for incentive stock awards expected to vest	—	65,666	57.57
Canceled	(12,827)	(7,754)	67.05
Outstanding at December 31, 2015	356,885	541,638	$ 65.89
Granted	212,600	167,850	66.03
Vested	(159,975)	(236,591)	51.80
Adjustment for incentive stock awards expected to vest	—	(38,164)	74.42
Canceled	(13,215)	(9,983)	71.84
Outstanding at December 31, 2016	396,295	424,750	$ 72.18
Granted	153,516	157,025	86.66
Vested	(137,088)	(153,271)	70.34
Adjustment for incentive stock awards expected to vest	—	(87,592)	73.69
Canceled	(13,723)	(13,579)	76.61
Outstanding at December 31, 2017	399,000	327,333	$ 78.76

13. OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss were:

	December 31,	
In thousands	2017	2016
Foreign currency translation gain (loss)	$ 5,063	$ (321,033)
Unrealized gain (loss) on interest rate swap contracts, net of tax of $1,338 and $1,540	4,015	(2,957)
Unrealized loss on pension and post-retirement benefit plans, net of tax of $19,532 and $20,832	(54,070)	(55,615)
Total accumulated other comprehensive loss	$ (44,992)	$ (379,605)

The changes in accumulated other comprehensive loss by component, net of tax, for the year-ended December 31, 2017 are as follows:

In thousands	Foreign currency translation	Derivative contracts	Pension and post retirement benefits plans	Total
Balance at December 31, 2016	$ (321,033)	$ (2,957)	$ (55,615)	$ (379,605)
Other comprehensive income before reclassifications	326,096	6,712	(1,017)	331,791
Amounts reclassified from accumulated other comprehensive income	—	260	2,562	2,822
Net current period other comprehensive income	326,096	6,972	1,545	334,613
Balance at December 31, 2017	$ 5,063	$ 4,015	$ (54,070)	$ (44,992)

Reclassifications out of accumulated other comprehensive loss for the year-ended December 31, 2017 are as follows:

In thousands	Amount reclassified from accumulated other comprehensive income	Affected line item in the Condensed Consolidated Statements of Income
Amortization of defined pension and post retirement items		
Amortization of initial net obligation and prior service cost	$ (1,496)	Other income (expense), net
Amortization of net loss (gain)	5,037	Other income (expense), net
	3,541	Other income (expense), net
	(979)	Income tax expense
	$ 2,562	Net income
Derivative contracts		
Realized loss on derivative contracts	400	Interest expense, net
	(140)	Income tax expense
	$ 260	Net income

The changes in accumulated other comprehensive loss by component, net of tax, for the year-ended December 31, 2016 are as follows:

In thousands	Foreign currency translation	Derivative contracts	Pension and post retirement benefits plans	Total
Balance at December 31, 2015	$ (227,349)	$ (2,987)	$ (46,383)	$ (276,719)
Other comprehensive income before reclassifications	(93,684)	(1,286)	(10,874)	(105,844)
Amounts reclassified from accumulated other comprehensive income	—	1,316	1,642	2,958
Net current period other comprehensive income	(93,684)	30	(9,232)	(102,886)
Balance at December 31, 2016	$ (321,033)	$ (2,957)	$ (55,615)	$ (379,605)

Reclassifications out of accumulated other comprehensive loss for the year-ended December 31, 2016 are as follows:

In thousands	Amount reclassified from accumulated other comprehensive income	Affected line item in the Condensed Consolidated Statements of Income
Amortization of defined pension and post retirement items		
Amortization of initial net obligation and prior service cost	$ (1,652)	Other income (expense), net
Amortization of net loss (gain)	3,989	Other income (expense), net
	2,337	Other income (expense), net
	(695)	Income tax expense
	$ 1,642	Net income
Derivative contracts		
Realized loss on derivative contracts	1,873	Interest expense, net
	(557)	Income tax expense
	$ 1,316	Net income

14. OPERATING LEASES

The Company leases office and manufacturing facilities under operating leases with terms ranging from one to 15 years, excluding renewal options.

Total net rental expense charged to operations in 2017, 2016, and 2015 was $34.6 million, $27.2 million and $20.2 million, respectively. The amounts above are shown net of sublease rentals which were immaterial for the years 2017, 2016 and 2015, respectively.

Future minimum rental payments under operating leases with remaining non-cancelable terms in excess of one year are as follows:

In thousands	Real Estate	Equipment	Total
2018	$ 28,957	$ 2,690	$ 31,647
2019	25,857	1,925	27,782
2020	24,266	976	25,242
2021	19,561	512	20,073
2022	16,350	271	16,621
2023 and after	66,017	24	66,041

15. WARRANTIES

The following table reconciles the changes in the Company's product warranty reserve as follows:

In thousands	2017	2016
Balance at beginning of year	$ 138,992	$ 92,064
Warranty expense	50,385	28,947
Acquisitions	806	59,685
Warranty claim payments	(48,548)	(38,772)
Foreign currency impact	11,428	(2,932)
Balance at end of year	$ 153,063	$ 138,992

16. PREFERRED STOCK

The Company's authorized capital stock includes 1,000,000 shares of preferred stock. The Board of Directors has the authority to issue the preferred stock and to fix the designations, powers, preferences and rights of the shares of each such class or series, including dividend rates, conversion rights, voting rights, terms of redemption and liquidation preferences, without any further vote or action by the Company's shareholders. The rights and preferences of the preferred stock would be superior to those of the common stock. At December 31, 2017 and 2016 there was no preferred stock issued or outstanding.

17. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Foreign Currency Hedging The Company uses forward contracts to mitigate its foreign currency exchange rate exposure due to forecasted sales of finished goods and future settlement of foreign currency denominated assets and liabilities. Derivatives used to hedge forecasted transactions and specific cash flows associated with foreign currency denominated financial assets and liabilities that meet the criteria for hedge accounting are designated as cash flow hedges. The effective portion of gains and losses is deferred as a component of accumulated other comprehensive income and is recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item. The contracts are scheduled to mature within two years. For the twelve months ended December 31, 2017, the amount reclassified into income was $0.4 million.

Other Activities The Company enters into certain derivative contracts in accordance with its risk management strategy that do not meet the criteria for hedge accounting but which have the impact of largely mitigating foreign currency exposure. These foreign exchange contracts are accounted for on a full mark to market basis through earnings, with gains and losses recorded as a component of other expense, net. The net unrealized gain related to these contracts was $2.1 million for the twelve months ended December 31, 2017. The notional amount and fair value of foreign exchange contracts that did not meet the criteria for hedge accounting at December 31, 2017 was not material. These contracts are scheduled to mature within one year.

The following table summarizes the gross notional amounts and fair values of the designated and non-designated hedged discussed in the above sections:

In millions	Designated	Non-Designated	Total
Gross notional amount	$ 805.1	$ 379.7	$ 1,184.8
Fair Value:			
Other current assets	3.5	2.1	5.6
Other current liabilities	—	—	—
Total	$ 3.5	$ 2.1	$ 5.6

Interest Rate Hedging The Company uses interest rate swaps to manage interest rate exposures. The Company is exposed to interest rate volatility with regard to existing floating rate debt. Primary exposure includes the London Interbank Offered Rates (LIBOR). Derivatives used to hedge risk associated with changes in the fair value of certain variable-rate debt are primarily designated as fair value hedges. Consequently, changes in the fair value of these derivatives, along with changes in the fair value of debt obligations are recognized in current period earnings. See long-term debt footnote fair value measurement footnote for further information on current interest rate swaps.

As of December 31, 2017, the Company has recorded a current liability of $1.2 million and an accumulated other comprehensive loss of $0.7 million, net of tax, related to these agreements.

18. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820 “Fair Value Measurements and Disclosures” defines fair value, establishes a framework for measuring fair value and explains the related disclosure requirements. ASC 820 indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability and defines fair value based upon an exit price model.

Valuation Hierarchy. ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company’s assumptions used to measure assets and liabilities at fair value. A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the liabilities carried at fair value measured on a recurring basis as of December 31, 2017, which are included in other current liabilities on the Consolidated Balance sheet:

		Fair Value Measurements at December 31, 2017 Using		
In thousands	Total Carrying Value at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap agreements	1,163	—	1,163	—
Total	$ 1,163	$ —	$ 1,163	$ —

The following table provides the liabilities carried at fair value measured on a recurring basis as of December 31, 2016, which are included in other current liabilities on the Consolidated Balance sheet:

		Fair Value Measurements at December 31, 2016 Using		
In thousands	Total Carrying Value at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap agreements	3,888	—	3,888	—
Total	$ 3,888	$ —	$ 3,888	$ —

To reduce the impact of interest rate changes on a portion of its variable-rate debt, the Company entered into interest rate swaps which effectively converted a portion of the debt from variable to fixed-rate borrowings during the term of the swap contracts. For certain derivative contracts whose fair values are based upon trades in liquid markets, such as interest rate swaps, valuation model inputs can generally be verified and valuation techniques do not involve significant management judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

As a result of our global operating activities the Company is exposed to market risks from changes in foreign currency exchange rates, which may adversely affect our operating results and financial position. When deemed appropriate, the Company minimizes these risks through entering into foreign currency forward contracts. The foreign currency forward contracts are valued using broker quotations, or market transactions in either the listed or over-the counter markets. As such, these derivative instruments are classified within level 2.

The Company's cash and cash equivalents are highly liquid investments purchased with an original maturity of three months or less and are considered Level 1 on the fair value valuation hierarchy. The fair value of cash and cash equivalents approximated the carrying value at December 31, 2017 and December 31, 2016. The Company's defined benefit pension plan assets consist primarily of equity security funds, debt security funds and temporary cash and cash equivalent investments. These investments are comprised of a number of investment funds that invest in a diverse portfolio of assets including equity securities, corporate and governmental bonds, and money markets. Trusts are valued at the net asset value ("NAV") as determined by their custodian. NAV represents the accumulation of the unadjusted quoted close prices on the reporting date for the underlying investments divided by the total shares outstanding at the reporting dates. The 2013 and 2016 Notes are considered Level 2 based on the fair value valuation hierarchy.

The estimated fair values and related carrying values of the Company's financial instruments are as follows:

	December 31, 2017		December 31, 2016	
In thousands	Carry Value	Fair Value	Carry Value	Fair Value
Interest rate swap agreements	$ 1,163	$ 1,163	$ 3,888	$ 3,888
4.375% Senior Notes	248,567	262,033	248,310	260,265
3.45% Senior Notes	747,655	741,113	747,474	719,273

The fair value of the Company's interest rate swap agreements and the 2013 and 2016 Notes were based on dealer quotes and represent the estimated amount the Company would pay to the counterparty to terminate the agreement.

19. COMMITMENTS AND CONTINGENCIES

The Company is subject to a variety of environmental laws and regulations governing discharges to air and water, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. The Company believes its operations currently comply in all material respects with all of the various environmental laws and regulations applicable to our business; however, there can be no assurance that environmental requirements will not change in the future or that we will not incur significant costs to comply with such requirements.

Under terms of the purchase agreement and related documents for the 1990 Acquisition, American Standard, Inc., now known as Trane ("Trane"), has indemnified the Company for certain items including, among other things, certain environmental claims the Company asserted prior to 2000. If Trane was unable to honor or meet these indemnifications, the Company would be responsible for such items. In the opinion of Management, Trane currently has the ability to meet its indemnification obligations.

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Most of these claims have been made against our wholly owned subsidiary, Railroad Friction Products Corporation ("RFPC"), and are based on a product sold by RFPC prior to the time that the Company acquired any interest in RFPC.

Most of these claims, including all of the RFPC claims, are submitted to insurance carriers for defense and indemnity or to non-affiliated companies that retain the liabilities for the asbestos-containing products at issue. We cannot, however, assure that all these claims will be fully covered by insurance or that the indemnitors or insurers will remain financially viable. Our ultimate legal and financial liability with respect to these claims, as is the case with other pending litigation, cannot be estimated.

It is management's belief that the potential range of loss for asbestos-related bodily injury cases is not reasonably determinable at present due to a variety of factors, including: (1) the asbestos case settlement history of the Company's wholly owned subsidiary, RFPC; (2) the unpredictable nature of personal injury litigation in general; and (3) the uncertainty of asbestos litigation in particular. Despite this uncertainty, and although the results of the Company's operations and cash flows for any given period could be adversely affected by asbestos-related lawsuits, Management believes that the final resolution of the Company's asbestos-related cases will not be material to the Company's overall financial position, results of operations and cash flows. In general, this belief is based upon: (1) Wabtec's and RFPC's history of settlements and dismissals of asbestos-related cases to date; (2) the inability of many plaintiffs to establish any exposure or causal relationship to RFPC's product; and (3) the inability of many plaintiffs to demonstrate any identifiable injury or compensable loss.

More specifically, as to RFPC, management's belief that any losses due to asbestos-related cases would not be material is also based on the fact that RFPC owns insurance which provides coverage for asbestos-related bodily injury claims. To date, RFPC's insurers have provided RFPC with defense and indemnity in these actions. The overall number of new claims being filed against RFPC has dropped significantly in recent years; however, these new claims, and all previously filed claims, may take a significant period of time to resolve. As to Wabtec and its divisions, Management's belief that asbestos-related cases will not have a material impact is also based on its position that it has no legal liability for asbestos-related bodily injury claims, and that the former owners of Wabtec's assets retained asbestos liabilities for the products at issue. To date, Wabtec has been able to successfully defend itself on this basis, including two arbitration decisions and a judicial opinion, all of which confirmed Wabtec's position that it did not assume any asbestos liabilities from the former owners of certain Wabtec assets. Although Wabtec has incurred defense and administrative costs in connection with asbestos bodily injury actions, these costs have not been material, and the Company has no information that would suggest these costs would become material in the foreseeable future.

On April 21, 2016, Siemens Industry, Inc. filed a lawsuit against the Company in federal district court in Delaware alleging that the Company has infringed seven patents owned by Siemens, all of which relate to Positive Train Control technology. On November 2, 2016, Siemens amended its complaint to add six additional patents they also claim are infringed by the Company's Positive Train Control Products. The Company has filed Answers, and asserted counterclaims, in response to Siemens' complaints. The case is still in the preliminary stages, but the Company has begun filing for Inter-Parties Review proceedings before the U.S. Patent & Trademark Office seeking to invalidate the Siemens patents. Wabtec believes the claims are without merit and is vigorously defending itself.

Xorail, Inc., a wholly owned subsidiary of the Company ("Xorail"), has received notices from Denver Transit Constructors ("Denver Transit") alleging breach of contract related to the operating of constant warning wireless crossings, and late delivery of the Train Management & Dispatch System ("TMDS") for the Denver Eagle P3 Project, which is owned by the Denver Regional Transit District ("RTD"). No damages have been asserted for the alleged late delivery of the TMDS, and Xorail is in the final stages of successfully implementing a recovery plan concerning the TMDS issues. With regard to the wireless crossings, as of September 8, 2017, Denver Transit alleged that total damages were $36.8 million through July 31, 2017, and are continuing to accumulate. The crossings have not been certified for use without flaggers, which Denver Transit alleges is due to Xorail's failure to achieve constant warning times satisfactory to the Federal Railway Administration ("FRA") and the Public Utility Commission ("PUC"). No claims have been filed by Denver Transit with regard to either issue. Xorail has denied Denver Transit's assertions regarding the wireless crossings, and Denver Transit has also notified RTD that Denver Transit considers the new certification requirements imposed by FRA and/or PUC as a change in law, for which neither Denver Transit nor its subcontractors are liable. Xorail has worked with Denver Transit to modify its system to meet the FRA's and PUC's previously undefined, and evolving, certification requirements. On September 28, 2017, the FRA granted a 5 year approval of the modified wireless crossing system as currently implemented; however, the PUC has not granted approval of the modified system and therefore the crossings are still not certified for use without flaggers. Denver Transit and RTD are continuing to seek approval from PUC. The Company does not believe that it has any liability with respect to the wireless crossing issue.

From time to time the Company is involved in litigation relating to claims arising out of its operations in the ordinary course of business. As of the date hereof, the Company is involved in no litigation that the Company believes will have a material adverse effect on its financial condition, results of operations or liquidity.

20. SEGMENT INFORMATION

Wabtec has two reportable segments—the Freight Segment and the Transit Segment. The key factors used to identify these reportable segments are the organization and alignment of the Company's internal operations, the nature of the products and services, and customer type. The business segments are:

Freight Segment primarily manufactures and services components for new and existing freight cars and locomotives, builds new switcher locomotives, rebuilds freight locomotives, supplies railway electronics, positive train control equipment, signal design and engineering services, and provides related heat exchange and cooling systems. Customers include large, publicly traded railroads, leasing companies, manufacturers of original equipment such as locomotives and freight cars, and utilities.

Transit Segment primarily manufactures and services components for new and existing passenger transit vehicles, typically regional trains, high speed trains, subway cars, light-rail vehicles and buses, builds new commuter locomotives, refurbishes subway cars, provides heating, ventilation, and air conditioning equipment, and doors for buses and subways. Customers include public transit authorities and municipalities, leasing companies, and manufacturers of subway cars and buses around the world.

The Company evaluates its business segments' operating results based on income from operations. Intersegment sales are accounted for at prices that are generally established by reference to similar transactions with unaffiliated customers. Corporate activities include general corporate expenses, elimination of intersegment transactions, interest income and expense and other unallocated charges. Since certain administrative and other operating expenses and other items have not been allocated to business segments, the results in the following tables are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

Segment financial information for 2017 is as follows:

In thousands	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 1,396,588	$ 2,485,168	$ —	$ 3,881,756
Intersegment sales/(elimination)	37,630	21,548	(59,178)	—
Total sales	$ 1,434,218	$ 2,506,716	$ (59,178)	$ 3,881,756
Income (loss) from operations	$ 264,276	$ 188,219	$ (31,416)	$ 421,079
Interest expense and other, net	—	—	(69,016)	(69,016)
Income (loss) from operations before income taxes	$ 264,276	$ 188,219	$ (100,432)	$ 352,063
Depreciation and amortization	$ 43,721	$ 57,441	$ 2,086	$ 103,248
Capital expenditures	33,921	50,762	4,783	89,466
Segment assets	3,504,289	7,562,122	(4,486,431)	6,579,980

Segment financial information for 2016 is as follows:

In thousands	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 1,543,098	$ 1,388,090	$ —	$ 2,931,188
Intersegment sales/(elimination)	39,519	9,393	(48,912)	$ —
Total sales	$ 1,582,617	$ 1,397,483	$ (48,912)	$ 2,931,188
Income (loss) from operations	$ 343,578	$ 170,569	$ (57,540)	$ 456,607
Interest expense and other, net	—	—	(43,770)	(43,770)
Income (loss) from operations before income taxes	$ 343,578	$ 170,569	$ (101,310)	$ 412,837
Depreciation and amortization	$ 36,519	$ 31,545	$ 1,731	$ 69,795
Capital expenditures	22,726	20,987	6,503	50,216
Segment assets	2,949,668	6,720,302	(3,088,952)	6,581,018

Segment financial information for 2015 is as follows:

In thousands	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 2,054,715	$ 1,235,283	$ —	$ 3,307,998
Intersegment sales/(elimination)	35,372	10,895	(46,267)	—
Total sales	$ 2,090,087	$ 1,264,178	$ (46,267)	$ 3,307,998
Income (loss) from operations	$ 483,284	$ 151,631	$ (26,061)	$ 608,854
Interest expense and other, net	—	—	(23,486)	(23,486)
Income (loss) from operations before income taxes	$ 483,284	$ 151,631	$ (49,547)	$ 585,368
Depreciation and amortization	$ 36,834	$ 26,196	$ 1,704	$ 64,734
Capital expenditures	24,715	22,996	1,717	49,428
Segment assets	2,708,724	2,202,614	(1,681,825)	3,229,513

The following geographic area data as of and for the years ended December 31, 2017, 2016 and 2015, respectively, includes net sales based on product shipment destination and long-lived assets, which consist of plant, property and equipment, net of depreciation, resident in their respective countries:

	Net Sales			Long-Lived Assets		
In thousands	2017	2016	2015	2017	2016	2015
United States	$ 1,323,781	$ 1,362,255	$ 1,754,924	$ 211,608	$ 205,895	$ 171,362
United Kingdom	356,493	322,563	368,505	57,668	54,215	63,694
Canada	279,013	206,258	204,674	5,822	5,156	4,876
France	237,454	66,287	45,565	57,849	33,636	7,194
Germany	208,817	98,364	92,422	71,709	57,902	31,642
China	178,137	106,357	100,586	36,388	42,672	12,256
Mexico	160,029	183,583	190,034	9,117	8,766	8,839
Italy	142,037	45,771	38,164	30,329	27,253	15,170
India	137,837	24,161	12,345	12,519	1,271	1,946
Australia	136,127	82,099	86,809	10,483	8,039	8,424
Brazil	69,378	51,493	84,595	13,184	13,227	9,318
Other international	652,653	381,997	329,375	57,296	60,344	18,472
Total	$ 3,881,756	$ 2,931,188	$ 3,307,998	$ 573,972	$ 518,376	$ 353,193

Export sales from the Company’s United States operations were $448.0 million, $470.5 million and $508.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Sales by product are as follows:

In thousands	2017	2016	2015
Specialty Products & Electronics	$ 1,350,727	$ 1,374,580	$ 1,733,881
Brake Products	749,959	588,081	627,552
Remanufacturing, Overhaul & Build	522,275	559,284	606,624
Transit Products	1,112,340	276,124	189,581
Other	146,455	133,119	150,360
Total sales	$ 3,881,756	$ 2,931,188	$ 3,307,998

21. GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION

The obligations of the Company under the 2018 Refinancing Credit Agreement have been guaranteed by certain of the Company's subsidiaries. Each guarantor is 100% owned by the Company. In accordance with positions established by the Securities and Exchange Commission, the following shows separate financial information with respect to the parent, the guarantor subsidiaries and the non-guarantor subsidiaries in accordance with the terms of the 2018 Refinancing Credit Agreement entered into June 8, 2018. The principal elimination entries eliminate investment in subsidiaries and certain intercompany balances and transactions.

Balance Sheet for December 31, 2017:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash and cash equivalents	$ 933	$ 625	$ 231,843	$ —	$ 233,401
Receivables, net	77,046	59,166	1,030,575	—	1,166,787
Inventories	120,937	46,626	575,071	—	742,634
Current assets - other	1,142	563	120,586	—	122,291
Total current assets	200,058	106,980	1,958,075	—	2,265,113
Property, plant and equipment	52,532	26,492	494,948	—	573,972
Goodwill	25,274	283,242	2,151,587	—	2,460,103
Investment in subsidiaries	6,517,205	2,440,665	—	(8,957,870)	—
Other intangibles, net	30,575	81,037	1,092,820	—	1,204,432
Other long term assets	17,414	(23,892)	82,838	—	76,360
Total assets	$ 6,843,058	$ 2,914,524	$ 5,780,268	$ (8,957,870)	$ 6,579,980
Current liabilities	$ 196,827	77,284	$ 1,299,219	—	$ 1,573,330
Inter-company	2,121,546	(1,307,410)	(814,136)	—	—
Long-term debt	1,661,771	14	161,518	—	1,823,303
Long-term liabilities - other	54,046	20,594	280,175	—	354,815
Total liabilities	4,034,190	(1,209,518)	926,776	—	3,751,448
Shareholders' equity	2,808,868	4,124,042	4,833,828	(8,957,870)	2,808,868
Non-controlling interest	—	—	19,664	—	19,664
Total shareholders' equity	$ 2,808,868	$ 4,124,042	$ 4,853,492	$ (8,957,870)	$ 2,828,532
Total Liabilities and Shareholders' Equity	$ 6,843,058	$ 2,914,524	$ 5,780,268	$ (8,957,870)	$ 6,579,980

Balance Sheet for December 31, 2016:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash and cash equivalents	$ 2,522	$ 1,226	$ 394,736	$ —	$ 398,484
Receivables, net	79,041	74,105	789,362	—	942,508
Inventories	120,042	52,372	486,096	—	658,510
Current assets - other	52,576	(19,438)	834,991	—	868,129
Total current assets	254,181	108,265	2,505,185	—	2,867,631
Property, plant and equipment	49,031	27,096	442,249	—	518,376
Goodwill	25,275	284,020	1,769,470	—	2,078,765
Investment in subsidiaries	5,388,613	1,961,036	—	(7,349,649)	—
Other intangibles, net	31,897	83,103	938,860	—	1,053,860
Other long term assets	9,592	(41,963)	94,757	—	62,386
Total assets	$ 5,758,589	$ 2,421,557	$ 5,750,521	$ (7,349,649)	$ 6,581,018
Current liabilities	$ 194,983	74,706	$ 1,176,950	—	$ 1,446,639
Inter-company	1,562,399	(1,138,540)	(423,859)	—	—
Long-term debt	1,761,933	58	976	—	1,762,967
Long-term liabilities - other	33,298	3,768	357,521	—	394,587
Total liabilities	3,552,613	(1,060,008)	1,111,588	—	3,604,193
Shareholders’ equity	2,205,976	3,481,565	3,868,085	(7,349,649)	2,205,977
Non-controlling interest	—	—	770,848	—	770,848
Total shareholders’ equity	$ 2,205,976	$ 3,481,565	$ 4,638,933	$ (7,349,649)	$ 2,976,825
Total Liabilities and Shareholders’ Equity	$ 5,758,589	$ 2,421,557	$ 5,750,521	$ (7,349,649)	$ 6,581,018

Income Statement for the Year Ended December 31, 2017:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Sales	$ 577,397	$ 398,220	$ 3,035,464	$ (129,325)	$ 3,881,756
Cost of sales	(440,911)	(255,792)	(2,218,460)	98,720	(2,816,443)
Gross profit (loss)	136,486	142,428	817,004	(30,605)	1,065,313
Total operating expenses	(114,199)	(50,902)	(479,133)	—	(644,234)
Income (loss) from operations	22,287	91,526	337,871	(30,605)	421,079
Interest (expense) income, net	(76,823)	10,916	(11,977)	—	(77,884)
Other income (expense), net	10,020	274	(1,426)	—	8,868
Equity earnings (loss)	416,068	317,614	—	(733,682)	—
Pretax income (loss)	371,552	420,330	324,468	(764,287)	352,063
Income tax expense	(109,294)	18,762	759	—	(89,773)
Net income (loss)	262,258	439,092	325,227	(764,287)	262,290
Less: Net income attributable to noncontrolling interest	—	—	(29)	—	(29)
Net income (loss) attributable to Wabtec shareholders	$ 262,258	$ 439,092	$ 325,198	$ (764,287)	$ 262,261
Comprehensive income (loss) attributable to Wabtec shareholders	$ 263,907	$ 439,092	$ 658,162	$ (764,287)	$ 596,874

Income Statement for the Year Ended December 31, 2016:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Sales	$ 641,809	$ 435,864	$ 1,995,465	$ (141,950)	$ 2,931,188
Cost of sales	(473,700)	(280,973)	(1,350,401)	98,125	(2,006,949)
Gross profit (loss)	168,109	154,891	645,064	(43,825)	924,239
Total operating expenses	(142,817)	(50,361)	(274,454)	—	(467,632)
Income (loss) from operations	25,292	104,530	370,610	(43,825)	456,607
Interest (expense) income, net	(38,843)	9,294	(20,749)	—	(50,298)
Other income (expense), net	25,254	(1,689)	(17,037)	—	(6,528)
Equity earnings (loss)	322,650	292,184	—	(614,834)	—
Pretax income (loss)	334,353	404,319	332,824	(658,659)	412,837
Income tax expense	(29,466)	(52,308)	(17,659)	—	(99,433)
Net income (loss)	304,887	352,011	315,165	(658,659)	313,404
Less: Net income attributable to noncontrolling interest	—	—	(8,517)	—	(8,517)
Net income attributable to Wabtec shareholders	$ 304,887	$ 352,011	$ 306,648	$ (658,659)	$ 304,887
Comprehensive income (loss) attributable to Wabtec shareholders	$ 305,180	$ 352,011	$ 203,469	$ (658,659)	$ 202,001

Income Statement for the Year Ended December 31, 2015:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Sales	$ 743,262	$ 679,466	$ 2,030,284	$ (145,014)	$ 3,307,998
Cost of sales	(531,269)	(311,911)	(1,499,803)	82,801	(2,260,182)
Gross (loss) profit	211,993	367,555	530,481	(62,213)	1,047,816
Total operating expenses	(142,310)	(36,358)	(260,294)	—	(438,962)
Income (loss) from operations	69,683	331,197	270,187	(62,213)	608,854
Interest (expense) income, net	(28,312)	8,406	(7,348)	—	(27,254)
Other income (expense), net	27,733	(3,711)	(20,254)	—	(3,768)
Equity earnings (loss)	506,903	216,403	—	(723,306)	—
Pretax income (loss)	576,007	552,295	242,585	(785,519)	585,368
Income tax expense	(177,379)	8,760	(18,121)	—	(186,740)
Net income (loss)	398,628	561,055	224,464	(785,519)	398,628
Less: Net income attributable to noncontrolling interest	—	—	—	—	—
Net income attributable to Wabtec shareholders	$ 398,628	$ 561,055	$ 224,464	$ (785,519)	$ 398,628
Comprehensive income (loss) attributable to Wabtec shareholders	$ 409,734	$ 561,055	$ 96,125	$ (785,519)	$ 281,395

Condensed Statement of Cash Flows for the year ended December 31, 2017:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net cash (used in) provided by operating activities	$ (49,231)	$ 130,298	$ 138,349	$ (30,605)	$ 188,811
Net cash used in investing activities	(11,156)	(3,357)	(1,018,961)	—	(1,033,474)
Net cash provided by (used in) financing activities	58,798	(127,542)	(59,292)	30,605	(97,431)
Effect of changes in currency exchange rates	—	—	32,263	—	32,263
(Decrease) increase in cash	(1,589)	(601)	(907,641)	—	(909,831)
Cash, cash equivalents and restricted cash, beginning of year	2,522	1,226	1,139,484	—	1,143,232
Cash and cash equivalents, end of year	$ 933	$ 625	$ 231,843	$ —	$ 233,401

Condensed Statement of Cash Flows for the year ended December 31, 2016:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net cash (used in) provided by operating activities	$ (44,611)	$ 142,839	$ 396,127	$ (43,825)	$ 450,530
Net cash (used in) provided by investing activities	(829,783)	(2,653)	599,470	—	(232,966)
Net cash provided by (used in) financing activities	876,916	(147,586)	(250,184)	43,825	522,971
Effect of changes in currency exchange rates	—	—	(26,436)	—	(26,436)
Increase (decrease) in cash	2,522	(7,400)	718,977	—	714,099
Cash, cash equivalents and restricted cash, beginning of year	—	8,626	420,507	—	429,133
Cash, cash equivalents and restricted cash, end of year	$ 2,522	$ 1,226	$ 1,139,484	$ —	$ 1,143,232

Condensed Statement of Cash Flows for the year ended December 31, 2015:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net cash (used in) provided by operating activities	$ (90,374)	$ 300,965	$ 302,466	$ (62,213)	$ 450,844
Net cash used in investing activities	(7,862)	(2,653)	(166,679)	—	(177,194)
Net cash (used in) provided by financing activities	(48,570)	(295,133)	29,992	62,213	(251,498)
Effect of changes in currency exchange rates	—	—	(18,868)	—	(18,868)
(Decrease) increase in cash	(146,806)	3,179	(146,911)	—	(3,284)
Cash, cash equivalents and restricted cash, beginning of year	146,806	5,447	273,596	—	425,849
Cash, cash equivalents and restricted cash, end of year	$ —	$ 8,626	$ 420,507	$ —	$ 429,133

22. OTHER (EXPENSE) INCOME, NET

The components of other (expense) income, net are as follows:

	For the year ended December 31,		
In thousands	2017	2016	2015
Foreign currency loss	$ (6,618)	$ (4,001)	$ (4,659)
Equity income	2,579	409	—
Expected return on pension assets/amortization	9,834	9,491	9,079
Other miscellaneous income (expense)	3,073	629	(652)
Total other (expense) income, net	$ 8,868	$ 6,528	$ 3,768

23. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

In thousands, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (1)
2017				
Net sales	$ 916,034	$ 932,253	$ 957,931	$ 1,075,538
Gross profit	269,707	273,963	253,203	268,440
Income from operations	114,512	113,356	101,666	91,545
Net income attributable to Wabtec shareholders	73,889	72,025	67,399	48,948
Basic earnings from operations per common share	$ 0.77	$ 0.75	$ 0.70	$ 0.51
Diluted earnings from operations per common share	$ 0.77	$ 0.75	$ 0.70	$ 0.51
2016				
Net sales	$ 772,031	$ 723,601	$ 675,574	$ 759,982
Gross profit	255,180	237,389	212,481	219,189
Income from operations	142,209	132,375	119,400	62,623
Net income attributable to Wabtec shareholders	94,163	90,485	82,428	46,328
Basic earnings from operations per common share	$ 1.03	$ 1.00	$ 0.92	$ 0.42
Diluted earnings from operations per common share	$ 1.02	$ 1.00	$ 0.91	$ 0.42

(1) Results from the fourth quarter of 2017 include project adjustments related to prior periods which decreased income from operations by approximately $14.8 million. The effect of these project adjustments was not material.

The Company operates on a four-four-five week accounting quarter, and the quarters end on or about March 31, June 30 and September 30. The fiscal year ends on December 31.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
For each of the three years ended December 31

In thousands	Balance at beginning of period	Charged/ (credited) to expense	Charged/ (credited) to other accounts (1)	Deductions from reserves (2)	Balance at end of period
2017					
Warranty and overhaul reserves	$ 138,992	$ 50,385	$ 12,234	$ 48,548	$ 153,063
Allowance for doubtful accounts	7,340	2,632	4,979	2,609	12,342
Valuation allowance-taxes	21,418	6,760	—	10,024	18,154
2016					
Warranty and overhaul reserves	$ 92,064	$ 28,947	$ 56,753	$ 38,772	$ 138,992
Allowance for doubtful accounts	5,614	3,635	—	1,909	7,340
Valuation allowance-taxes	12,623	3,405	5,390	—	21,418
2015					
Warranty and overhaul reserves	$ 87,849	$ 35,418	$ (1,762)	$ 29,441	$ 92,064
Allowance for doubtful accounts	6,270	2,026	—	2,682	5,614
Valuation allowance-taxes	1,818	7,024	3,781	—	12,623

(1) Reserves of acquired/(sold) companies; valuation allowances for state and foreign deferred tax assets; impact of fluctuations in foreign currency exchange rates.
(2) Actual disbursements and/or charges.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in more than 100 countries throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 31 countries. In 2017, about 66% of the Company's revenues came from customers outside the U.S.

Management Review and Future Outlook

Wabtec's long-term financial goals are to generate cash flow from operations in excess of net income, maintain a strong credit profile while minimizing our overall cost of capital, increase margins through strict attention to cost controls and implementation of the Wabtec Excellence Program, and increase revenues through a focused growth strategy, including product innovation and new technologies, global and market expansion, aftermarket products and services, and acquisitions. In addition, Management evaluates the Company's current operational performance through measures such as quality and on-time delivery.

The Company primarily serves the worldwide freight and transit rail industries. As such, our operating results are largely dependent on the level of activity, financial condition and capital spending plans of railroads and passenger transit agencies around the world, and transportation equipment manufacturers who serve those markets. Many factors influence these industries, including general economic conditions; traffic volumes, as measured by freight carloadings and passenger ridership; government spending on public transportation; and investment in new technologies. In general, trends such as increasing urbanization, a focus on sustainability and environmental awareness, an aging equipment fleet, and growth in global trade are expected to drive continued investment in freight and transit rail.

The Company monitors a variety of factors and statistics to gauge market activity. Freight rail markets around the world are driven primarily by overall economic conditions and activity, while Transit markets are driven primarily by government funding and passenger ridership. Changes in these market drivers can cause fluctuations in demand for Wabtec's products and services.

According to the 2016 edition of a market study by UNIFE, the Association of the European Rail Industry, the accessible global market for railway products and services was more than $100 billion, and was expected to grow at about 3.2% annually through 2021. The three largest geographic markets, which represented about 80% of the total accessible market, were Europe, North America and Asia Pacific. UNIFE projected above-average growth in Asia Pacific and Europe due to overall economic growth and trends such as urbanization and increasing mobility, deregulation, investments in new technologies, energy and environmental issues, and increasing government support. The largest product segments of the market were rolling stock, services and infrastructure, which represented almost 90% of the accessible market. UNIFE projected spending on rolling stock to grow at an above-average rate due to increased investment in passenger transit vehicles. UNIFE estimated that the global installed base of locomotives was about 114,000 units, with about 32% in Asia Pacific, about 25% in North America and about 18% in Russia-CIS (Commonwealth of Independent States). Wabtec estimates that about 2,600 new locomotives were delivered worldwide in 2017, and it expects deliveries of about 2,700 in 2018. UNIFE estimated the global installed base of freight cars was about 5.5 million units, with about 37% in North America, about 26% in Russia-CIS and about 20% in Asia Pacific. Wabtec estimates that about 155,000 new freight cars were delivered worldwide in 2017, and it expects deliveries of about 148,000 in 2018. UNIFE estimated the global installed base of passenger transit vehicles to be about 569,000 units, with about 43% in Asia Pacific, about 32% in Europe and about 14% in Russia-CIS. Wabtec estimates that about 34,000 new passenger transit vehicles were delivered worldwide in 2017, and it expects deliveries of about 44,000 in 2018.

In Europe, the majority of the rail system serves the passenger transit market, which is expected to continue growing as energy and environmental factors encourage continued investment in public mass transit. According to UNIFE, France, Germany and the United Kingdom were the largest Western European transit markets, representing almost two-thirds of industry spending in the European Union. UNIFE projected the Western European rail market to grow at about 3.6% annually, led by investments in new rolling stock in France and Germany. Significant investments were also expected in Turkey, the largest market in Eastern Europe. About 75% of freight traffic in Europe is hauled by truck, while rail accounts for about 20%. The largest freight markets in Europe are Germany, Poland and the United Kingdom. In recent years, the European Commission has adopted a series of measures designed to increase the efficiency of the European rail network by standardizing operating rules and certification requirements. UNIFE believes that adoption of these measures should have a positive effect on ridership and investment in public transportation over time.

In North America, railroads carry about 40% of intercity freight, as measured by ton-miles, which is more than any other mode of transportation. Through direct ownership and operating partnerships, U.S. railroads are part of an integrated network that includes railroads in Canada and Mexico, forming what is regarded as the world's most-efficient and lowest-cost freight rail service. There are more than 500 railroads operating in North America, with the largest railroads, referred to as "Class I," accounting for more than 90% of the industry's revenues. The railroads carry a wide variety of commodities and goods, including coal, metals, minerals, chemicals, grain, and petroleum. These commodities represent about 50% of total rail carloadings, with intermodal carloads accounting for the rest. Railroads operate in a competitive environment, especially with the trucking industry, and are always seeking ways to improve safety, cost and reliability. New technologies offered by Wabtec and others in the industry can provide some of these benefits. Demand for our freight related products and services in North America is driven by a number of factors, including rail traffic, and production of new locomotives and new freight cars. In the U.S., the passenger transit industry is dependent largely on funding from federal, state and local governments, and from fare box revenues. Demand for North American passenger transit products is driven by a number of factors, including government funding, deliveries of new subway cars and buses, and ridership. The U.S. federal government provides money to local transit authorities, primarily to fund the purchase of new equipment and infrastructure for their transit systems.

Growth in the Asia Pacific market has been driven mainly by the continued urbanization of China and India, and by investments in freight rail rolling stock and infrastructure in Australia to serve its mining and natural resources markets. India is making significant investments in rolling stock and infrastructure to modernize its rail system; for example, the country has awarded a 1,000-unit locomotive order to a U.S. manufacturer. UNIFE expected the increased spending in India to offset decreased spending on very-high-speed rolling stock in China.

Other key geographic markets include Russia-CIS and Africa-Middle East. With about 1.4 million freight cars and about 20,000 locomotives, Russia-CIS is among the largest freight rail markets in the world, and it's expected to invest in both freight and transit rolling stock. PRASA, the Passenger Rail Agency of South Africa, is expected to continue to invest in new transit cars and new locomotives. According to UNIFE, emerging markets were expected to grow at above-average rates as global trade led to increased freight volumes and urbanization led to increased demand for efficient mass-transportation systems. As this growth occurs, Wabtec expects to have additional opportunities to provide products and services in these markets.

In its study, UNIFE also said it expected increased investment in digital tools for data and asset management, and in rail control technologies, both of which would improve efficiency in the global rail industry. UNIFE said data-driven asset management tools have the potential to reduce equipment maintenance costs and improve asset utilization, while rail control technologies have been focused on increasing track capacity, improving operational efficiency and ensuring safer railway traffic. Wabtec offers products and services to help customers make ongoing investments in these initiatives.

In 2018 and beyond, general global economic and market conditions will have an impact on our sales and operations. To the extent that these factors cause instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected. In addition, we face risks associated with our four-point growth strategy including the level of investment that customers are willing to make in new technologies developed by the industry and the Company, and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to reflect changes in market conditions and risks.

ACQUISITION OF FAIVELEY TRANSPORT S.A.

On November 30, 2016, the Company acquired majority ownership of Faiveley Transport S.A. ("Faiveley Transport") under the terms of a Share Purchase Agreement ("Share Purchase Agreement"). Faiveley Transport is a leading global provider of value-added, integrated systems and services for the railway industry with annual sales of about $1.2 billion and more than 5,700 employees in 24 countries. Faiveley Transport supplies railway manufacturers, operators and maintenance providers with a range of value-added, technology-based systems and services in Energy & Comfort (air conditioning, power collectors and converters, and passenger information), Access & Mobility (passenger access systems and platform doors), and Brakes and Safety (braking systems and couplers). The transaction was structured as a step acquisition as follows:

- On November 30, 2016, the Company acquired majority ownership of Faiveley Transport, after completing the purchase of the Faiveley family's ownership interest under the terms of the Share Purchase Agreement, which directed the Company to pay €100 per share of Faiveley Transport, payable between 25% and 45% in cash at the election of those shareholders and the remainder payable in Wabtec stock. The Faiveley family's ownership interest acquired by the Company represented approximately 51% of outstanding share capital and approximately 49% of the outstanding voting shares of Faiveley Transport. Upon completion of the share purchase under the Share Purchase Agreement, Wabtec commenced a tender offer for the remaining publicly traded Faiveley Transport shares. The public shareholders had the option to elect to receive €100 per share in cash or 1.1538 shares of Wabtec common stock per share of Faiveley Transport. The common stock portion of the consideration was subject to a cap on issuance of Wabtec common shares that was equivalent to the rates of cash and stock elected by the 51% owners.

- On February 3, 2017, the initial cash tender offer was closed, which resulted in the Company acquiring approximately 27% of additional outstanding share capital and voting rights of Faiveley Transport for approximately $411.8 million in cash and $25.2 million in Wabtec stock. After the initial cash tender offer, the Company owned approximately 78% of outstanding share capital and 76% of voting rights.

- On March 6, 2017, the final cash tender offer was closed, which resulted in the Company acquiring approximately 21% of additional outstanding share capital and 22% of additional outstanding voting rights of Faiveley Transport for approximately $303.2 million in cash and $0.3 million in Wabtec stock. After the final cash tender offer, the Company owned approximately 99% of the share capital and 98% of the voting rights of Faiveley Transport.

- On March 21, 2017, a mandatory squeeze-out procedure was finalized, which resulted in the Company acquiring the Faiveley Transport shares not tendered in the offers for approximately $17.5 million in cash. This resulted in the Company owning 100% of the share capital and voting rights of Faiveley Transport.

As of November 30, 2016, the date the Company acquired 51% of the share capital and 49% of the voting interest in Faiveley Transport, Faiveley Transport was consolidated under the variable interest entity model as the Company concluded that it was the primary beneficiary of Faiveley Transport as it then possessed the power to direct the activities of Faiveley Transport that most significantly impact its economic performance and it then possessed the obligation and right to absorb losses and benefits from Faiveley Transport.

The purchase price paid for 100% ownership of Faiveley Transport was $1,507 million. The $744.7 million included as deposits in escrow on the consolidated balance sheet at December 31, 2016 was cash designated for use as consideration for the tender offers.

RESULTS OF OPERATIONS

The following table shows our Consolidated Statements of Operations for the years indicated.

In thousands	Year Ended December 31, 2017	2016	2015
Net sales	$ 3,881,756	$ 2,931,188	$ 3,307,998
Cost of sales	(2,816,443)	(2,006,949)	(2,260,182)
Gross profit	1,065,313	924,239	1,047,816
Selling, general and administrative expenses	(512,552)	(373,559)	(346,086)
Engineering expenses	(95,166)	(71,375)	(71,213)
Amortization expense	(36,516)	(22,698)	(21,663)
Total operating expenses	(644,234)	(467,632)	(438,962)
Income from operations	421,079	456,607	608,854
Interest expense, net	(77,884)	(50,298)	(27,254)
Other (expense) income, net	8,868	6,528	3,768
Income from operations before income taxes	352,063	412,837	585,368
Income tax expense	(89,773)	(99,433)	(186,740)
Net income	262,290	313,404	398,628
Net income attributable to noncontrolling interest	(29)	(8,517)	—
Net income attributable to Wabtec shareholders	$ 262,261	$ 304,887	$ 398,628

2017 COMPARED TO 2016

The following table summarizes the results of operations for the period:

In thousands	For the year ended December 31, 2017	2016	Percent Change
Freight Segment	$ 1,396,588	$ 1,543,098	(9.5)%
Transit Segment	2,485,168	1,388,090	79.0%
Net sales	3,881,756	2,931,188	32.4%
Income from operations	421,079	456,607	(7.8)%
Net income attributable to Wabtec shareholders	$ 262,261	$ 304,887	(14.0)%

The following table shows the major components of the change in sales in 2017 from 2016:

In thousands	Freight Segment	Transit Segment	Total
2016 Net Sales	$ 1,543,098	$ 1,388,090	$ 2,931,188
Acquisitions	148,122	1,035,061	1,183,183
Change in Sales by Product Line:			
Specialty Products & Electronics	(164,532)	8,502	(156,030)
Remanufacturing, Overhaul & Build	(79,129)	10,548	(68,581)
Brake Products	(51,595)	2,473	(49,122)
Other	(480)	1,397	917
Transit Products	—	45,462	45,462
Foreign exchange	1,104	(6,365)	(5,261)
2017 Net Sales	$ 1,396,588	$ 2,485,168	$ 3,881,756

Net sales increased by $950.6 million to $3,881.8 million in 2017 from $2,931.2 million in 2016. The increase is due to sales from acquisitions of $1,183.2 million with the majority related to the Faiveley Transport acquisition. This increase was partially offset by a $156.0 million decrease for Specialty Products and Electronics due to lower demand for freight original equipment rail products and train control and signaling products and services, a $68.6 million decrease for Remanufacturing, Overhaul and Build primarily due to the absence of a large locomotive rebuild contract that completed in 2016, and a $49.1 million decrease for Brake products due to lower demand for original equipment brakes from freight and transit customers. Unfavorable foreign exchange decreased sales $5.3 million.

Freight Segment sales decreased by $146.5 million, or 9.5%, primarily due to a $164.5 million decrease for Specialty Products and Electronics sales from lower demand for freight original equipment rail products and train control and signaling products attributable to lower freight car and locomotive builds, a decrease of $79.1 million for Remanufacturing, Overhaul and Build sales due to a large locomotive rebuild contract that was completed in 2016, and a $51.6 million decrease in Brake Products sales from lower demand for original equipment brakes and aftermarket services. Acquisitions increased sales by $148.1 million and favorable foreign exchange increased sales by $1.1 million.

Transit Segment sales increased by $1,097.1 million, or 79.0%, primarily due to an increase in sales from acquisitions of $1,035.1 million with the majority related to the Faiveley Transport acquisition. Additionally, Transit Products sales increased $45.5 million from increased demand in original train doors, air conditioning systems, and other transit electronics, Overhaul & Build sales increased $10.5 million due to an increase in transit overhaul demand, and Specialty Products & Electronics sales increased $8.5 million due to increased demand for transit train control and signaling products and services. Unfavorable foreign exchange decreased sales by $6.4 million.

Cost of Sales and Gross Profit The following table shows the major components of cost of sales for the periods indicated:

	Twelve Months Ended December 31, 2017			
In thousands	**Freight**	**Percentage of Sales**	**Transit**	**Percentage of Sales**
Material	$ 526,727	37.7 %	$ 1,123,571	45.2 %
Labor	186,863	13.4 %	339,110	13.6 %
Overhead	233,786	16.7 %	341,389	13.7 %
Other/Warranty	7,148	0.5 %	57,849	2.3 %
Total cost of sales	$ 954,524	68.3 %	$ 1,861,919	74.8 %

	Twelve Months Ended December 31, 2016					
In thousands	**Freight**	**Percentage of Sales**	**Transit**	**Percentage of Sales**	**Total**	**Percentage of Sales**
Material	$ 590,876	38.3%	$ 587,516	42.3%	$ 1,178,392	40.2%
Labor	176,518	11.4%	170,481	12.3%	346,999	11.8%
Overhead	242,956	15.7%	213,821	15.4%	456,777	15.6%
Other/Warranty	5,575	0.4%	19,206	1.4%	24,781	0.8%
Total cost of sales	$ 1,015,925	65.8%	$ 991,024	71.4%	$ 2,006,949	68.4%

Cost of sales increased by $809.5 million to $2,816.4 million in 2017 compared to $2,006.9 million in the same period of 2016. For the twelve months ended 2017, cost of sales as a percentage of sales was 72.5% compared to 68.4% in the same period of 2016. The increase as a percentage of sales is due to product mix largely attributable to higher transit segment sales due to acquisitions, along with an unfavorable product mix within the freight segment. Also contributing to the increase were higher project adjustments of $44.5 million recorded on certain existing contracts and $11.8 million of restructuring and integration costs related to recent acquisitions.

Freight Segment cost of sales increased 2.5% as a percentage of sales to 68.3% in 2017 compared to 65.8% for the same period of 2016. The increase is primarily related to lower demand for freight original equipment rail products and train control and signaling products and services which typically offer a higher margin, higher project adjustments of $6.9 million on certain existing contracts related to labor, material and warranty costs, and $4.5 million of restructuring and integration costs related to recent acquisitions.

Transit Segment cost of sales increased 3.4% as a percentage of sales to 74.8% in 2017 compared to 71.4% for the same period in 2016. The increase is primarily related to product mix largely attributable to the acquisition of Faiveley Transport, which has lower overall margins and higher project adjustments of $37.6 million on certain existing contracts primarily related to material and warranty costs and $7.3 million of restructuring and integration costs related to recent acquisitions.

Included in cost of sales is warranty expense. The provision for warranty expense is generally established for specific losses, along with historical estimates of customer claims as a percentage of sales, which can cause variability in warranty expense between quarters. Warranty expense was $50.4 million in 2017 compared to $28.9 million in 2016. The increase in warranty expense is primarily related to the increase in sales and the contract adjustments noted above.

Operating expenses The following table shows our operating expenses:

In thousands	For the year ended December 31, 2017	Percentage of Sales	2016	Percentage of Sales
Selling, general and administrative expenses	$ 512,552	13.2%	$ 373,559	12.7%
Engineering expenses	95,166	2.5%	71,375	2.4%
Amortization expense	36,516	0.9%	22,698	0.8%
Total operating expenses	$ 644,234	16.6%	$ 467,632	15.9%

Total operating expenses were 16.6% and 15.9% of sales for 2017 and 2016, respectively. Selling, general, and administrative expenses increased $139.0 million, or 37.2%, primarily due to $174.7 million in incremental expense from acquisitions partially offset by lower costs due to cost saving initiatives and lower organic sales volumes. Engineering expense increased $23.8 million or 33.3% primarily due to additional expenses from acquisitions and remained a relatively consistent as a percentage of sales. Amortization expense increased $13.8 million due to amortization of intangibles associated with new acquisitions.

The following table shows our segment operating expenses:

In thousands	For the year ended December 31, 2017	2016	Percent Change
Freight Segment	$ 177,787	$ 183,595	(3.2)%
Transit Segment	435,031	226,497	92.1%
Corporate	31,416	57,540	(45.4)%
Total operating expenses	$ 644,234	$ 467,632	37.8%

Freight Segment operating expenses decreased $5.8 million, or 3.2%, in 2017 and increased 80 basis points to 12.7% of sales. The decrease is primarily attributable to reduced sales volumes and realized benefits associated with the cost saving initiatives undertaken in 2017 partially offset by $19.7 million of incremental operating expenses from acquisitions and $3.2 million related to integration and restructuring costs.

Transit Segment operating expenses increased $208.5 million, or 92.1%, in 2017 and increased 120 basis points to 17.5% of sales. The increase is primarily related to $191 million of incremental operating expenses related to acquisitions and $20 million related to integration and restructuring costs related to recent acquisitions.

Corporate non-allocated operating expenses decreased $26.1 million in 2017 primarily due to a decrease in Faiveley Transport transaction and integration costs as well as benefits from cost savings initiatives undertaken in 2017 and 2016.

Interest expense, net Overall interest expense, net, increased $27.6 million in 2017 due to a higher overall debt balance in 2017 compared to 2016, primarily related to the Faiveley Transport acquisition and higher interest rates.

Other (expense) income, net Other income, net, increased $2.3 million to $8.9 million for 2017, compared to 2016 primarily due to an increase in equity income earned on unconsolidated subsidiaries.

Income taxes The effective income tax rate was 25.5% and 24.1% in 2017 and 2016, respectively. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “U.S. tax reform bill”). On December 23, 2017, the French government enacted the Finance Act for 2018 and it was published in the Official Bulletin on December 31, 2017. As a result, tax expense increased by $55.0 million related to the U.S. tax reform bill, see Note 10 of “Notes to Consolidated Financial Statements” included in Part IV, Item 8 of this report for further explanation. This was offset by decreases of $50.7 million primarily due to the revaluation of the net U.S. and French deferred tax liabilities as a result of the tax law enactments and the result of a lower earnings mix in higher tax rate jurisdictions. The net favorable deferred tax benefits related to the adjustment of deferred tax liabilities which had originally been established in prior periods.

2016 COMPARED TO 2015

The following table summarizes the results of operations for the period:

In thousands	For the year ended December 31, 2016	2015	Percent Change
Freight Segment	$ 1,543,098	$ 2,054,715	(24.9)%
Transit Segment	1,388,090	1,253,283	10.8%
Net sales	2,931,188	3,307,998	(11.4)%
Income from operations	456,607	608,854	(25.0)%
Net income attributable to Wabtec shareholders	$ 304,887	$ 398,628	(23.5)%

The following table shows the major components of the change in sales in 2016 from 2015:

In thousands	Freight Segment	Transit Segment	Total
2015 Net Sales	$ 2,054,715	$ 1,253,283	$ 3,307,998
Acquisition	55,097	134,095	189,192
Change in Sales by Product Line:			
Specialty Products & Electronics	(438,285)	35,611	(402,674)
Remanufacturing, Overhaul & Build	(33,700)	22,743	(10,957)
Brake Products	(50,665)	(4,442)	(55,107)
Transit Products	—	656	656
Other	(26,908)	57	(26,851)
Foreign exchange	(17,156)	(53,913)	(71,069)
2016 Net Sales	$ 1,543,098	$ 1,388,090	$ 2,931,188

Net sales decreased by $376.8 million to $2,931.2 million in 2016 from $3,308.0 million in 2015. The decrease is primarily due to lower sales for Specialty Products and Electronics of $402.7 million and lower Brake Products sales of $55.1 million due to decreased demand for freight products attributable to lower freight car and locomotive builds, and train control and signaling products and services, and lower Other Products sales of $26.9 million from decreased demand for freight spare part kits. Acquisitions increased sales $189.2 million and unfavorable foreign exchange decreased sales $71.1 million.

Freight Segment sales decreased by $511.6 million, or 24.9%, primarily due to a $438.3 million decrease for Specialty Products and Electronics sales from lower demand for freight original equipment rail products and train control and signaling products attributable to lower freight car and locomotive builds, a decrease of $50.7 million for Brake Products sales from lower demand for original equipment brakes and aftermarket services, a decrease of $33.7 million for Remanufacturing, Overhaul and Build sales due to a large locomotive rebuild contract that completed in 2016, and a decrease of $26.9 million for Other Product sales from decreased demand for freight spare part kits. Acquisitions increased sales by $55.1 million and unfavorable foreign exchange decreased sales by $17.2 million.

Transit Segment sales increased by $134.8 million, or 10.8%, primarily due to a $35.6 million increase for Specialty Products and Electronics from higher demand for original equipment conduction systems and current collectors, and an increase of $22.7 million for Remanufacturing, Overhaul and Build sales from higher demand for aftermarket locomotive builds. Acquisitions increased sales by $134.1 million and unfavorable foreign exchange decreased sales by $53.9 million.

Cost of Sales and Gross Profit The following table shows the major components of cost of sales for the periods indicated:

	Twelve Months Ended December 31, 2016			
In thousands	Freight	Percentage of Sales	Transit	Percentage of Sales
Material	$ 590,876	38.3 %	$ 587,516	42.3 %
Labor	176,518	11.4 %	170,481	12.3 %
Overhead	242,956	15.7 %	213,821	15.4 %
Other/Warranty	5,575	0.4 %	19,206	1.4 %
Total cost of sales	$ 1,015,925	65.8 %	$ 991,024	71.4 %

	Twelve Months Ended December 31, 2015					
In thousands	Freight	Percentage of Sales	Transit	Percentage of Sales	Total	Percentage of Sales
Material	$ 854,728	41.6%	$ 531,152	42.4%	$ 1,385,880	41.9%
Labor	219,495	10.7%	156,357	12.5%	375,852	11.4%
Overhead	282,132	13.7%	182,501	14.6%	464,633	14.0%
Other/Warranty	5,926	0.3%	27,891	2.2%	33,817	1.0%
Total cost of sales	$ 1,362,281	66.3%	$ 897,901	71.7%	$ 2,260,182	68.3%

Cost of sales decreased by $253.2 million to $2,006.9 million in 2016 compared to $2,260.2 million in the same period of 2015. For the twelve months ended 2016, cost of sales as a percentage of sales was 68.4% compared to 68.3% in the same period of 2015.

Freight Segment cost of sales decreased 0.5% as a percentage of sales to 65.8% in 2016 compared to 66.3% for the same period of 2015. The decrease as a percentage of sales is primarily related to sales with lower material content, lower overall material costs due to ongoing sourcing efforts, and decreases in various commodity prices partially offset by an increase in overhead costs as a percentage of sales which is primarily due to certain fixed overhead costs.

Transit Segment cost of sales decreased 0.3% as a percentage of sales to 71.4% in 2016 compared to 71.7% for the same period in 2015. The decrease is primarily due to better margin performance from prior year acquisitions and ongoing sourcing savings. These benefits were partially offset by $13.8 million of costs related to adjustments on certain long-term contracts.

Included in cost of sales is warranty expense. The provision for warranty expense is generally established for specific losses, along with historical estimates of customer claims as a percentage of sales, which can cause variability in warranty expense between quarters. Warranty expense was $28.9 million in 2016 compared to $35.4 million in 2015.

Operating expenses The following table shows our operating expenses:

	For the year ended December 31,			
In thousands	2016	Percentage of Sales	2015	Percentage of Sales
Selling, general and administrative expenses	$ 373,559	12.7%	$ 346,086	10.5%
Engineering expenses	71,375	2.4%	71,213	2.2%
Amortization expense	22,698	0.8%	21,663	0.7%
Total operating expenses	$ 467,632	15.9%	$ 438,962	13.4%

Total operating expenses were 15.9% and 13.4% of sales for 2016 and 2015, respectively. Selling, general, and administrative expenses increased $27.5 million, or 7.9%, primarily due to $38.9 million of costs related to the Faiveley acquisition and $5.4 million in costs related to restructuring activity. These costs were partially offset by lower incentive and non-cash compensation expense and the effects of foreign exchange. Engineering expense was consistent with the prior year. Amortization expense increased $1.0 million due to amortization of intangibles associated with acquisitions.

The following table shows our segment operating expenses:

In thousands	For the year ended December 31, 2016	2015	Percent Change
Freight Segment	$ 183,595	$ 208,129	(11.8)%
Transit Segment	226,497	204,772	10.6%
Corporate	57,540	26,061	120.8%
Total operating expenses	$ 467,632	$ 438,962	6.5%

Freight Segment operating expenses decreased $24.5 million, or 11.8%, in 2016 and increased 180 basis points to 11.9% of sales. The decrease is primarily attributable to reduced sales volumes and realized benefits associated with the cost saving initiatives undertaken in 2016 partially offset by $8.8 million of incremental operating expenses from acquisitions.

Transit Segment operating expenses increased $21.7 million, or 10.6%, in 2016 and remained a consistent 16.3% of sales. The increase is primarily related to $26.2 million of incremental operating expenses related to acquisitions and $7.1 million related to the Faiveley Transport transaction. This increase is partially offset by lower operating expenses due to foreign exchange.

Corporate non-allocated operating expenses increased $31.5 million in 2016 primarily due to $31.8 million of costs related to the Faiveley acquisition partially offset by realized benefits from cost saving initiatives in 2016.

Interest expense, net Overall interest expense, net, increased $23.0 million in 2016 due to a higher overall debt balance in 2016 compared to 2015, primarily related to the Faiveley Transport acquisition and $14.9 million of debt refinancing costs. Refer to Note 8 of “Notes to Condensed Consolidated Financial Statements” included in Part IV, Item 15 of this report for additional information on debt.

Other (expense) income, net Other income, net, increased $2.8 million to $6.5 million for 2016, compared to 2015 primarily due to foreign exchange adjustments.

Income taxes The effective income tax rate was 24.1% and 31.9% in 2016 and 2015, respectively. The decrease in the effective rate is primarily the result of an enacted tax rate change which reduces the corporate income tax rate in France and a higher earnings mix in lower tax rate jurisdictions, partially offset by 2016 transaction charges related to the acquisition of Faiveley Transport that are not deductible.

Liquidity and Capital Resources

Liquidity is provided by operating cash flow and borrowings under the Company’s unsecured credit facility with a consortium of commercial banks. The following is a summary of selected cash flow information and other relevant data:

In thousands	For the year ended December 31, 2017	2016	2015
Cash provided by (used for):			
Operating activities	$ 188,811	$ 450,530	$ 450,844
Investing activities	(1,033,474)	(232,966)	(177,194)
Financing activities:			
Proceeds from debt	1,216,740	1,875,000	787,400
Payments of debt	(1,269,537)	(1,102,748)	(612,680)
Stock repurchases	—	(212,176)	(387,787)
Cash dividends	(42,218)	(32,430)	(26,963)
Other	(2,416)	(4,675)	(11,468)

Operating activities. Cash provided by operations in 2017 was $188.8 million compared with $450.5 million in 2016. In comparison to 2016, cash provided by operations decreased due to unfavorable working capital performance and lower net income of $51.1 million. The major components of working capital were as follows: an unfavorable change of $88.4 million in accounts receivable primarily due to higher sales, an unfavorable change in accounts payable of $72.8 million due to the timing of payments to suppliers, an unfavorable change of $25.4 million in other assets and liabilities primarily due to an unfavorable change in accrued liabilities due to payments related to contract liabilities, accrued expenses, and acquisition costs in 2017, and an unfavorable change in inventory of $54.3 million due to efforts to ramp up production in anticipation of stronger product demand in 2018.

Cash provided by operations in 2016 was $450.5 million compared with $450.8 million in 2015. In comparison to 2015, cash provided by operations in 2016 changed due to favorable working capital requirements partially offset by lower operating results. The favorable working capital requirements primarily related to a $57.7 million favorable change in accounts payable principally due to the timing of payments, $25.2 million favorable change in inventory driven by successful efforts to control the amount of inventory on hand. These favorable changes in working capital were partially offset by an unfavorable change in accrued income taxes of $33.5 million driven by lower income taxes owed at the end of 2016 given the decrease in pretax income.

Investing activities. In 2017, 2016 and 2015, cash used in investing activities was $1,033.5 million, $233.0 million and $177.2 million, respectively. The major components of the cash outflow in 2017 were planned additions to property, plant, and equipment of $89.5 million for continued investments in our facilities and manufacturing processes and $945.3 million in net cash paid for acquisitions, primarily related to the acquisition of Faiveley Transport. This compares to $50.2 million for property, plant, and equipment and $183.1 million in net cash paid for acquisitions in 2016. In 2015, $49.4 million of cash was used to purchase property, plant, and equipment and net cash paid for acquisitions was $129.6 million. Refer to Note 3 of “Notes to Condensed Consolidated Financial Statements” included in Part IV, Item 15 of this report for additional information on acquisitions.

Financing activities. In 2017, cash used for financing activities was $97.4 million, which included $1,216.7 million in proceeds from the revolving credit facility, $1,269.5 million in repayments of debt, and $42.2 million of dividend payments. In 2016, cash provided by financing activities was $523.0 million, which included $1,125.0 million in proceeds from the revolving credit facility debt, $770.0 million of repayments of debt on the revolving credit facility, $332.7 million in repayments of other debt, which was primarily driven by repayments of debt acquired from the purchase of Faiveley Transport, $750.0 million of new borrowings on the 2026 Senior Notes, $32.4 million of dividend payments and $212.2 million of Wabtec stock repurchases.

The following table shows outstanding indebtedness at December 31, 2017 and 2016:

In thousands	December 31, 2017	December 31, 2016
3.45% Senior Notes due 2026, net of unamortized debt issuance costs of $2,345 and $2,526	$ 747,655	$ 747,474
4.375% Senior Notes due 2023, net of unamortized discount and debt issuance costs of $1,433 and $1,690	248,567	248,310
Revolving Credit Facility and Term Loan, net of unamortized debt issuance costs of $2,451 and $3,850	853,124	796,150
Schuldschein Loan	11,998	98,671
Other Borrowings	6,860	1,153
Capital Leases	2,324	1,018
Total	1,870,528	1,892,776
Less - current portion	47,225	129,809
Long-term portion	$ 1,823,303	$ 1,762,967

Wabtec's acquisition of the controlling stake of Faiveley Transport triggered the early repayment of a syndicated loan and the mandatory offer to investors to repay the US and Schuldschein private placements. Both the syndicated loan and US private placements were repaid in full in December 2016.

3.45% Senior Notes Due 2026

In October 2016, the Company issued $750.0 million of Senior Notes due 2026 (the "2016 Notes"). The 2016 Notes were issued at 99.965% of face value. Interest on the 2016 Notes accrues at a rate of 3.45% per annum and is payable semi-annually on May 15 and November 15 of each year. The proceeds were used to finance the cash portion of the Faiveley Transport acquisition, refinance Faiveley Transport's indebtedness, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.7 million of deferred financing costs related to the issuance of the 2016 Notes.

The 2016 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2016 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2016 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

4.375% Senior Notes Due 2023

In August 2013, the Company issued $250.0 million of Senior Notes due 2023 (the "2013 Notes"). The 2013 Notes were issued at 99.879% of face value. Interest on the 2013 Notes accrues at a rate of 4.375% per annum and is payable semi-annually on February 15 and August 15 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.6 million of deferred financing costs related to the issuance of the 2013 Notes.

The 2013 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2013 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2013 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

2018 Refinancing Credit Agreement

On June 8, 2018, the Company entered into a credit agreement (the "2018 Refinancing Credit Agreement"), which replaced the Company's then-existing "2016 Refinancing Credit Agreement." As part of the 2018 Refinancing Credit Agreement, the Company entered into (i) a $1.2 billion revolving credit facility (the "Revolving Credit Facility"), which replaced the Company's revolving credit facility under the 2016 Refinancing Credit Agreement, and includes a letter of credit sub-facility of up to $450.0 million and a swing line sub-facility of $75.0 million, (ii) a $350.0 million term loan (the "Refinancing Term Loan"), which refinanced the term loan under the 2016 Refinancing Credit Agreement, and (iii) a new $400.0 million delayed draw term loan (the "Delayed Draw Term Loan"). The 2018 Refinancing Credit Agreement also provides for a bridge loan facility (the "Bridge Loan Facility") in an amount not to exceed $2.5 billion, such facility to become effective at the Company's request. Commitments in respect of the Bridge Loan Facility will be reduced by any alternative financing (including any other loans or any long-term notes) that the Company arranges prior to the Direct Sale, subject to customary exceptions. In addition, the 2018 Refinancing Credit Agreement contains an uncommitted accordion feature allowing the Company to request, in an aggregate amount not to exceed $600.0 million, increases to the borrowing commitments under the Revolving Credit Facility or a new incremental term loan commitment.

The Revolving Credit Facility matures on June 8, 2023 and is unsecured. The Refinancing Term Loan matures on June 8, 2021 and is unsecured. The Delayed Draw Term Loan matures on the third anniversary of the date on which it is borrowed and is unsecured. The Bridge Loan Facility, if used, will mature on the date set forth in the definitive documentation for the Bridge Loan Facility and is unsecured. The applicable interest rate for borrowings under the 2018 Refinancing Credit Agreement includes interest rate spreads based on the lower of the pricing corresponding to (i) the Company's ratio of total debt (less unrestricted cash up to $300.0 million) to EBITDA ("Leverage Ratio") or (ii) the Company's public rating, in each case that range between 1.000% and 1.875% for LIBOR/CDOR-based borrowings and 0.000% and 0.875% for Alternate Base Rate based borrowings. The obligations of the Company under the 2018 Refinancing Credit Agreement have been guaranteed by certain of the Company's subsidiaries.

The 2018 Refinancing Credit Agreement contains customary representations and warranties by the Company and its subsidiaries, including customary use of materiality, material adverse effect, and knowledge qualifiers. The Company and its subsidiaries are also subject to (i) customary affirmative covenants that impose certain reporting obligations on the Company and its subsidiaries and (ii) customary negative covenants, including limitations on: indebtedness; liens; restricted payments; fundamental changes; business activities; transactions with affiliates; restrictive agreements; changes in fiscal year; and use of proceeds. In addition, the Company is required to maintain (i) an Interest Coverage ratio at least 3.00 to 1.00 over each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter and (ii) a Leverage Ratio, calculated as of the last day of a fiscal quarter for a period of four consecutive fiscal quarters, of 3.25 to 1.00 or less; provided that, in the event the Company completes the Direct Sale and the Merger or any other material acquisition in which the cash consideration paid exceeds $500.0 million, the maximum Leverage Ratio permitted will be (x) 3.75 to 1.00 at the end of the fiscal quarter in which such acquisition is consummated and each of the three fiscal quarters immediately following such fiscal quarter and (y) 3.50 to 1.00 at the end of each of the fourth and fifth full fiscal quarters after the consummation of such acquisition. The Company is in compliance with the restrictions and covenants of the 2018 Refinancing Credit Agreement and does not expect that these measurements will limit the Company in executing its operating activities.

2016 Refinancing Credit Agreement

On June 22, 2016, the Company amended its existing revolving credit facility with a consortium of commercial banks. This "2016 Refinancing Credit Agreement" provides the Company with a $1.2 billion, 5 year revolving credit facility and a $400.0 million delayed draw term loan (the "Term Loan"). The Company incurred approximately $3.3 million of deferred financing cost related to the 2016 Refinancing Credit Agreement. The facility expires on June 22, 2021. The 2016 Refinancing Credit Agreement borrowings bear variable interest rates indexed as described below. At December 31, 2017, the Company had available bank borrowing capacity, net of $35.4 million of letters of credit, of approximately $679.0 million, subject to certain financial covenant restrictions.

The Term Loan was drawn on November 25, 2016. The Company incurred a 10 basis point commitment fee from June 22, 2016 until the initial draw on November 25, 2016.

Under the 2016 Refinancing Credit Agreement, the Company may elect a Base Rate of interest for U.S. Dollar denominated loans or, for certain currencies, an interest rate based on the London Interbank Offered Rate ("LIBOR") of interest, or other rates appropriate for such currencies (in any case, "the Alternate Rate"). The Base Rate adjusts on a daily basis and is the greater of the Federal Funds Effective Rate plus 0.50% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points, plus a margin that ranges from 0 to 75 basis points. The Alternate Rate is based on the quoted rates specific to the applicable currency, plus a margin that ranges from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins are dependent on the Company's consolidated total indebtedness to EBITDA ratios. The initial Base Rate margin is 0 basis points and the Alternate Rate margin is 175 basis points.

At December 31, 2016, the weighted average interest rate on the Company’s variable rate debt was 2.92%. On January 12, 2012, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement is July 31, 2013, and the termination date was November 7, 2016. The impact of the interest rate swap agreement converted a portion of the Company’s outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value was fixed at 1.415% plus the Alternate Rate margin. On June 5, 2014, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement is November 7, 2016, and the termination date is December 19, 2018. The impact of the interest rate swap agreement converts a portion of the Company’s outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value will be fixed at 2.56% plus the Alternate Rate margin. As for these agreements, the Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions with excellent credit ratings and history of performance. The Company currently believes the risk of nonperformance is negligible.

The 2016 Refinancing Credit Agreement limits the Company’s ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2016 Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations, sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; and imposes a minimum interest expense coverage ratio of 3.0 and a maximum debt to EBITDA ratio of 3.25. The Company is in compliance with the restrictions and covenants of the 2016 Refinancing Credit Agreement and does not expect that these measurements will limit the Company in executing our operating activities.

Schuldschein Loan, Due 2016

In conjunction with the acquisition of Faiveley Transport, Wabtec acquired $137.2 million of a Schuldshein private placement loan which was originally issued by Faiveley Transport on March 5, 2014 in Germany, in which approximately 20 international investors participated. This loan is denominated in euros. Subsequent to the acquisition of Faiveley Transport, the Company repaid $125.3 million of the outstanding Schuldschein loan. The remaining balance of $12.0 million as of December 31, 2017 matures on March 5, 2024 and bears a fixed rate of 4.00%.

Contractual Obligations and Off-Balance Sheet Arrangements

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements and has certain contingent commitments such as debt guarantees. The Company has grouped these contractual obligations and off-balance sheet arrangements into operating activities, financing activities, and investing activities in the same manner as they are classified in the Statement of Consolidated Cash Flows to provide a better understanding of the nature of the obligations and arrangements and to provide a basis for comparison to historical information. The table below provides a summary of contractual obligations and off-balance sheet arrangements as of December 31, 2017:

In thousands	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Operating activities:					
Purchase obligations (1)	$ 148,598	$ 22,871	$ 64,661	$ 17,850	$ 43,216
Operating leases (2)	187,406	31,647	53,024	36,694	66,041
Pension benefit payments (3)	174,551	15,651	32,185	34,622	92,093
Postretirement benefit payments (4)	11,371	1,254	2,455	2,354	5,308
Financing activities:					
Interest payments (5)	365,772	62,573	104,500	89,582	109,117
Long-term debt (6)	1,870,528	47,225	331,460	483,587	1,008,256
Dividends to shareholders (7)	46,096	46,096	—	—	—
Other:					
Standby letters of credit (8)	36,803	12,704	4,314	16,690	3,095
Total	$ 2,841,125	$ 240,021	$ 592,599	$ 681,379	$ 1,327,126

(1) Purchase obligations represent non-cancelable contractual obligations at December 31, 2017. In addition, the Company had $368.3 million of open purchase orders for which the related goods or services had not been received. Although open purchase orders are considered enforceable and legally binding, their terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.
(2) Future minimum payments for operating leases are disclosed by year in Note 14 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
(3) Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Pension benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets and rate of compensation increases. The Company expects to contribute about $7.3 million to pension plan investments in 2018. See further disclosure in Note 9 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
(4) Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Postretirement payments are based on actuarial estimates using current assumptions for discount rates and health care costs. See further disclosure in Note 9 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
(5) Interest payments are payable May and November of each year at 3.45% of $750 million Senior Notes due in 2026. Interest payments are payable February and August of each year at 4.375% of $250 million Senior Notes due in 2023. Interest payments for the Revolving Credit Facility and Capital Leases are based on contractual terms and the Company’s current interest rates.
(6) Scheduled principal repayments of outstanding loan balances are disclosed in Note 8 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
(7) Shareholder dividends are subject to approval by the Company’s Board of Directors, currently at an annual rate of approximately $46.1 million.
(8) The $36.8 million of standby letters of credit is comprised of $35.3 million in outstanding letters of credit for performance and bid bond purposes and $1.5 million in interest, which expire in various dates through 2050. Amounts include interest payments based on contractual terms and the Company’s current interest rate.

The above table does not reflect uncertain tax positions of $6.9 million, the timing of which are uncertain except for $5.2 million that may become payable during 2017. Refer to Note 10 of the “Notes to Consolidated Financial Statements” for additional information on uncertain tax positions.

Obligations for operating activities. The Company has entered into $148.6 million of material long-term non-cancelable materials and supply purchase obligations. Operating leases represent multi-year obligations for rental of facilities and equipment. Estimated pension funding and post-retirement benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets, rate of compensation increases and health care cost trend rates. Benefits paid for pension obligations were $16.0 million and $13.3 million in 2017 and 2016, respectively. Benefits paid for post-retirement plans were $1.2 million and $0.9 million in 2017 and in 2016, respectively.

Obligations for financing activities. Cash requirements for financing activities consist primarily of long-term debt repayments, interest payments and dividend payments to shareholders. The Company has historically paid quarterly dividends to shareholders, subject to quarterly approval by our Board of Directors, currently at a rate of approximately $46.1 million annually.

The Company arranges for performance bonds to be issued by third party insurance companies to support certain long term customer contracts. At December 31, 2017, the initial value of performance bonds issued on the Company's behalf is about $461 million.

Forward Looking Statements

We believe that all statements other than statements of historical facts included in this report, including certain statements under "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that our assumptions made in connection with the forward-looking statements are reasonable, we cannot assure that our assumptions and expectations are correct.

These forward-looking statements are subject to various risks, uncertainties and assumptions about us, including, among other things:

Economic and industry conditions

- prolonged unfavorable economic and industry conditions in the markets served by us, including North America, South America, Europe, Australia, Asia, and South Africa;
- decline in demand for freight cars, locomotives, passenger transit cars, buses and related products and services;
- reliance on major original equipment manufacturer customers;
- original equipment manufacturers' program delays;
- demand for services in the freight and passenger rail industry;
- demand for our products and services;
- orders either being delayed, canceled, not returning to historical levels, or reduced or any combination of the foregoing;
- consolidations in the rail industry;
- continued outsourcing by our customers;
- industry demand for faster and more efficient braking equipment;
- fluctuations in interest rates and foreign currency exchange rates; or
- availability of credit;

Operating factors

- supply disruptions;
- technical difficulties;
- changes in operating conditions and costs;
- increases in raw material costs;
- successful introduction of new products;
- performance under material long-term contracts;
- labor relations;
- the outcome of our existing or any future legal proceedings, including litigation involving our principal customers and any litigation with respect to environmental matters, asbestos-related matters, pension liabilities, warranties, product liabilities or intellectual property claims;
- completion and integration of acquisitions, including the acquisition of Faiveley Transport; or
- the development and use of new technology;

Competitive factors

- the actions of competitors; or
- the outcome of negotiations with partners, suppliers, customers or others;

Political/governmental factors

- political stability in relevant areas of the world;
- future regulation/deregulation of our customers and/or the rail industry;
- levels of governmental funding on transit projects, including for some of our customers;
- political developments and laws and regulations, including those related to Positive Train Control; or
- federal and state income tax legislation; and
- the outcome of negotiations with governments.

Statements in this 10-K apply only as of the date on which such statements are made, and we undertake no obligation to update any statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Critical Accounting Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires Management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include the accounting for allowance for doubtful accounts, inventories, the testing of goodwill and other intangibles for impairment, warranty reserves, pensions and other postretirement benefits, stock based compensation and tax matters. Management uses historical experience and all available information to make these judgments and estimates, and actual results will inevitably differ from those estimates and assumptions that are used to prepare the Company's financial statements at any given time. Despite these inherent limitations, Management believes that Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the financial statements and related footnotes provide a meaningful and fair perspective of the Company. A discussion of the judgments and uncertainties associated with accounting for derivatives and environmental matters can be found in Notes 2 and 17, respectively, in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

A summary of the Company's significant accounting policies is included in Note 2 in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report and is incorporated by reference herein. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

Accounts Receivable and Allowance for Doubtful Accounts:

Description The Company provides an allowance for doubtful accounts to cover anticipated losses on uncollectible accounts receivable.

Judgments and Uncertainties The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.

Effect if Actual Results Differ From Assumptions If our estimates regarding the collectability of troubled accounts, and/or our actual losses within our receivable portfolio exceed our historical experience, we may be exposed to the expense of increasing our allowance for doubtful accounts.

Inventories:

Description Inventories are stated at the lower of cost or market and are reviewed to ensure that an adequate provision is recognized for excess, slow moving and obsolete inventories.

Judgments and Uncertainties Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead. The Company compares inventory components to prior year sales history and current backlog and anticipated future requirements. To the extent that inventory parts exceed estimated usage and demand, a reserve is recognized to reduce the carrying value of inventory. Also, specific reserves are established for known inventory obsolescence.

Effect if Actual Results Differ From Assumptions If the market value of our products were to decrease due to changing market conditions, the Company could be at risk of incurring write-downs to adjust inventory value to a market value lower than stated cost. If our estimates regarding sales and backlog requirements are inaccurate, we may be exposed to the expense of increasing our reserves for slow moving and obsolete inventory.

Goodwill and Indefinite-Lived Intangibles:

Description Goodwill and indefinite-lived intangibles are required to be tested for impairment at least annually. The Company performs its annual impairment test during the fourth quarter and more frequently when indicators of impairment are present. The Company reviews goodwill for impairment at the reporting unit level. The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill).

Judgments and Uncertainties A number of significant assumptions and estimates are involved in the application of the impairment test, including the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Wabtec specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such amount.

Effect if Actual Results Differ From Assumptions Management considers historical experience and all available information at the time the fair values of its reporting units are estimated. However, actual amounts realized may differ from those used to evaluate the impairment of goodwill. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to impairment losses that could be material to our results of operations. For example, based on the quantitative analysis performed as of October 1, 2017, a decline in the terminal growth rate by 50 basis points would decrease fair market value by $334 million, or an increase in the weighted-average cost of capital by 100 basis points would result in a decrease in fair market value by $984 million. Even with such changes the fair value of the reporting units would be greater than their net book values, necessitating no Step 2 calculations. See Note 2 in the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report for additional discussion regarding impairment testing.

Warranty Reserves:

Description The Company provides warranty reserves to cover expected costs from repairing or replacing products with durability, quality or workmanship issues occurring during established warranty periods.

Judgments and Uncertainties In general, reserves are provided for as a percentage of sales, based on historical experience. In addition, specific reserves are established for known warranty issues and their estimable losses.

Effect if Actual Results Differ From Assumptions If actual results are not consistent with the assumptions and judgments used to calculate our warranty liability, the Company may be at risk of realizing material gains or losses.

Accounting for Pensions and Postretirement Benefits:

Description The Company provides pension and postretirement benefits for its employees. These amounts are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality).

Judgments and Uncertainties Significant judgments and estimates are used in determining the liabilities and expenses for pensions and other postretirement benefits. The rate used to discount future estimated liabilities is determined considering the rates available at year-end on debt instruments that could be used to settle the obligations of the plan. The long-term rate of return is estimated by considering historical returns and expected returns on current and projected asset allocations and is generally applied to a five-year average market value of assets. The differences between actual and expected asset returns are recognized in expense using the normal amortization of gains and losses per ASC 715.

Effect if Actual Results Differ From Assumptions If assumptions used in determining the pension and other postretirement benefits change significantly, these costs can fluctuate materially from period to period. The key assumptions in determining the pension and other postretirement expense and obligation include the discount rate, expected return on assets and health care cost trend rate. For example, a 1% decrease or increase in the discount rate used in determining the pension and postretirement expense would increase expense $1.2 million or decrease expense $1.8 million, respectively. A 1% decrease or increase in the discount rate used in determining the pension and postretirement obligation would increase the obligation $53.1 million or decrease the obligation $67.2 million, respectively. A 1% decrease or increase in the expected return on assets used in determining the pension expense would increase or decrease expense $3.0 million. If the actual asset values at December 31, 2017 had been 1% lower, the amortization of losses in the following year would decrease $0.2 million. A 1% decrease or increase in the health care cost trend rate used in determining the postretirement expense would increase or decrease the expense less than $0.1 million. A 1% decrease or increase in the health care cost trend rate used in determining the postretirement obligation would increase or decrease the obligation $0.3 million.

Stock-based Compensation:

Description The Company has issued incentive stock units to eligible employees that vest upon attainment of certain cumulative three-year performance goals. The program is structured as a rolling three-year plan; each year starts a new three-year performance cycle with the most recently completed cycle being 2015-2017. No incentive stock units will vest for performance below the three-year cumulative threshold. The Company utilizes an economic profit measure for this performance goal. Economic profit is a measure of the extent to which the Company produces financial results in excess of its cost of capital. Based on the Company's achievement of the threshold and three-year cumulative performance, the stock units vested can range from 0% to 200% of the shares granted.

Judgments and Uncertainties Significant judgments and estimates are used in determining the estimated three-year performance, which is then used to estimate the total shares expected to vest over the three year vesting cycle and corresponding expense based on the grant date fair value of the award. When determining the estimated three-year performance, the Company utilizes a combination of historical actual results, budgeted results and forecasts. In the initial grant year of a performance cycle, the Company estimates the three-year performance at 100%. As actual performance results for a cycle begin to accumulate and the Company completes its budgeting and forecasting cycles the performance estimates are updated. These judgments and estimates are reviewed and updated on a quarterly basis.

Effect if Actual Results Differ From Assumptions If assumptions used in determining the estimated three-year performance change significantly, stock-based compensation expense related to the unvested incentive stock awards can fluctuate materially from period to period. For example, a 10% decrease or increase in the estimated vesting percentage for incentive stock awards would decrease or increase stock-based compensation expense by approximately $0.7 million and $0.7 million, respectively.

Income Taxes:

Description Wabtec records an estimated liability or benefit for income and other taxes based on what it determines will likely be paid in various tax jurisdictions in which it operates in accordance with ASC 740-10 Accounting for Income Taxes and Accounting for Uncertainty in Income Taxes.

Judgments and Uncertainties The estimate of our tax obligations are uncertain because Management must use judgment to estimate the exposures associated with our various filing positions, as well as realization of our deferred tax assets. ASC 740-10 establishes a recognition and measurement threshold to determine the amount of tax benefit that should be recognized related to uncertain tax positions.

Effect if Actual Results Differ From Assumptions Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters including the resolution of the tax audits in the various affected tax jurisdictions and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the recorded amount. A deferred tax valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Revenue Recognition:

Description Revenue is recognized in accordance with ASC 605 "Revenue Recognition." The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other input-based or output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined. Certain pre-production costs relating to long term production and supply contracts have been deferred and will be recognized over the life of the contracts.

Judgments and Uncertainties Revenue is recognized when products have been shipped to the respective customers, title has passed and the price for the product has been determined. Contract accounting involves a judgmental process of estimating the total sales and costs for each contract, which results in the development of estimated profit margin percentages. For each contract with revenue recognized using the percentage of completion method, the amount reported as revenue is determined by calculating cost incurred to date as a percentage of the total expected contract costs to determine the percentage of total contract revenue to be recognized in the current period. Due to the size, duration and nature of many of our contracts, the estimation of total sales and costs through completion is complicated and subject to many variables. Total contract sales estimates are based on negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, and price adjustment clauses (such as inflation or index-based clauses). Total contract cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, business base and other economic projections. Factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. For long-term contracts, revenues and cost estimates are reviewed and revised quarterly at a minimum and adjustments are reflected in the accounting period as such amounts are determined. Pre-production costs are recognized over the expected life of the contract usually based on the Company's progress toward the estimated number of units expected to be delivered under the production or supply contract.

Effect if Actual Results Differ From Assumptions Should market conditions and customer demands dictate changes to our standard shipping terms, the Company may be impacted by longer than typical revenue recognition cycles. The development of expected contract costs and contract profit margin percentages involves procedures and personnel in all areas that provide financial or production information on the status of contracts. Due to the significance of judgment in the estimation process, it is likely that materially different revenue amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or circumstances may adversely or positively affect financial performance in future periods. If the combined profit margin for all contracts recognized on the percentage of completion method during 2017 had been estimated to be higher or lower by 1%, it would have increased or decreased revenue and gross profit for the year by approximately $29.8 million. A few of our contracts are expected to be completed in a loss position. Provisions are made currently for estimated losses on uncompleted contracts. A charge to expense for unrecognized portions of pre-production costs could be realized if the Company's estimate of the number of units to be delivered changes or the underlying contract is cancelled.

Exhibit 99.6

Item 6. SELECTED FINANCIAL DATA

The following table shows selected consolidated financial information of the Company and has been derived from audited financial statements. This financial information should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company and the Notes thereto included elsewhere in this Form 10-K.

	Year Ended December 31,				
In thousands, except per share amounts	**2017**	**2016**	**2015**	**2014**	**2013**
Income Statement Data					
Net sales	$ 3,881,756	$ 2,931,188	$ 3,307,998	$ 3,044,454	$ 2,566,392
Gross profit	1,065,313	924,239	1,047,816	935,982	764,027
Operating expenses	(644,234)	(467,632)	(438,962)	(406,198)	(319,291)
Income from operations	$ 421,079	$ 456,607	$ 608,854	$ 529,784	$ 444,736
Interest expense, net	$ (77,884)	$ (50,298)	$ (27,254)	$ (29,074)	$ (25,247)
Other (expense) income, net	8,868	6,528	3,768	7,145	1,598
Net income attributable to Wabtec shareholders	$ 262,261	$ 304,887	$ 398,628	$ 351,680	$ 292,235
Diluted Earnings per Common Share					
Net income attributable to Wabtec shareholders (1)	$ 2.72	$ 3.34	$ 4.10	$ 3.62	$ 3.01
Cash dividends declared per share (1)	$ 0.44	$ 0.36	$ 0.28	$ 0.20	$ 0.13
Fully diluted shares outstanding (1)	96,125	91,141	97,006	96,885	96,832
Balance Sheet Data					
Total assets	$ 6,579,980	$ 6,581,018	$ 3,229,513	$ 3,303,841	$ 2,821,997
Cash and cash equivalents	233,401	398,484	226,191	425,849	285,760
Total debt	1,870,528	1,892,776	692,238	521,195	450,709
Total equity	2,828,532	2,976,825	1,701,339	1,808,298	1,587,167

(1) Information above for net income attributable to Wabtec shareholders, cash dividends declared per share and fully diluted shares outstanding for all periods presented reflects the two-for-one split of the Company's common stock, which occurred on May 14, 2013.

INFORMATION ON GE TRANSPORTATION

Overview

General Electric Company's transportation business (collectively, "GE Transportation") is a leading global provider of products and solutions to transportation, logistics and other industrial markets. GE Transportation designs, engineers and manufactures diesel-electric locomotives, supplies associated aftermarket parts and services and provides digital solutions.

GE Transportation's culture of innovation and differentiated aftermarket solutions has allowed it to build a leading global installed base of diesel-electric locomotives, significant contracted services backlog and longstanding customer relationships. GE Transportation's products and services, which are globally recognized for their quality, reliability, fuel efficiency and emissions compliance, are important to GE Transportation's customers' operating and financial success and help enable them to operate with reliability and efficiency.

Leveraging GE Transportation's engineering history and heritage in diesel-electric locomotives, GE Transportation has continued to expand its technologies into new products, end markets and logistics applications. For example, GE Transportation uses its core locomotive manufacturing competencies to produce electric motors and premium propulsion systems for mining, marine, stationary power and drilling applications. GE Transportation also has used its engineering and software capabilities to build a digital business that delivers significant benefits across the transportation, logistics and mining landscape.

These attributes combined have fostered strong brand loyalty and generated longstanding customer relationships, which contribute to GE Transportation's leading market positions.

As of December 31, 2017, GE Transportation's North American installed base was more than 16,200 diesel-electric locomotives and kits, comprising the largest portion of GE Transportation's global installed base of more than 22,500 diesel-electric locomotives. As of December 31, 2017, GE Transportation had sales in more than 50 countries and eight primary manufacturing facilities and approximately 8,500 employees worldwide. For the year ended December 31, 2017, GE Transportation generated revenue of $3,930 million and net earnings of $374 million.

For over 110 years, GE Transportation has served the worldwide rail industry, which is a critical component of the global transportation system and the global economy. In North America, railroads carry approximately 28% of total freight, as measured by ton-miles, and over 40% of long distance freight travelling over 750 miles, which is more than any other mode of transportation. Rail is one of the most cost-effective, energy-efficient modes of transport, both domestically and internationally.

GE Transportation's North American customers are principally Class I railroads. GE Transportation's international customers are principally international freight railroads in Latin America, Russia/Commonwealth of Independent States (CIS), Australia, India and Sub-Saharan Africa, who depend on diesel-electric locomotives. GE Transportation's diverse product portfolio is designed to cater to the varying requirements of Class I and international railroads.

GE Transportation's customers' ongoing usage of locomotives and associated wear and tear on the equipment generate opportunities to support railroads with aftermarket parts and services. Railroads place a high value on reliability, fuel efficiency and minimal downtime. As a result, the availability of replacement parts and GE Transportation's maintenance and overhaul services are important value drivers for GE Transportation's customers and generate high-margin recurring revenue opportunities.

GE Transportation's business experienced significant headwinds in 2016 and 2017 due to a downturn in the U.S. freight rail industry. GE Transportation has recently undergone a set of transformation and restructuring initiatives, including expanding GE Transportation's international footprint, optimizing GE Transportation's supply base and utilizing digitization and lean manufacturing to enhance the efficiency and effectiveness of GE Transportation's total supply chain. GE Transportation believes these initiatives have resulted in a more streamlined cost structure and optimized workforce to position GE Transportation for growth in the recovering U.S. freight rail market and in international markets.

As part of GE Transportation's transformation and restructuring initiatives, it reorganized itself into three business segments, Equipment, Services and Digital, based on the different sales drivers and market characteristics of each.

- *Equipment (45% of 2017 total revenue):* GE Transportation is the largest global manufacturer of diesel-electric locomotives used by freight railroads, and produces electric motors and premium propulsion systems for mining, marine, stationary power and drilling applications.
- *Services (48% of 2017 total revenue):* GE Transportation provides aftermarket parts and services to its global installed base, including predictive maintenance, regular maintenance, and unscheduled maintenance and overhaul services for locomotives.
- *Digital (7% of 2017 total revenue):* GE Transportation provides a comprehensive suite of software-enabled solutions designed to improve customer efficiency and productivity in the transportation and mining industries.

GE Transportation's Solutions

Equipment

GE Transportation's Equipment segment is the largest global manufacturer of diesel-electric locomotives for freight railroads. GE Transportation produces mission-critical products and solutions that help railroads reduce operating costs, decrease fuel use, minimize downtime and comply with emissions standards. In addition to locomotives, GE Transportation also produces a range of engines, electric motors and premium propulsion systems used in mining, marine, stationary power and drilling applications.

Locomotives

GE Transportation believes it has the world's most comprehensive, competitive and technically advanced diesel-electric locomotive portfolio with a global installed base of more than 22,500 locomotives in over 50 countries. GE Transportation also has numerous local partnerships in various jurisdictions which further support its product platform.

Customers choose diesel-electric locomotives based on many factors, including fuel efficiency, emissions compliance, reliability, tractive effort, price, total cost of ownership, aftermarket support and digital capabilities. GE Transportation believes customers are also trending towards signing multiyear equipment and service / parts agreements. For example, GE Transportation recently signed an agreement with Kazakhstan's state-run railroad, Kazakhstan Temir Zholy (KTZ), to supply 300 shunter locomotives over the next ten years and agreements with Canadian National Railway (CN) for 200 new locomotives and Kansas City Southern for 50 locomotives.

GE Transportation's current locomotive offerings include 24 different types of locomotives of varying features and capabilities such as axle weight, clearance and gross horsepower. GE Transportation believes the Evolution series, GE Transportation's primary locomotive offering, is the most technologically advanced, diesel-electric, heavy-haul locomotive in the world today. GE Transportation introduced the base Evolution series in 2005 and has since substantively evolved the locomotive to meet EPA Tier 4 emission standards. GE Transportation now has over 870 Tier 4 locomotives in the field with over 100-million miles of experience.

GE Transportation's sales, product management and engineering teams work together with its customers to optimize configurations for their requirements related to performance, reliability, lifecycle costs and other additions (e.g., Digital, signaling, etc.) that they may specifically require for their locomotive. However, GE Transportation strives to standardize its offerings as much as possible. For example, the engine family used in North America for the 33-tonnes/axle application is used in both Kazakhstan for the 23-tonnes/axle application and in South Africa for the 22-tonnes/axle application. Similarly, GE Transportation's new control systems and traction motors have been standardized across a significant portion of GE Transportation's portfolio.

New technologies will continue to evolve the diesel-electric space. GE Transportation continues to invest substantively and selectively in R&D to maintain its differentiation and market position. One key focus of GE Transportation's investments is control systems, which GE Transportation believes enable and support remote monitoring, predictive maintenance and asset optimization as well as connectivity between fleets and operations. Additionally, GE Transportation's investments are generally focused on new engine platforms, fuel efficiency, alternative fuel solutions and hybrid locomotives. Finally, GE Transportation believes GE Transportation's additional investment focus on additive technologies is going to help make GE Transportation's products lighter, more reliable and fuel efficient. GE Transportation believes its focus in these key investment areas will drive positive outcomes for its customers, primarily linked to operating ratio reduction and lifecycle cost savings, among others.

Mining, Marine and Stationary Power

Mining: GE Transportation has leveraged its core competencies in electric drives and propulsion to produce integrated, advanced propulsion systems used in off highway vehicle (OHV) mining applications. These solutions help enable mining customers to increase productivity, reduce maintenance costs and improve performance. GE Transportation's key mining original equipment manufacturer customers include Komatsu, NHL and BelAZ, who serve the world's largest mining end-customers such as Rio Tinto, Anglo American, Vale, BHP and others.

Marine: GE Transportation has adapted its locomotive engines for marine applications to produce fuel-efficient medium-speed diesel engines for fishing vessels, tugboats, ferries and offshore oil and gas support vessels. GE Transportation's marine engines meet the EPA's Tier 4 and IMO's Tier III emission standards without the use of selective catalytic reduction equipment or urea-based after-treatment, reducing key emissions by more than 70% compared to emissions from GET's Tier III locomotives, while maintaining fuel efficiency. These engines are increasingly being accepted in the market.

Stationary Power: GE Transportation provides fuel-efficient medium-speed diesel engines and generator setups (gensets) for continuous and emergency stand-by power applications. Medium-speed diesel generators deliver significantly lower life cycle cost due to reduced fuel consumption, less downtime (e.g., fewer oil changes) and significantly less required maintenance and overhauls compared with high-speed diesel generators. GE Transportation's primary stationary power industrial customers are based in Asia Pacific, Sub-Saharan Africa and the Middle East.

Services

Locomotive fleet performance is critical for all railroads. Operators strive to maximize the value of their assets over their entire lifecycle, which can be as many as four decades. For locomotives to remain competitive, available, reliable, safe and fuel efficient over such a long period, they require regular maintenance as well as technology upgrades. Operators also often need to adjust fleet haulage profiles to reflect changing market conditions (e.g., moving from build materials to containerized intermodal freight). These requirements translate into significant investments by railroads throughout the entire lifecycle of their locomotives.

GE Transportation has been strategically focused on the Services segment for more than two decades, providing an efficient supply of spare parts, repair instructions, on-site technical support by certified employees and predictive maintenance based on GE Transportation's suite of remote monitoring and diagnostics solutions. GE Transportation's installed base comprises approximately 22,500 locomotives globally with an average age of 10 to 15 years, which are distributed across all strategic markets (including North America, Brazil, Australia, Indonesia, South Africa and Kazakhstan). GE Transportation also has a dedicated global service footprint to support its customers' service requirements. Additionally, GE Transportation's vertically integrated locomotive offerings and comprehensive set of services and technology solutions are designed to help maintain the operational efficiency of GE Transportation's customers' fleets, which GE Transportation believes allows it to win business. GE Transportation supports railroads across the globe to help them achieve best in class cost of ownership, availability, reliability and safety for their locomotive fleets.

Approximately 80 % of GE Transportation's Services revenues are generated in North America, in line with the distribution of its installed base, and around 70% of such revenues are generated from multi-year service agreements, reflecting the long-term and stable nature of the partnership with its customers. Locomotive maintenance can be contracted under different models, ranging from fully transactional set-ups to multi-year contracts. GE Transportation's customers typically favor long-term agreements associated with performance guarantees for new locomotives and become more transactional as assets age. For locomotives not covered by multi-year contracts, GE Transportation has implemented a rigorous tracking of potential parts usage, which identifies what customers are buying compared to forecasts. GE Transportation has made servicing of transactional customers an important component of its Services segment.

Since 2014, GE Transportation has focused on the development of locomotive modernization offerings. This mid-life locomotive refresh, typically performed with the second engine overhaul, allows railroads to further maximize the value of their assets over their lifecycle. GE Transportation offers customized solutions that range from controls systems upgrades to complex restorations outfitted with state-of-the-art technologies, which potentially gives locomotives an additional 20 or more years of performance. This refresh ensures GE Transportation's locomotives remain competitive and prioritized for daily duties over competitor products. The solution is customized depending on a railroad's fleet strategies (e.g., better fuel consumption, alternative fleet re-purposing, improved tractive effort, step change in reliability and/or digital upgrade). Locomotive modernization has drawn strong interest from both North American and international customers, and as a result, GE Transportation has secured multi-year programs with a majority of Class I railroads and several major international customers resulting in a backlog of over 750 locomotives. Modernizations completed to date have helped GE Transportation's customers realize a 30% increase in reliability and a 50% increase in haul ability in their locomotives.

Digital

GE Transportation's Digital segment develops and works with its customers to implement a comprehensive set of software-enabled solutions that deliver significant benefits across the transportation and mining landscape.

Across global freight and mining industries, productivity and efficiency gains, and new business opportunities, should come largely from digital innovation. Digital tools are expected to improve efficiency of existing assets, connect disparate processes, optimize key chokepoints and entire systems, and open value across freight and mining. In industries characterized by in-house and boutique solution providers, the breadth and market presence of GE Transportation's Digital solutions have positioned GE Transportation as a key player for digital innovation. GE Transportation's Digital solutions incorporate numerous key next generation technologies, which GE Transportation believes positions itself to remain a leader with its customers and continue to contribute to new business models for growth in freight transportation and mining.

Focus Area	Train Performance	Transport Intelligence	Transport Logistics	Network Optimization	Digital Mine
Key Attributes	· Distributed locomotive power · Train 'cruise control' · Train remote control	· Industrial/mobile Internet of Things (IoT) hardware & software · Edge-to-cloud, on and off-board analytics & rules · Asset performance management	· Rail transportation management · Shipper transportation management · Port visibility and optimization	· Rail network scheduling, dispatch, and optimization · Intermodal terminal management and optimization · Rail yard management and optimization	· Safety systems · Operations performance management (OPM) · Asset performance management (APM)
Key Customer Benefits	· Longer, heavier trains · 90+% reduction in 'break-in-twos' · 7-13% fuel savings, lower emissions · Decrease manpower for yard shunting, mainline	· Asset reliability / decreased maintenance cost · Decreased operating costs · Lower spend for IoT management & analytics	· Freight visibility across entities · Meaningful increase in port efficiency · Improved back-office and day of operation processes · Reduced revenue leakage	· Faster, more efficient rail networks · Reduced dwell / higher throughput	· Collision avoidance · Higher blast yields · Higher asset reliability / decreased maintenance cost

GE Transportation's Digital solutions are utilized by all North American Class I railroads, a substantial majority of North American short line railroads and international freight rail systems on all continents (except Antarctica). Additionally, hundreds of mining clients and freight shippers in industrial applications such as oil & gas and agriculture use GE Transportation's solutions to improve productivity and efficiency, with the potential to serve over 2,300 mining sites globally.

Digital solutions have been sold utilizing GE Transportation's direct sales force and an enterprise license agreement or subscription-based model. Licenses typically include a long-term support contract providing recurring revenue. Post-sales implementation and support has traditionally been done through GE Transportation's own teams. Approximately 34 % of Digital revenues are recurring through Software as a Service (SaaS) or software maintenance contracts. This component of GE Transportation's revenue is increasing as new products are increasingly subscription based. GE Transportation's non-recurring revenue comes from hardware, software, and implementation sales. GE Transportation is building a global partner and alliance program, which saw partner influenced sales in its first full-year (2017). The partner and alliance channel provide geographic scale, domain and local expertise, customer relationships in new markets, and a scalable pool of implementation resources. GE Transportation believes partner and alliance-influenced sales will become an increasingly important component of its growth strategy.

GE Transportation believes its global installed base and domain expertise gives it a significant competitive advantage in its target markets that increasingly look to digital solutions to transform their operations. GE Transportation's competition consists of fragmented and niche players or enterprise software providers without the domain expertise and focus to meet the demands of the freight transportation and mining industries.

GE Transportation's customers choose GE Transportation because it combines industry expertise, leading technologies and analytics, and solutions moving to an integrated suite of connected products. Where others have not delivered, GE Transportation has consistently brought high value products that have become industry standards. GE Transportation's installed base of IoT hardware and software, operational systems, and asset performance management systems and analytics positions GE Transportation to support the growing demand for digital solutions in its target markets.

GE Transportation's Business Transformation

The transportation industry and GE Transportation's business specifically experienced significant headwinds in 2016 and 2017 due to a downturn in the U.S. freight rail industry. GE Transportation believes its recent initiatives, including (i) expanding its international footprint, (ii) optimizing its supply base and (iii) utilizing digitization and lean manufacturing to enhance the efficiency and effectiveness of its total supply chain, have positioned GE Transportation for growth in the recovering U.S. freight rail market and in international markets.

GE Transportation's business has historically generated most of its revenues in North America, with more than 80% of GE Transportation's locomotive deliveries from 2014-2016 going to customers in that region. While North American locomotive deliveries are expected to remain an important driver of GE Transportation's business, in recent years GE Transportation has prioritized portfolio diversification by geography and product. GE Transportation's localization and partnership strategy has contributed to recent large international contracts, such as its $2.5 billion contract for 1,000 locomotives with Indian Railways in 2015. In 2017, GE Transportation delivered 281 locomotives to international customers, over 1.5x its average from 2014-2016.

As part of GE Transportation's international growth, GE Transportation has invested in creating a flexible, truly global footprint that it believes differentiates itself with respect to its competition. Partnerships in India, Kazakhstan, Brazil, South Africa and Korea have enabled GE Transportation to manufacture locomotives in many different regions of the world. For example, GE Transportation now produces up to 100 locomotives a year in its Contagem, Brazil facility for use in Latin America and have recently acquired a 50% stake in local locomotive manufacturer Lokomotiv Kurastyru Zauyty (LKZ) in Kazakhstan to manufacture Evolution series locomotives for customers in Russia/CIS. This globalized approach leverages cost effective manufacturing with an aim to minimize the impact of industry-driven volume changes to GE Transportation's cost structure and capital investment requirements.

Complementing the globalization of GE Transportation's supply chain, GE Transportation now utilizes digitization and lean manufacturing strategies to enhance the efficiency and effectiveness of its global supply chain, as a part of what GE Transportation defines as its "Brilliant Factory" strategy. Through this strategy, GE Transportation seeks to drive improvements across its entire manufacturing process by reducing waste and removing overall inefficiencies (e.g., wait times, rework, downtime and bottlenecks). Brilliant Factory aims to streamline information and product flow to drive continued productivity and reduction to total manufacturing time.

GE Transportation's recent initiatives have reduced its variable cost by restructuring its footprint and workforce, reducing full-time employees and increasing the productivity of its business. Between 2016 and 2017, GE Transportation invested more than $320 million in restructuring. The restructuring projects have been completed as of today. GE Transportation expects these investments in operating efficiency to propel the growth of its business as demand from Class I railroads continues to recover.

GE Transportation's Competitive Strengths

GE Transportation believes the following key strengths have been instrumental to its success and positions it well to protect and continue to grow GE Transportation's business and market share:

Iconic Legacy and Strong Reputation with a History of over 110 Years of Innovation

The rail industry has been in operation for 150 years and GE Transportation has been at the forefront of shaping and transforming the rail landscape through various technologies such as engine technologies, microprocessor-based controls, DC to AC propulsion, the first locomotive to meet the EPA's stringent Tier 4 emission standards, and software-based asset and network optimization. GE Transportation believes that its technical, engineering and manufacturing expertise forms the foundation of its competency in innovation. GE Transportation has produced a succession of world-class locomotives and developed technologies designed to respond to changing customer requirements for innovation and compliance with advancing emission standards. GE Transportation believes its continued dedication to innovation not only enables it to uphold its responsibility to its customers and the wider community, but also positions GE Transportation favorably in its industry as innovation, reliability and integrated service models continue to be priorities for its customers.

Market Leader with Longstanding Customer Partnerships in a Critical Infrastructure Sector

For more than a century, rail has been a cornerstone of the global transportation system, and thus, the economy. Rail remains one of the most cost-effective, energy-efficient modes of transport, both domestically and internationally. As the largest global producer of diesel-electric locomotives, GE Transportation has a significant market share both in North America and globally. GE Transportation has been a trusted provider of mission-critical products to Class I railroads for a number of years. Internationally, GE Transportation has longstanding relationships with railroads in Brazil, South Africa, Australia, Indonesia and Kazakhstan. More recently, GE Transportation's strategy of adapting its business to localization, alliance or joint venture models has resulted in significant international opportunities, including a $2.5 billion transaction in India and a $1 billion framework agreement in Ukraine.

Significant Installed Base and Growing Services Business Drive Visible, Recurring Revenues

With an installed base among the largest in the industry and a unique service model, GE Transportation's Services business drives recurring revenues and strong customer partnerships. GE Transportation's installed base allows it to generate significant recurring revenues and strong customer partnerships by providing maintenance and overhaul services and replacement parts in the aftermarket. GE Transportation also provides aftermarket digital solutions designed to improve train performance, fuel efficiency and reliability, and provide upgrades and modernizations that support GE Transportation's customers throughout the lifecycle of their assets. GE Transportation's comprehensive service offering combines traditional maintenance with digital tools, making GE Transportation a key partner to GE Transportation's customers and helping them optimize their fleet performance and drive efficiency. GE Transportation's Services business is a key differentiator, which supports the sale of new locomotives and the continued growth of its fleet.

Leading Engineering and Solutions Capabilities

GE Transportation designs, develops and manufactures critical components and systems for the rail, mining and marine industries, which include proprietary propulsion systems, engine platforms and controls technology. These innovative and differentiated solutions serve as the building blocks for the rail, mining and marine industries, and help keep GE Transportation's global customers at the forefront of advancing technologies. When coupled with GE Transportation's advanced digital analytic capabilities, GE Transportation's solutions help drive increased locomotive velocity, energy management, performance and reliability.

Leading the Digital Transformation of GE Transportation's Industries

GE Transportation's early investment in data analytics and software has allowed GE Transportation to become a strategic partner for customers looking to derive new value from assets and digitally transform their operations. Through these initiatives, the transportation industry, from mine to port, from shipper to receiver, from port to intermodal terminals to main line locomotives and railcars and across train yards and operation centers, has evolved to include digital solutions. The breadth of GE Transportation's Digital solutions gives customers confidence in GE Transportation's ability to address their current and future needs.

Streamlined Cost Structure and Operational Excellence Provide Operating Leverage and Support GE Transportation's Growth

GE Transportation's current manufacturing footprint is designed to leverage cost effective manufacturing and customer specific build requirements. This design allows GE Transportation the flexibility to drive margin improvement through productivity and customer delivery commitments across multiple product lines and global regions. This footprint has also been optimized through strategic alignment and utilizing global build partners, so as to allow for volume changes driven by industry dynamics, without significant impacts to GE Transportation's overall cost structure and/or additional capital investment requirements. GE Transportation has continuously evolved its supply footprint to now a true global supply base, where it can leverage the use of suppliers to optimize cost and/or lead time, while continuing to deliver to customer specifications.

Geographies

GE Transportation primarily serves the worldwide freight rail industry. In North America, railroads carry about 28% of total freight as measured by ton-miles, and over 40% of long distance freight travelling over 750 miles, which is more than any other mode of transportation. They also carry 40% of intercity freight as measured by ton-miles, more than any other mode of transportation. Through direct ownership and operating partnerships, U.S. railroads are part of an integrated network that includes railroads in Canada and Mexico, forming one of the world's most-efficient and lowest-cost freight rail service. There are more than 500 railroads operating in North America, with the largest seven railroads, referred to as "Class I," accounting for more than 90% of the industry's revenues.

The Asia Pacific market is driven by continued urbanization in China and India. Investments in Australia remain centered around the mining and natural resource markets. Other key geographical markets include Russia/CIS, Africa and Brazil. With almost 28,000 locomotives, Russia/CIS is amongst the largest markets in the world. In addition, this region has a similarly sized shunter fleet which is substantially aged and in need of replacement.

GE Transportation continues to see new locomotive and modernization opportunities in markets such as Ukraine and Moldova, among others, and are well positioned to capture those opportunities. GE Transportation estimates the Brazilian market opportunity is between 50 and 100 locomotives per annum and is focused on the sugar, agriculture, minerals and mining space. African markets continue to grow, with a renaissance in South Africa stemming from new governmental interest to participate in Pan-African transportation growth opportunities. Nigeria has virtually no freight carried via rail, but given the current state of roads and other transportation infrastructure, an opportunity for growth may materialize. Mozambique, Ivory Coast, Ghana and Cameroon markets all present opportunities for growth as such countries modernize infrastructure.

Raw Materials and Suppliers

The cost of raw materials and components represents a substantial majority of the manufacturing costs of most of GE Transportation's equipment product lines. As a result, the management of raw materials and components purchasing is critical to GE Transportation's profitability.

GE Transportation enjoys generally strong relationships with its suppliers, which helps to ensure access to supplies when railcar demand is high.

Customers

GE Transportation's customers include all operators of GE locomotives globally. GE Transportation's customers are mainly standalone railroads or logistics divisions of mining or agriculture companies. They include a mix of privately owned and governmental companies, representing a total of approximately 100 different entities. For the fiscal year ended December 31, 2017, GE Transportation's top ten customers accounted for approximately 83% of GE Transportation's revenues. For the fiscal year ended December 31, 2017, BNSF comprised 17% of GE Transportation revenue. For the fiscal year ended December 31, 2016, BNSF, Union Pacific and CSX comprised 19%, 13% and 13% of GE Transportation revenue, respectively. For the fiscal year ended December 31, 2015, BNSF, Union Pacific and CSX comprised 17%, 12% and 12% of GE Transportation revenue, respectively. GE Transportation provides them with essential parts and maintenance services for their GE locomotives, helping them to successfully operate wherever they are in the world.

GE Transportation structures its services based on its customers specific needs, ranging from purely transactional parts and services supply, to multi-year agreements based on outcome guarantees (parts availability, locomotive availability and reliability).

Competition

GE Transportation believes it holds a leading market share for many of its core product lines globally. GE Transportation's market shares are typically higher in North America and lower in other regions of the world, depending on specific product lines and geographies.

GE Transportation operates in a highly competitive marketplace especially in periods of low market demand resulting in excess manufacturing capacity. Price competition is strong because GE Transportation has a relatively small number of customers and they are very cost-conscious. In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery, and customer service and support.

Employees

As of December 31, 2017, GE Transportation had approximately 8,500 full-time employees, with approximately 30% of the U.S. workforce and 28% of the global workforce unionized.

Regulation

The industries in which GE Transportation operate are subject to extensive regulation by various governmental, regulatory and industry authorities and by federal, state, local and foreign authorities. The primary regulatory and industry authorities involved in the issuance of regulations and standards for the rail industry in the U.S. are the Federal Railroad Administration ("FRA"), the Association of American Railroads ("AAR") and U.S. Department of Transportation ("USDOT"). The FRA administers and enforces U.S. Federal laws and regulations relating to railroad safety. These regulations govern equipment and safety compliance standards for railcars and rail equipment used in interstate commerce. The AAR promulgates a wide variety of standards governing safety and design of equipment, relationships among railroads with respect to railcars in interchange and other matters. The AAR also certifies railcar manufacturers and component manufacturers that provide equipment for use on railroads in the U.S. New products must generally undergo AAR testing and approval processes. Because of these regulations, GE Transportation must maintain certifications with the AAR as a manufacturer of locomotives and components, and products that it sells must meet AAR and FRA standards. GE Transportation must also comply with the rules of the USDOT.

GE Transportation is also subject to oversight in other jurisdictions by foreign regulatory agencies. The governing bodies include Transport Canada in Canada, the International Union of Railways ("UIC") and the European Railway Agencies ("EUAR") in Europe. Also in Europe, the European Committees for Standardization ("CEN" and "CENELEC") continually draft new European standards which cover, for example, the Reliability, Availability, Maintainability and Safety of railways systems. To guarantee interoperability in Europe, the European Union for Railway Agencies is responsible for defining and implementing Technical Standards of Interoperability, which covers areas such as infrastructure, energy, rolling stock, telematic applications, traffic operation and management subsystems, noise pollution and waste generation, protection against fire and smoke, and system safety. Most countries and regions in which GE Transportation does business have similar rule-making bodies. In Russia, a GOST-R certificate of conformity is mandatory for all products related to the safety of individuals on Russian territory. In China, any product or system sold on the Chinese market must have been certified in accordance with national standards. In the local Indian market, most products are covered by regulations patterned after AAR and UIC standards.

Effects of Seasonality

GE Transportation's business is not typically seasonal, although the third quarter results may be affected by vacation and scheduled plant shutdowns at several of its major customers during this period. Quarterly results can also be affected by the timing of projects in backlog and by project delays.

Environmental and Regulatory Matters

GE Transportation is subject to comprehensive federal, state, local and international environmental laws and regulations relating to the release or discharge of materials into the environment, the management, use, processing, handling, storage, transport or disposal of hazardous materials, or otherwise relating to the protection of human health and the environment. These laws and regulations not only exposes GE Transportation to liability for its own negligent acts, but also may expose GE Transportation to liability for the conduct of others or for its actions that complied with all applicable laws at the time these actions were taken. In addition, these laws may require significant expenditures to achieve compliance, and are frequently modified or revised to impose new obligations. Civil and criminal fines and penalties may be imposed for non-compliance with these environmental laws and regulations. GE Transportation's operations that involve hazardous materials also raise potential risks of liability under the common law.

Environmental operating permits are, or may be, required for GE Transportation's operations under environmental laws and regulations. These operating permits are subject to modification, renewal and revocation. GE Transportation regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of GE Transportation's business, as it is with other businesses engaged in similar industries. GE Transportation believes that its operations and facilities are in substantial compliance with applicable laws and regulations and that any noncompliance is not likely to have a material adverse effect on its operations or financial condition.

Future events, such as changes in or modified interpretations of existing laws and regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on GE Transportation's financial condition and operations. In addition, GE Transportation has in the past conducted investigation and remediation activities at properties that GE Transportation operates to address historic contamination. To date, such costs have not been material. Although GE Transportation believes GE Transportation has satisfactorily addressed all known material contamination through its remediation activities, there can be no assurance that these activities have addressed all historic contamination. The discovery of historic contamination or the release of hazardous substances into the environment could require GE Transportation in the future to incur investigation or remediation costs or other liabilities that could be material or that could interfere with the operation of GE Transportation's business.

In addition to environmental laws and regulations, the transportation of commodities by railcar raises potential risks in the event of a derailment or other accident. Generally, liability under existing law in the United States for a derailment or other accident depends on the negligence of the party, such as the railroad, the shipper or the manufacturer of the railcar or its components. However, for the shipment of certain hazardous commodities, strict liability concepts may apply.

Principal Properties

The following table provides certain summary information about the principal facilities owned or leased by GE Transportation as of December 31, 2017. GE Transportation believes that its facilities and equipment are generally in good condition and that, together with scheduled capital improvements, they are adequate for its present and immediately projected needs. Leases on the facilities are long-term and generally include options to renew. GE Transportation's corporate headquarters are located at the Chicago, Illinois site.

Location	Approximate Square Feet	Owned/Leased
Office Space		
Chicago, IL	53,972	Leased
Manufacturing Facilities		
Fort Worth, TX – Locomotive	923,266	Owned
Fort Worth, TX – Off-Highway Vehicle	249,700	Owned
Erie, PA – Manufacturing, Engineering, and Testing	4,200,000	Owned
Grove City, PA – Engine Remanufacturing	242,000	Owned
Grove City, PA – Main Engine	486,000	Owned
Contagem, Minas Gerais, Brazil	114,452	Leased

Intellectual Property

GE Transportation relies on a combination of trade secrets and other intellectual property, nondisclosure agreements and other protective measures to establish and protect its proprietary rights in its intellectual property. GE Transportation also follows the product development practices of its competitors to monitor any possible patent infringement by them, and to evaluate their strategies and plans.

GE Transportation has entered into a variety of license agreements as licensor and licensee. GE Transportation does not believe that any single license agreement is of material importance to its business or any of its business segments as a whole.

Legal Proceedings

GE Transportation is, from time to time, party to general legal proceedings and claims, which arise in the ordinary course of business. GE Transportation is also, from time to time, party to legal proceedings and claims in respect of environmental obligations, product liability, intellectual property and other matters which arise in the ordinary course of business and against which management believes meritorious defenses are available.

While it is not possible to quantify the financial impact or predict the outcome of all pending claims and litigation, management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will have a material adverse effect upon GE Transportation’s financial position, results of operations or cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR GE TRANSPORTATION

The following discussion and analysis of the financial condition and results of operations of the transportation business ("GE Transportation") of General Electric Company ("GE") should be read in conjunction with GE Transportation's unaudited condensed combined financial statements and related notes and audited combined financial statements and related notes , each of which are included elsewhere in this Current Report on Form 8-K. Some of the information contained in this discussion and analysis constitutes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below.

GE Transportation's historical financial statements included elsewhere in this Current Report on Form 8-K have been presented on a "carve-out" basis from GE's consolidated financial statements using the historical results of operations, cash flows, assets and liabilities of GE Transportation and include allocations of corporate expenses from GE. These allocations reflect significant assumptions, and the financial statements do not fully reflect what GE Transportation's financial position, results of operations or cash flows would have been had it been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of GE Transportation's future results of operations, financial position or cash flows.

Overview

GE Transportation is a leading global provider of products and solutions to transportation, logistics and other industrial markets. GE Transportation designs, engineers and manufactures diesel-electric locomotives, supplies associated aftermarket parts and services and provides digital solutions. GE Transportation's culture of innovation and differentiated aftermarket solutions has allowed it to build a leading global installed base of diesel-electric locomotives, significant contracted services backlog and longstanding customer relationships. GE Transportation's products and services are important to GE Transportation's customers' operating and financial success and help enable them to operate with reliability and efficiency. Leveraging its heritage in diesel-electric locomotives, GE Transportation has continued to expand GE Transportation's technologies into new products, end markets and logistics applications. Leveraging its core competencies in locomotive manufacturing, GE Transportation produces electric motors and premium propulsion systems for mining, marine, stationary power and drilling applications. GE Transportation also has used its engineering and software capabilities to build a digital business that delivers significant benefits across the transportation and mining landscape. GE Transportation's products are globally recognized for their quality, reliability, fuel efficiency and emissions compliance, and GE Transportation believes it is known for its superior customer service. These attributes combined have fostered strong brand loyalty and generated longstanding customer relationships, which contribute to its leading market positions. As of June 30, 2018, GE Transportation's North American installed base was more than 16,200 diesel-electric locomotives and kits, comprising the largest portion of GE Transportation's global installed base of more than 22,500 diesel-electric locomotives and kits. As of June 30, 2018, GE Transportation had sales in more than 50 countries and eight primary manufacturing facilities and approximately 8,500 employees worldwide. For the six months ended June 30, 2018, GE Transportation generated revenue of $1,774 million and net earnings of $168 million.

For over 110 years, GE Transportation has served the worldwide freight and passenger rail industries, which are a critical component of the global transportation system and the global economy. In North America, railroads carry about 28% of total freight, as measured by ton-miles, and over 40% of long distance freight travelling over 750 miles, which is more than any other mode of transportation. Rail is one of the most cost-effective, energy-efficient modes of transport, both domestically and internationally. GE Transportation's North American customers are principally Class I railroads. GE Transportation's international customers are principally international freight and passenger railroads in Latin America, Russia/CIS, Australia, India and Sub-Saharan Africa, who depend on diesel-electric locomotives. GE Transportation's diverse product portfolio is designed to cater to the varying requirements of Class I and international railroads. GE Transportation's customers' ongoing usage of locomotives and associated wear and tear on the equipment generate opportunities to support railroads with aftermarket parts and services. Railroads place a high value on reliability, fuel efficiency and minimal downtime. As a result, the availability of replacement parts and GE Transportation's maintenance and overhaul services are important value drivers for GE Transportation's customers and generate high-margin recurring revenue opportunities.

GE Transportation's business experienced significant headwinds in 2016 and 2017 due to a downturn in the U.S. freight rail industry driven by commodity prices. GE Transportation has recently undergone a set of transformation and restructuring initiatives, including expanding its international footprint, optimizing its supply base and utilizing digitization and lean manufacturing to enhance the efficiency and effectiveness of its total supply chain. GE Transportation believes these initiatives have resulted in a more streamlined cost structure and optimized workforce to position it for growth in the recovering U.S. freight rail market and in international markets.

Factors Impacting GE Transportation's Performance

GE Transportation primarily serves the worldwide freight and transit rail industries. As such, its operating results are largely dependent on the level of activity, financial condition and capital spending plans of railroads and passenger transit agencies around the world, and transportation equipment manufacturers who serve those markets. Many factors influence these industries, including general economic conditions; traffic volumes, as measured by freight carloadings and passenger ridership; government spending on public transportation; and investment in new technologies. In general, trends such as increasing urbanization, a focus on sustainability and environmental awareness, an aging equipment fleet, and growth in global trade are expected to drive continued investment in freight and transit rail.

GE Transportation monitors a variety of factors and statistics to gauge market activity. Freight rail markets around the world are driven primarily by overall economic conditions and activity, while transit markets are driven primarily by government funding and passenger ridership. Changes in these market drivers can cause fluctuations in demand for GE Transportation's products and services.

According to the 2016 edition of a market study by UNIFE, the Association of the European Rail Industry, the accessible global market for railway products and services was more than $100 billion, and was expected to grow at about 3.2% annually through 2021. The three largest geographic markets, which represented about 80% of the total accessible market, were Europe, North America and Asia Pacific. UNIFE projected above-average growth in Asia Pacific and Europe due to overall economic growth and trends such as urbanization and increasing mobility, deregulation, investments in new technologies, energy and environmental issues, and increasing government support. The largest product segments of the market were rolling stock, services and infrastructure, which represented almost 90% of the accessible market. UNIFE projected spending on rolling stock to grow at an above-average rate due to increased investment in passenger transit vehicles. UNIFE estimated that the global installed base of locomotives was about 114,000 units, with about 32% in Asia Pacific, about 25% in North America and about 18% in Russia/CIS.

In North America, railroads carry about 40% of long distance freight travelling over 750 miles, as measured by ton-miles, which is more than any other mode of transportation. Through direct ownership and operating partnerships, U.S. railroads are part of an integrated network that includes railroads in Canada and Mexico, forming what is regarded as the world's most-efficient and lowest-cost freight rail service. There are more than 500 railroads operating in North America, with the largest railroads, referred to as "Class I," accounting for more than 90% of the industry's revenues. The railroads carry a wide variety of commodities and goods, including coal, metals, minerals, chemicals, grain, and petroleum. These commodities represent about 50% of total rail carloadings, with intermodal carloads accounting for the rest. Railroads operate in a competitive environment, especially with the trucking industry and the emergence of autonomous trucks, and are always seeking ways to improve safety, cost and reliability. New technologies offered by GE Transportation and others in the industry can provide some of these benefits. Demand for GE Transportation's locomotives, freight related products and services in North America is driven by a number of factors, including rail traffic, average railroad velocity and production of new locomotives and new freight cars. In the U.S., the passenger transit industry is dependent largely on funding from federal, state and local governments, and from fare box revenues. Demand for North American passenger transit products is driven by a number of factors, including government funding, deliveries of new subway cars and buses, and ridership. The U.S. federal government provides money to local transit authorities, primarily to fund the purchase of new equipment and infrastructure for their transit systems. Demand for GE Transportation's services is affected by the number of parked locomotives, which hit historic highs in 2016 and has slightly recovered in 2017.

Growth in the Asia Pacific market has been driven mainly by the continued urbanization of China and India, and by investments in freight rail rolling stock and infrastructure in Australia to serve its mining and natural resources markets. India is making significant investments in rolling stock and infrastructure to modernize its rail system; for example, the country has awarded a 1,000-unit locomotive order to GE Transportation. UNIFE expected the increased spending in India to offset decreased spending on very-high-speed rolling stock in China.

Other key geographic markets include Russia/CIS and Africa-Middle East. With about 1.4 million freight cars and about 28,000 locomotives, Russia/CIS is among the largest freight rail markets in the world, and it's expected to invest in both freight and transit rolling stock. PRASA, the Passenger Rail Agency of South Africa, is expected to continue to invest in new transit cars and new locomotives. According to UNIFE, emerging markets were expected to grow at above-average rates as global trade led to increased freight volumes and urbanization led to increased demand for efficient mass-transportation systems. As this growth occurs, GE Transportation expects to have additional opportunities to provide products and services to both new customers and the installed base in these markets.

In its study, UNIFE also said it expected increased investment in digital tools for data and asset management, and in rail control technologies, both of which would improve efficiency in the global rail industry. UNIFE said data-driven asset management tools have the potential to reduce equipment maintenance costs and improve asset utilization, while rail control technologies have been focused on increasing track capacity, improving operational efficiency and ensuring safer railway traffic. GE Transportation offers integrated solutions to help customers make ongoing investments in these initiatives.

In 2018 and beyond, general global economic and market conditions will have an impact on GE Transportation's sales and operations. To the extent that these factors cause instability of capital markets amid a rising interest rate environment, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market GE Transportation's products effectively with a higher cost of capital, GE Transportation's business and results of operations could be materially adversely affected. In addition, GE Transportation faces risks inherent in global expansion and risk associated with its four-point growth strategy, including the level of investment in innovation that customers are willing to make, especially in integrated technologies developed by the industry and GE Transportation. When necessary, GE Transportation will modify its financial and operating strategies to reflect changes in market conditions and risks.

Presentation

Certain terms are used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations for GE Transportation" as follows:

- Equipment segment: GE Transportation's Equipment segment is a leading manufacturer of diesel-electric locomotives serving freight and passenger railroads. GE Transportation produces products and solutions that help railroads reduce operating costs, decrease fuel use, minimize downtime and comply with stringent emissions standards. In addition to locomotives, GE Transportation also produces a range of engines, electric motors and premium propulsion systems used in mining, marine, stationary power and drilling applications.

- Services segment: GE Transportation's Services segment is responsible for supporting railroads in the operation of their fleet of GE Transportation locomotives in an efficient manner throughout their entire lifecycle in terms of safety, availability, reliability and economic performance. GE Transportation provides aftermarket parts and services to GE Transportation's global installed base, including predictive maintenance, regular maintenance, and unscheduled maintenance and overhaul services for locomotives. GE Transportation's offerings include supply of parts, technical support and locomotive modernizations. Commercially, locomotive maintenance can be contracted on a fully transactional basis or through multi-year contracts (Contractual Service Agreements or "CSAs"), where GE Transportation assumes certain service activities, and the related performance risks, in return for fixed and variable payments based on underlying utilization of the asset(s) covered.

- Digital segment: GE Transportation's Digital segment combines a history of industrial leadership with cutting-edge data science and analytics acumen to create an efficient, productive and reliable digital-rail ecosystem, from mine to port, from shipper to receiver, from port to intermodal terminals to main line locomotives and railcars and across train yards and operation centers. GE Transportation's Digital segment develops and works with GE Transportation's customers to implement a comprehensive set of software-enabled solutions that deliver significant benefits across the transportation and mining landscape. Characterized by in-house and boutique solution providers, the breadth and market presence of GE Transportation's Digital solutions have positioned GE Transportation as a key player for digital innovation.

- Sales (costs) of goods: Goods primarily consists of GE Transportation's Equipment segment, as well as part sales in GE Transportation's Services segment and some Digital segment products. Specifically, goods consist of locomotives, locomotive parts, modernizations, marine, stationary and drilling apparatuses and parts, mining equipment and parts, and digital equipment.

- Sales (costs) of services: Services primarily consists of GE Transportation's Services segment, as well as some Digital segment products. Sales and costs of services consists of maintenance services, marine, stationary and drilling services, mining services, and digital services.

Results of Operations

Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

The following table sets forth GE Transportation's income statement data for the six months ended June 30, 2018 and 2017:

	For the Six Months Ended June 30			
	2018	2017	Variation ($)	Variation (%)
	In thousands, except for percentages			
Income Statement Data:				
Revenues				
Sales of goods	$ 1,101,781	$ 1,312,160	$ (210,379)	(16)%
Sales of services	672,107	668,425	3,682	1%
Total revenues	**1,773,888**	**1,980,585**	(206,697)	(10)%
Cost of revenues				
Cost of goods sold	881,336	1,116,321	(234,985)	(21)%
Cost of services sold	405,955	446,245	(40,290)	(9)%
Gross profit	**486,597**	**418,019**	68,578	16%
Selling, general and administrative expenses	264,770	228,713	36,057	16%
Impairment of goodwill	-	-	-	
Non-operating benefit costs	5,155	11,262	(6,107)	(54)%
Other (expense) income	(4,362)	(20,961)	16,599	(79)%
Earnings before income taxes	**212,310**	**157,083**	55,227	35%
Provision for income taxes	(44,084)	(56,984)	12,900	(23)%
Net earnings	**168,226**	**100,099**	68,127	68%
Less net earnings attributable to noncontrolling interests	4,136	6,811	(2,675)	(39)%
Net earnings attributable to GE	**$ 164,090**	**$ 93,288**	$ 70,802	76%
Other comprehensive (loss) income				
Foreign currency translation adjustments	(20,849)	20,078	(40,927)	(204)%
Benefit plans, net of taxes	2,173	772	1,401	181%
Other comprehensive (loss) income, net of taxes	**(18,676)**	**20,850**	(39,526)	(190)%
Less other comprehensive income (loss) attributable to noncontrolling interests	(2,400)	1,331	(3,731)	(280)%
Other comprehensive (loss) income attributable to GE	**(16,276)**	**19,519**	(35,795)	(183)%
Comprehensive income (loss)	149,550	120,949	28,601	24%
Less comprehensive income (loss) attributable to noncontrolling interests	1,736	8,142	(6,406)	(79)%
Comprehensive income attributable to GE	**$ 147,814**	**$ 112,807**	$ 35,007	31%

Sales of goods

Sales of goods for the six months ended June 30, 2018 was $1,101,781 thousand, a decrease of $210,379 thousand, or 16%, from $1,312,160 thousand for the six months ended June 30, 2017, primarily driven by lower North American locomotive deliveries, partially offset by increased sales of locomotive parts, wheel shipments, and modernization shipments.

Sales of services

Sales of services for the six months ended June 30, 2018 was $672,107 thousand, an increase of $3,682 thousand, or 1%, from $668,425 thousand for the six months ended June 30, 2017, primarily attributable to improved margins on long-term services contracts.

Total revenues

Total revenues for the six months ended June 30, 2018 was $1,773,888 thousand, a decrease of $206,697 thousand, or 10%, from $1,980,585 thousand for the six months ended June 30, 2017, primarily due to a 59 % decline in locomotive unit shipments, partially offset by a 133% increase in mining wheel unit shipments and locomotive spare parts up 44%.

Cost of goods sold

Cost of goods sold for the six months ended June 30, 2018 was $881,336 thousand, a decrease of $234,985 thousand, or 21%, from $1,116,321 thousand for the six months ended June 30, 2017, in-line with the decline in locomotive deliveries in North America and reduction in restructuring charges of $47,660 thousand , partly offset by increased volume on locomotive parts and mining wheels.

Cost of services sold

Cost of services sold for the six months ended June 30, 2018 was $405,955 thousand, a decrease of $40,290 thousand, or 9%, from $446,245 thousand for the six months ended June 30, 2017. The decrease in cost of services sold was driven by lower volume on service contracts.

Gross profit

Gross profit for the six months ended June 30, 2018 was $486,597 thousand, an increase of $68,578 thousand, or 16%, from $418,019 thousand for the six months ended June 30, 2017. The gross margin on both goods and services improved in the first half of 2018, attributable to increased services, mining and locomotive parts volume and lower restructuring charges, partially offset by lower locomotive shipments. In addition, the mix of goods versus services shifted favorably towards services, improving overall business margins to 27% compared to 21% for the six months ended June 30, 2017. Gross margin on sales of goods was 20% compared to 15% for the six months ended June 30, 2017, and gross margin on sales of services was 40% compared to 33% for the six months ended June 30, 2017.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended June 30, 2018 was $264,770 thousand, an increase of $36,057 thousand, or 16%, from $228,713 thousand for the six months ended June 30, 2017, primarily attributable to costs associated with the Transactions.

Impairment of goodwill

There was no impairment of goodwill for the six months ended June 30, 2018 or for the six months ended June 30, 2017.

Non-operating benefit costs

Non-operating benefit costs for the six months ended June 30, 2018 was $5,155 thousand, a decrease of $6,107 thousand, or 54%, from $11,262 thousand for the six months ended June 30, 2017, primarily attributable to a decrease in pension costs assessed by GE.

Other (expense) income

Other (expense) income for the six months ended June 30, 2018 was $(4,362) thousand, a decrease of $16,599 thousand, or 79%, from $(20,961) thousand for the six months ended June 30, 2017, primarily driven by lower interest expense from receivables factoring. Additionally, there were favorable foreign exchange rate fluctuations.

Income taxes

The effective income tax rate was 21% and 36% in the six months ended June 30, 2018 and 2017, respectively. The rate for 2018 benefited from a lower U.S. statutory rate effective for years beginning in 2018 due to U.S. tax reform and favorable changes in mix of earnings. GE Transportation's operating results are included in the consolidated income tax returns of GE where allowable. The provision for income taxes represents federal, state and local, and non-U.S. taxes on income calculated on a separate tax return basis. As a separate stand-alone company, GE Transportation's tax profile may differ from historical results.

Net earnings

Net earnings for the six months ended June 30, 2018 was $168,226 thousand, an increase of $68,127 thousand, or 68%, from $100,099 thousand for the six months ended June 30, 2017, primarily attributable to gross profit improvement, lower benefit costs and lower income tax expense.

Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

The following table sets forth GE Transportation's income statement data for the years ended December 31, 2017 and 2016:

	For the Year Ended December 31			
	2017	**2016**	**Variation ($)**	**Variation (%)**
		In thousands, except for percentages		
Income Statement Data:				
Revenues				
Sales of goods	$ 2,546,637	$ 3,046,546	$ (499,909)	(16)%
Sales of services	1,383,671	1,560,045	(176,374)	(11)%
Total revenues	**3,930,308**	**4,606,591**	(676,283)	(15)%
Cost of revenues				
Cost of goods sold	2,129,684	2,525,838	(396,154)	(16)%
Cost of services sold	877,390	909,116	(31,726)	(3)%
Gross profit	**923,234**	**1,171,637**	(248,403)	(21)%
Selling, general and administrative expenses	449,651	432,229	17,422	4%
Impairment of goodwill	-	2,027	(2,027)	(100)%
Non-operating benefit costs	16,877	18,455	(1,578)	(9)%
Other (expense) income	(24,307)	(11,409)	(12,898)	113%
Earnings before income taxes	**432,399**	**707,517**	(275,118)	(39)%
Provision for income taxes	(44,303)	(167,428)	123,125	(74)%
Net earnings	**388,096**	**540,089**	(151,993)	(28)%
Less net earnings attributable to noncontrolling interests	14,311	6,144	8,167	133%
Net earnings attributable to GE	**373,785**	**533,945**	(160,160)	(30)%
Other comprehensive income (loss)				
Foreign currency translation adjustments	15,568	22,970	(7,402)	(32)%
Benefit plans, net of taxes	459	(1,092)	1,551	(142)%
Other comprehensive income (loss), net of taxes	**16,027**	**21,878**	(5,851)	(27)%
Less other comprehensive income (loss) attributable to noncontrolling interests	703	(6,101)	6,804	(112)%
Other comprehensive income (loss) attributable to GE	**15,324**	**27,979**	(12,655)	(45)%
Comprehensive income (loss)	**404,123**	**561,967**	(157,844)	(28)%
Less comprehensive income (loss) attributable to noncontrolling interests	15,014	43	14,971	34,816%
Comprehensive income attributable to GE	**$ 389,109**	**$ 561,924**	(172,815)	(31)%

Sales of goods

Sales of goods for the year ended December 31, 2017 was $2,546,637 thousand, a decrease of $499,909 thousand, or 16%, from $3,046,546 thousand for the year ended December 31, 2016. Locomotive unit shipments were down 42%, driven by a 72% decrease of North America shipments, partially offset by a 36% increase in international locomotive shipments. Locomotive shipment decline was partially offset by an 82% increase in mining wheel shipments and a 24 % increase in sales of locomotive spare parts.

Sales of services

Sales of services for the year ended December 31, 2017 was $1,383,671 thousand, a decrease of $176,374 thousand, or 11%, from $1,560,045 thousand for the year ended December 31, 2016. Contractual services were down 11%, primarily driven by lower volume on existing long term maintenance contracts attributable to lower asset utilization by North American customers reducing the need for spare parts and maintenance. Though carload volumes improved slightly in 2017 and the number of parked locomotives declined, parking still remained near historically high levels and the environment for sales of services remained challenging. The decline in sales of services was partly offset by continued sales to the international installed base, as well as aftermarket digital product sales, which continued to see growth.

Total revenues

Total revenues for the year ended December 31, 2017 was $3,930,308 thousand, a decrease of $676,283 thousand, or 15%, from $4,606,591 thousand for the year ended December 31, 2016. The Equipment segment was the largest contributor to the decline in revenues with a $676,272 thousand decline, or 28%. International revenues increased as a percentage of total revenues over 2016, up to 45% of total revenues compared to 38% of total revenues in 2016.

Cost of goods sold

Cost of goods sold for the year ended December 31, 2017 was $2,129,684 thousand a decrease of $396,154 thousand, or 16%, from $2,525,838 thousand for the year ended December 31, 2016. The decrease was due to the decrease in North America shipments discussed above and a $36,766 thousand decrease in restructuring costs, partially offset by increased costs from increased international locomotive shipments, mining wheels and locomotive spare parts volume discussed above.

Cost of services sold

Cost of services sold for the year ended December 31, 2017 was $877,390 thousand, a decrease of $31,726 thousand, or 4%, from $909,116 thousand for the year ended December 31, 2016. The decline was due to a 9% decrease in contractual services, primarily driven by lower volume on existing long term maintenance contracts.

Gross profit

Gross profit for the year ended December 31, 2017 was $923,234 thousand, a decrease of $248,403 thousand, or 21%, from $1,171,637 thousand for the year ended December 31, 2016. Gross profit related to goods was down 20% primarily driven by softness in North American locomotive markets, partially offset by increased locomotive spare parts volume and lower restructuring charges. Gross Profit related to services were down 22% primarily driven by softness in the contractual services market for maintenance.

Selling, general and administrative expenses

Selling, general and administrative expense for the year ended December 31, 2017 was $449,651 thousand, an increase of $17,422 thousand, or 4%, from $432,229 thousand for the year ended December 31, 2016. The increase is primarily attributable to costs from new acquisitions of $8,941 thousand and restructuring costs of $4,321 thousand.

Impairment of goodwill

There was no impairment of goodwill for the year ended December 31, 2017 compared to $2,027 thousand for the year ended December 31, 2016, due in part to an improved global commodities market positively impacting the fair value of the reporting units.

Non-operating benefit costs

Non-operating benefit costs for the year ended December 31, 2017 was $16,877 thousand, a decrease of $1,578 thousand, or 9%, from $18,455 thousand for the year ended December 31, 2016, primarily due to a decrease in severance charges, partly offset by an increase in health benefits for retirees.

Other (expense) income

Other (expense) income for the year ended December 31, 2017 was $(24,307) thousand, an increase of $12,898 thousand, or 113%, from $(11,409) thousand for the year ended December 31, 2016, primarily attributable to a one-time sale of leased equipment in 2016.

Income taxes

The effective income tax rate was significantly reduced to 10% in the year ended December 31, 2017 from 24% in the year ended December 31, 2016. The decrease in the effective rate was primarily the result of newly enacted U.S. tax reform regulations.

Net earnings

Net earnings for the year ended December 31, 2017 was $ 388,096 thousand a decrease of $ 151,993 thousand, or 28 %, from $ 540,089 thousand for the year ended December 31, 2016. The main contributing factor for the decrease in net earnings was the decline in North American locomotive sales, partly offset by recent growth in sales of mining equipment and parts.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

	For the Year Ended December 31			
	2016	2015	Variation ($)	Variation (%)
	In thousands, except for percentages			
Income Statement Data:				
Revenues				
Sales of goods	$ 3,046,546	$ 3,998,100	$ (951,554)	(24)%
Sales of services	1,560,045	1,423,379	136,666	10%
Total revenues	**4,606,591**	**5,421,479**	(814,888)	(15)%
Cost of revenues				
Cost of goods sold	2,525,838	3,163,798	(637,960)	(20)%
Cost of services sold	909,116	931,745	(22,629)	(2)%
Gross profit	**1,171,637**	**1,325,936**	(154,299)	(12)%
Selling, general and administrative expenses	432,229	414,488	17,741	4%
Impairment of goodwill	2,027	85,421	(83,394)	(98)%
Non-operating benefit costs	18,455	16,249	2,206	14%
Other (expense) income	(11,409)	27,121	(38,530)	(142)%
Earnings before income taxes	**707,517**	**836,899**	(129,382)	(15)%
Provision for income taxes	(167,428)	(349,275)	181,847	(52)%
Net earnings	**540,089**	**487,624**	52,465	11%
Less net earnings attributable to noncontrolling interests	6,144	7,547	(1,403)	(19)%
Net earnings attributable to GE	**533,945**	**480,077**	53,868	11%
Other comprehensive income (loss)				
Foreign currency translation adjustments	22,970	(42,755)	65,725	(154)%
Benefit plans, net of taxes	(1,092)	120	(1,212)	(1,010)%
Other comprehensive income (loss), net of taxes	**21,878**	**(42,635)**	64,513	(151)%
Less other comprehensive income (loss) attributable to noncontrolling interests	(6,101)	3,194	(9,295)	(291)%
Other comprehensive income (loss) attributable to GE	**27,979**	**(45,829)**	73,808	(161)%
Comprehensive income (loss)	**561,967**	**444,989**	116,978	26%
Less comprehensive income (loss) attributable to noncontrolling interests	43	10,741	(10,698)	(100)%
Comprehensive income attributable to GE	**$ 561,924**	**$ 434,248**	**$** 127,676	29%

Sales of goods

Sales of goods for the year ended December 31, 2016 was $3,046,546 thousand, a decrease of $951,554 thousand, or 24%, from $3,998,100 thousand for the year ended December 31, 2015, primarily attributable to the Equipment segment. North American locomotive deliveries as well the demand for replacement parts declined. Challenges in the coal and petroleum industries led to a decrease in carload volumes, which in turn led to a significant increase in the number of parked locomotives.

Sales of services

Sales of services for the year ended December 31, 2016 was $1,560,045 thousand, an increase of $136,666 thousand, or 10%, from $1,423,379 thousand for the year ended December 31, 2015, primarily driven by the Services segment. North America maintenance and non-U.S. sales of services were both favorable compared to the prior year. Increased sales of services were also due in part to growth in sales of Digital.

Total revenues

Total revenues for the year ended December 31, 2016 was $4,606,591 thousand, a decrease of $814,888 thousand, or 15%, from $5,421,479 thousand for the year ended December 31, 2015. The decline in total revenues was primarily attributable to the Equipment segment. Non-U.S. revenues increased as a percentage of total revenues over 2015, up to 38% of total revenues compared to 31% of total revenues in 2015.

Cost of goods sold

Cost of goods sold for the year ended December 31, 2016 was $2,525,838 thousand, a decrease of $637,960 thousand, or 20%, from $3,163,798 thousand for the year ended December 31, 2015, primarily attributable to the associated costs related to declining North American locomotive deliveries and replacement parts.

Cost of services sold

Cost of services sold for the year ended December 31, 2016 was $909,116 thousand, a decrease of $22,629 thousand, or 2%, from $931,745 thousand for the year ended December 31, 2015, primarily attributable to lower costs associated with the disposal of the signaling business in November 2015.

Gross profit

Gross profit for the year ended December 31, 2016 was $1,171,637 thousand, a decrease of $154,299 thousand, or 12%, from $1,325,936 thousand for the year ended December 31, 2015. The decline in gross profit was primarily attributable to challenging market conditions in North America. Total gross margin remained at 25% from 2015 . Gross margins on sales of goods fell to 17% in 2016, down from 21% in 2015. Gross margins on sales of services grew to 42% in 2016, up from 35% in 2015.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended December 31, 2016 was $432,229 thousand, an increase of $17,741 thousand, or 4%, from $414,488 thousand for the year ended December 31, 2015, primarily attributable to an increase of restructuring costs.

Impairment of goodwill

Impairment of goodwill for the year ended December 31, 2016 was $ 2,027 thousand, a decrease of $83,394 thousand, or 98%, from $85,421 thousand for the year ended December 31, 2015. The suppression of the global commodities market and the resulting impact on the global mining investment environment led to a revision of expected cash flows for all reporting units in 2015, resulting in an impairment of goodwill. In 2016, the goodwill impairment for the Equipment segment was reversed due to a slight improvement in market conditions.

Non-operating benefit costs

Non-operating benefit costs for the year ended December 31, 2016 was $18,455 thousand, an increase of $2,206 thousand, or 14%, from $16,249 thousand for the year ended December 31, 2015, primarily due to a decrease in pension and severance costs offset by an increase in health benefits for retirees.

Other (expense) income

Other (expense) income for the year ended December 31, 2016 was $(11,409) thousand, a decrease of $38,530 thousand, or 142%, from $27,121 thousand for the year ended December 31, 2015, primarily attributable to foreign exchange fluctuations and partly offset by a one-time sale of leased equipment in 2016.

Income taxes

The effective income tax rate was reduced to 24% in the year ended December 31, 2016 from 42% in the year ended December 31, 2015. The decrease in the effective tax rate is primarily the result of foreign operations and foreign tax credits.

Net earnings

Net earnings for the year ended December 31, 2016 was $540,089 thousand, an increase of $52,465 thousand, or 11%, from $487,624 thousand for the year ended December 31, 2015. The increase in net earnings was primarily due to improved margins in GE Transportation's services business, partly offset by declining margins for sales of goods.

Cash Flows

In thousands	For the Six Months Ended June 30, 2018	2017	For the Years Ended December 31, 2017	2016	2015
			(in thousands of U.S. dollars)		
Net earnings	$ 168,226	$ 100,099	$ 388,096	$ 540,089	$ 487,624
Less net earnings attributable to noncontrolling interests	4,136	6,811	14,311	6,144	7,547
Net earnings attributable to GE	164,090	93,288	373,785	533,945	480,077
Cash provided by (used for) operating activities	76,436	(34,120)	322,004	853,712	875,234
Cash provided by (used for) investing activities	(68,393)	(143,973)	(200,956)	(168,214)	(225,875)
Cash provided by (used for) financing activities	20,548	229,226	(171,062)	(625,586)	(622,770)
Effect of currency exchange rate changes on cash and equivalents	(2,413)	10,139	4,201	4,133	(7,784)
Increase in cash and equivalents	26,178	61,272	(45,813)	64,045	18,805
Cash and cash equivalents at beginning of period	105,338	151,151	151,151	87,106	68,301
Cash and cash equivalents at end of period	**$ 131,516**	**$ 212,423**	**$ 105,338**	**$ 151,151**	**$ 87,106**

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Operating Activities

Cash provided by operating activities was $76,436 thousand during the first six months of 2018, an increase of $110,556 thousand, from $(34,120) thousand during the prior year period. The increase was primarily due to increased earnings and an increase in accounts payable. The increase was partly offset by increases in inventory.

Investing Activities

Cash (used for) investing activities in the first six months of 2018 was $(68,393) thousand, a reduction of $75,580 thousand, from $(143,973) thousand during the prior year period. The decrease was driven by reduced investment in property, plant and equipment and internal-use software, proceeds from the disposition of mining equipment, and decreased investment in associated companies.

Financing Activities

Cash provided by financing activities was $20,548 thousand in the first six months of 2018, a decrease of $208,678 thousand, from $229,226 thousand during the prior year period. The decrease was primarily due to an increase of $214,972 thousand in payments to GE when compared to the six months ending June 30, 2017 in addition to a decrease in other financing activities, partly offset by newly issued debt.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Operating Activities

Cash provided by operating activities was $322,004 thousand during the year ended December 31, 2017, a decrease of $531,708 thousand, from $853,712 thousand during the year ended December 31, 2016. Net income decreased $160,160 thousand driven primarily by North American locomotive deliveries and services volume decline. Working Capital decreased by $205,085 thousand driven primarily by progress payments ($202,350 thousand). In addition, there was a $150,152 thousand decrease related to deferred income taxes as a result of the U.S. tax reform.

Investing Activities

Cash (used for) investing activities was $(200,956) thousand during the year ended December 31, 2017, a decrease of $32,742 thousand , from $(168,214) thousand in year ended December 31, 2016. This was mainly due to an increase in GE Transportation's non-U.S. manufacturing footprint and continued investment in GE Transportation's Digital business, partly offset by proceeds from the sale of assets as part of GE Transportation's restructuring activities.

Financing Activities

Cash (used for) financing activities was $(171,062) thousand during the year ended December 31, 2017, an increase of $454,524 thousand, from $(625,586) thousand in the year ended December 31, 2016, mainly due to a substantial $499,998 thousand reduction in payments to GE when compared to 2016. GE Transportation also made repayments of debt, which were partly offset by newly issued debt.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Operating Activities

Cash provided by operating activities was $853,712 thousand during the year ended December 31, 2016, a decrease of $21,522 thousand, from $875,234 thousand during the year ended December 31, 2015. Positive cash flows from net earnings and inventory sell-downs were offset by negative working capital movements.

Investing Activities

Cash (used for) investing activities was $(168,214) thousand during the year ended December 31, 2016, a decrease of $57,661, from $(225,875) thousand in year ended December 31, 2015. This was mainly due to a reduction of GE Transportation's capital expenditures, offset by GE Transportation's expansion of non-U.S. manufacturing capacity.

Financing Activities

Cash (used for) financing activities was $(625,586) thousand during the year ended December 31, 2016, a decrease of $2,816 thousand, from $(622,770) thousand in the year ended December 31, 2015, mainly due to no new debt being issued in 2016, and a slightly reduced payment to GE.

Indebtedness

As of June 30, 2018, GE Transportation’s borrowings consisted principally of two unsecured term loans, an unsecured loan facility and a series of unsecured loans.

Unsecured term loans

In November 2012, GE Transportation entered into two unsecured term loans with General Electric Europe Holdings C.V. for a total of $131,545 thousand. The debt was related to the acquisition of Industrea Limited, a move that expanded GE Transportation's product offering to the underground mining space. The estimated fair value approximates the carrying value. The debt carried a 5.07% interest rate, paid annually for the first year, with the interest rate resetting on the anniversary of the loan to the mid-rate of the one year swap rate plus a credit spread of 200 basis points. In November 2015, GE Transportation extended both agreements by five years from the day of signing to a maturity date in November 2020 and amended the interest rate to the mid-rate of the one year swap rate plus a credit spread of 175 basis points. In May and November 2017, GE Transportation terminated both loans early utilizing cash pool resources.

Unsecured loan facility

In September 2017, GE Transportation entered into an unsecured loan facility agreement with Wipro GE Healthcare Private Limited to fund various ongoing projects and operational requirements. The loan has a total value of $68,703 thousand, disbursed in three tranches. As of December 31, 2017 the first two tranches had been disbursed with a total value of $44,256 thousand. The final tranche will be disbursed in January 2018. The loan carries an 8% annual interest rate, paid quarterly until the maturity of the loan in January 2020.

Unsecured loans

Beginning in September 2014, GE Transportation entered into a series of unsecured loans with BNDES, a Brazilian Development Bank. GE Transportation receives financing using local resources from this bank. The amounts outstanding under these loans as of December 31, 2017 and 2016 classified as short-term borrowings is $0 and $21,195 thousand, respectively. As of December 31, 2017, all of the BNDES loans had been paid in full and terminated. The weighted-average interest rate as of December 31, 2016 was 8.36%.

Off Balance Sheet Obligations

As of June 30, 2018 and December 31, 2017, GE Transportation had off-balance sheet credit exposure for unused letters of credit, bank guarantees, bid bonds and surety bonds of approximately $679,779 thousand and $532,196 thousand, respectively.

Contractual Obligations, Commitments and Contingencies

Future minimum lease payments on non-cancelable operating lease arrangements, net of amounts due under subleases, as of December 31, 2017, consist of the following:

In thousands	Payment Due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases	$ **100,097**	23,670	24,083	15,915	36,429

GE Transportation did not enter into any additional material operating leases during the six months ended June 30, 2018. Additionally, GE Transportation did not enter into any significant capital leases during the three years ended December 31, 2017 or in the six months ended June 30, 2018.

Quantitative and Qualitative Disclosure About Market Risk

GE Transportation's business involves buying, manufacturing and selling components and products across global markets. These activities expose GE Transportation to changes in foreign currency exchange rates and commodity prices which can adversely affect revenues earned and costs of its operating businesses. When the currency in which equipment is sold differs from the primary currency of the legal entity and the exchange rate fluctuates, it will affect the revenue earned on the sale. These sales and purchase transactions also create receivables and payables denominated in foreign currencies and exposure to foreign currency gains and losses based on changes in exchange rates. Changes in the price of raw materials used in manufacturing can affect the cost of manufacturing. GE Transportation uses derivatives to mitigate or eliminate these exposures, where appropriate. Most derivative activity consists of currency exchange and commodity contracts.

Critical Accounting Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires GE Transportation's management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of any contingent assets or liabilities at the date of these combined financial statements and the reported amounts of revenue and expenses during the reporting period. GE Transportation bases its estimates and judgments on historical experience and on various other assumptions and information that it believes to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty, and accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as GE Transportation's operating environment changes. While GE Transportation believes that the estimates and assumptions used in the preparation of these combined financial statements are appropriate, actual results could differ from those estimates.

Estimates are used for, but are not limited to, determining the following: estimates of variable revenues and/or costs on long-term revenue generating contracts, recoverability of long-lived assets and inventory, valuation of goodwill; useful lives used in depreciation and amortization; income taxes and related valuation allowances; accruals for contingencies including warranties; actuarial assumptions used to determine costs on employee benefit plans, valuation assumptions for long term stock-based compensation expense, valuation and recoverability of receivables, valuation of derivatives and the fair value of assets acquired and liabilities assumed in acquisitions.

As GE Transportation’s combined financial statements will be distributed to users of GE Transportation’s financial statements on a carve-out basis for the first time in 2018, GE Transportation has applied the following new guidance for these combined financial statements.

Revenue from contracts with customers

Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, (ASC 606), requires GE Transportation to make certain estimates that affect the amount and timing of revenue recognized in a given period, primarily related to equipment and service contracts that are recognized on an overtime basis (refer to Note 2 and Note 3 to GE Transportation’s audited financial statements included elsewhere in this Current Report on Form 8-K for further discussion of GE Transportation’s accounting policy for these contracts). The most critical estimates relevant to GE Transportation’s revenue accounting are related to GE Transportation’s long-term CSAs as discussed below.

GE Transportation enters into CSA contracts with GE Transportation’s customers, which require GE Transportation to provide preventative maintenance, asset overhaul / updates, and standby "warranty-type" services that include certain levels of assurance regarding asset performance and uptime throughout the contract periods, which generally range from 5 to 25 years. Contract modifications that extend or revise contract terms are not uncommon and generally result in GE Transportation’s recognizing the impact of the revised terms prospectively over the remaining life of the modified contract (i.e., effectively like a new contract). GE Transportation’s revenue recognition on CSAs requires estimates of both customer payments expected to be received over the contract term as well as the costs expected to be incurred to perform required maintenance services. GE Transportation routinely reviews estimates under product services agreements and regularly revise them to adjust for changes in outlook as described below.

GE Transportation recognizes revenue as it performs under these arrangements using an over-time accounting model based on costs incurred relative to total expected costs. Throughout the life of a contract, this measure of progress captures the nature of the timing and extent of GE Transportation’s underlying performance activities as GE Transportation’s stand-ready services often fluctuate between routine inspections and maintenance, unscheduled service events and major overhauls at pre-determined usage intervals. Customers generally pay GE Transportation based on the utilization of the asset (per hour of usage for example) or upon the occurrence of a major event within the contract such as an overhaul. As a result, a significant estimate in determining expected revenues of a contract is estimating how customers will utilize their assets over the term of the agreement. Changes in customer utilization can influence the timing and extent of overhauls and other service events over the life of the contract.

As a result, the revenue recognized each period is dependent on GE Transportation’s estimate of how a customer will utilize their assets over the term of the agreement. GE Transportation generally uses a combination of both historical utilization trends as well as forward-looking information such as market conditions and potential asset retirements in developing GE Transportation’s revenue estimates. This estimate of customer utilization will impact both the total contract billings and costs to satisfy GE Transportation’s obligation to maintain the equipment. To the extent required, GE Transportation limits the amount of variable consideration used to estimate GE Transportation’s transaction price such that it is improbable that a significant revenue reversal will occur in future periods.

To develop GE Transportation’s cost estimates, GE Transportation considers the timing and extent of future maintenance and overhaul events, including the amount and cost of labor, spare parts and other resources required to perform the services. In developing GE Transportation’s cost estimates, GE Transportation utilizes a combination of GE Transportation’s historical cost experience and expected cost improvements. Cost improvements are only included in future cost estimates after savings have been observed in actual results or proven effective through an extensive regulatory or engineering approval process.

GE Transportation regularly assesses customer credit risk inherent in the carrying amounts of receivables and contract assets and estimated earnings, including the risk that contractual penalties may not be sufficient to offset GE Transportation's accumulated investment in the event of customer termination. GE Transportation gains insight into future utilization and cost trends, as well as credit risk, through GE Transportation's knowledge of the installed base of equipment and the close interaction with GE Transportation's customers that comes with supplying critical services and parts over extended periods.

Long-lived assets

GE Transportation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. GE Transportation derives the required undiscounted cash flow estimates from GE Transportation's historical experience and GE Transportation's internal business plans. To determine fair value, GE Transportation uses quoted market prices when available, GE Transportation's internal cash flow estimates discounted at an appropriate discount rate and independent appraisals, as appropriate.

See Note 2 to GE Transportation's audited financial statements included elsewhere in this Current Report on Form 8-K for further information on impairment losses.

Goodwill and other identified intangible assets

GE Transportation tests goodwill for impairment annually each year. The impairment test consists of two steps: in step one, the carrying value of the reporting unit is compared with its fair value; in step two, which is applied when the carrying value is more than its fair value, the amount of goodwill impairment, if any, is derived by deducting the fair value of the reporting unit's assets and liabilities from the fair value of its equity, and comparing that amount with the carrying amount of goodwill. GE Transportation determines fair values for each of the reporting units using the market approach, when available and appropriate, or the income approach, or a combination of both. GE Transportation assesses the valuation methodology based upon the relevance and availability of the data at the time GE Transportation performs the valuation. If multiple valuation methodologies are used, the results are weighted appropriately.

Valuations using the market approach are derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses is based on the markets in which the reporting units operate giving consideration to risk profiles, size, geography, and diversity of products and services. A market approach is limited to reporting units for which there are publicly traded companies that have the characteristics similar to GE Transportation's businesses.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. GE Transportation uses its internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on GE Transportation's most recent views of the long-term outlook for each business. Actual results may differ from those assumed in GE Transportation's forecasts. GE Transportation derives its discount rates using a capital asset pricing model and analyzing published rates for industries relevant to GE Transportation's reporting units to estimate the cost of equity financing. GE Transportation uses discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in GE Transportation's internally developed forecasts.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.

GE Transportation reviews identified intangible assets with defined useful lives and subject to amortization for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. GE Transportation tests intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

See Notes 2 and 8 to GE Transportation's audited financial statements included elsewhere in this Current Report on Form 8-K for further information.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill*. This ASU simplifies the measurement of goodwill impairment to a single-step test. The guidance removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation, and will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Under the revised guidance, failing step one will always result in goodwill impairment. The new guidance is effective for annual and interim goodwill impairment tests beginning after December 15, 2019 and early adoption is permitted. GE Transportation is currently evaluating the impact of the adoption of ASU 2017-04 on GE Transportation's combined financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models under current U.S. GAAP, which generally require that a loss be incurred before it is recognized. The new standard will also apply to receivables arising from revenue transactions such as contract assets and accounts receivables and is effective for fiscal years beginning after December 15, 2019. GE Transportation continues to evaluate the effect of the standard on GE Transportation's combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), creating ASC Subtopic 842, *Leases.* ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and for the interim and annual reporting periods thereafter, with early adoption permitted. GE Transportation is currently evaluating the impact of the adoption of ASU 2016-02 on GE Transportation's combined financial statements.

RISK FACTORS

As previously announced, on May 20, 2018, Westinghouse Air Brake Technologies Corporation ("Wabtec") entered into an Agreement and Plan of Merger (the "Merger Agreement") with General Electric Company ("GE"), Transportation Systems Holdings Inc., a Delaware corporation ("SpinCo"), which is a wholly owned subsidiary of GE, and Wabtec US Rail Holdings, Inc., a Delaware corporation ("Merger Sub"), which is a wholly owned subsidiary of Wabtec, pursuant to which Wabtec will combine with GE's transportation business (collectively, "GE Transportation") in a modified Reverse Morris Trust transaction, through the merger (the "Merger") of Merger Sub with and into SpinCo, whereby the separate corporate existence of Merger Sub will cease and SpinCo will continue as the surviving company and as a wholly owned subsidiary of Wabtec. The Merger will be preceded by the internal reorganization within GE of GE Transportation in anticipation of the Direct Sale, the SpinCo Transfer (as defined below) and the Distribution (as defined below) as contemplated by the Separation, Distribution and Sale Agreement dated as of May 20, 2018, among GE, SpinCo, Wabtec and Direct Sale Purchaser (the "Separation Agreement") and the Merger Agreement (the "Internal Reorganization"). The Internal Reorganization will be followed by a direct sale of certain assets of GE Transportation (collectively, the "Direct Sale") from GE to Wabtec US Rail, Inc. ("Direct Sale Purchaser") in exchange for a cash payment of $2.9 billion (the "Direct Sale Purchase Price"). Following the Direct Sale, the business and operations of GE Transportation, but not including certain specified assets and liabilities of GE Transportation acquired or assumed in the Direct Sale (the "SpinCo Business"), will be contributed to SpinCo and its subsidiaries (to the extent not already held by SpinCo and its subsidiaries) pursuant to the Separation Agreement (the "SpinCo Transfer"). In order to complete the Merger and the related transactions, immediately following the Direct Sale, GE will transfer the remaining business and operations of GE Transportation to SpinCo (to the extent not completed previously) and GE will distribute certain of the shares of SpinCo's common stock to GE's stockholders by way of a spin-off or a split-off (the "Distribution"), as determined in GE's discretion. As used herein, the "Separation" means the separation of GE Transportation from the remaining businesses of GE and its subsidiaries pursuant to the Separation Agreement. As used herein, the "SpinCo Transferred Subsidiaries" means each of the subsidiaries of GE that GE will contribute to SpinCo pursuant to the Separation Agreement, and each of their respective subsidiaries. As used herein, the "Transactions" means the transactions contemplated by the Merger Agreement and the Separation Agreement, which provide for, among other things, the Separation (including the Internal Reorganization), the Direct Sale, the SpinCo Transfer, the Distribution and the Merger.

You should carefully consider each of the following risks. Some of the risks described below relate principally to the Transactions, while others relate principally to the business and the industry in which Wabtec, including SpinCo and any SpinCo Transferred Subsidiary or any subsidiary of GE to be transferred in the Direct Sale (the "Transferred Subsidiaries"), will operate after the Transactions. The remaining risks relate principally to the securities markets generally and ownership of shares of Wabtec common stock. The risks described below are not the only risks that Wabtec currently faces or will face after the Transactions. Additional risks and uncertainties not currently known or that are currently expected to be immaterial also may materially and adversely affect Wabtec's business and financial condition or the price of Wabtec common stock following the consummation of the Transactions.

Risks Related to the Transactions

The Transactions may not be completed on the terms or timeline currently contemplated, or at all, as Wabtec and GE may be unable to satisfy the conditions or obtain the approvals required to complete the Transactions or such approvals may contain material restrictions or conditions.

The consummation of the Transactions is subject to numerous conditions, including, among other things:

- the approval by the holders ("Wabtec stockholders") of common stock, par value $0.01 per share, of Wabtec ("Wabtec common stock") of the issuance of shares of Wabtec common stock in the Merger (the "Share Issuance");
- the approval by Wabtec stockholders of the proposed amendment to the Restated Certificate of Incorporation of Wabtec, as amended (the "Wabtec Charter") to increase the number of authorized shares of common stock from 200 million to 500 million (the "Wabtec Charter Amendment");

- the termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

- the taking, making or obtaining of all material actions by, consents or approvals of, or in respect of or filings with any governmental authority required to permit the Transactions;

- the effectiveness under the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder (the “Securities Act”) of (i) SpinCo’s registration statement on such Form(s) as shall be required under applicable United States Securities and Exchange Commission (“SEC”) rules in connection with the Distribution and (ii) Wabtec’s registration statement on Form S-4 in connection with the Merger, and, in each case, the absence of any stop order issued by the SEC or any pending proceeding before the SEC seeking a stop order with respect thereto;

- the receipt by Wabtec and GE of certain tax opinions;

- the receipt of the Direct Sale Purchase Price by GE;

- the completion of the various transaction steps contemplated by the Merger Agreement and the Separation Agreement, including the International Reorganization, the Direct Sale, the SpinCo Transfer and the Distribution; and

- other customary conditions.

There is no assurance that the Transactions will be consummated on the terms or timeline currently contemplated, or at all. Wabtec and GE have and will continue to expend time and resources of management and to incur legal, advisory and financial services fees related to the Transactions and the related financing for the Transactions. These expenses must be paid regardless of whether the Transactions are consummated.

Governmental authorities may not approve the Transactions, may impose conditions to the approval of the Transactions or may require changes to the terms of the Transactions. Any such conditions or changes could have the effect of delaying completion of the Transactions, imposing costs on or limiting the revenues of the combined company following the Transactions or otherwise reducing the anticipated benefits of the Transactions. Any condition or change which results in a material adverse effect on GE and/or Wabtec under the Merger Agreement may cause GE and/or Wabtec to restructure or terminate the Transactions.

Wabtec will need to establish the bridge loan facility (the “Bridge Loan Facility”) under the credit agreement dated as of June 8, 2018, by and among Wabtec, Wabtec Coöperatief U.A. and the other borrowers party thereto from time to time (the “Borrowers”), the other borrowing subsidiaries party thereto from time to time, the lenders party thereto from time to time, PNC Bank, National Association, as administrative agent, and the other parties thereto (the “Credit Agreement”) and borrow the loans thereunder, or arrange for alternative financing, in order to complete the Transactions. Although commitments have been obtained from various lenders under the Bridge Loan Facility, the obligations of the lenders to fund the Bridge Loan Facility are subject to the satisfaction or waiver of customary conditions, including, among others, the absence of any “material adverse effect,” as the term is described in the Merger Agreement. Accordingly, there can be no assurance that these conditions will be satisfied or, if not satisfied, waived by the lenders. If the Bridge Loan Facility is not funded and Wabtec is not able to obtain alternative financing on commercially reasonable terms, it could prevent the consummation of the Transactions or materially and adversely affect Wabtec’s business, liquidity, financial condition and results of operations if the Transactions are ultimately consummated.

If completed, the integration of Wabtec and GE Transportation may not be successful or the anticipated benefits from the Transactions may not be realized.

After the consummation of the Transactions, Wabtec will have significantly more sales, assets and employees than it did prior to the consummation of the Transactions. During the period in which transition services are provided to Wabtec by GE, SpinCo will have a continued dependence on the provision of services from GE, including with respect to research and development and information technology infrastructure. The integration process will require Wabtec to expend capital and significantly expand the scope of its operations. Wabtec management will be required to devote a significant amount of time and attention to the process of integrating the operations of Wabtec's business and GE Transportation. There is a significant degree of difficulty and management involvement inherent in that process. These difficulties include, but are not limited to:

- integrating GE Transportation while carrying on the ongoing operations of Wabtec's business;
- managing a significantly larger company than before the consummation of the Transactions;
- the possibility of faulty assumptions underlying Wabtec's expectations regarding the integration process;
- coordinating a greater number of diverse businesses located in a greater number of geographic locations;
- operating in geographic markets or industry sectors in which Wabtec may have little or no experience;
- complying with laws of new jurisdictions in which Wabtec has not previously operated;
- integrating business systems and models;
- attracting and retaining the necessary personnel associated with GE Transportation following the consummation of the Transactions;
- creating and implementing uniform standards, controls, procedures, policies and information systems and controlling the costs associated with such matters; and
- integrating information technology, purchasing, accounting, finance, sales, billing, payroll and regulatory compliance systems, and meeting external reporting requirements following the consummation of the Transactions.

All of the risks associated with the integration process could be exacerbated by the fact that Wabtec may not have a sufficient number of employees with the requisite expertise to integrate the businesses or to operate Wabtec's business after the Transactions. Failure to hire or retain employees with the requisite skills and knowledge to run Wabtec after the Transactions may have a material adverse effect on Wabtec's business, financial condition and results of operations.

Even if Wabtec is able to combine the two business operations successfully, it may not be possible to realize the benefits of the increased sales volume and other benefits, including the synergies that are expected to result from the Transactions, or realize these benefits within the time frame that is anticipated. For example, the elimination of duplicative costs may not be possible or may take longer than anticipated, or the benefits from the Transactions may be offset by costs incurred or delays in integrating the companies. In addition, the quantification of synergies expected to result from the Transactions is based on significant estimates and assumptions that are subjective in nature and inherently uncertain. The amount of synergies actually realized following the Transactions, if any, and the time periods in which any such synergies are realized, could differ materially from the expected synergies, regardless of whether Wabtec is able to combine the two business operations successfully.

If Wabtec is unable to successfully integrate GE Transportation or if it is unable to realize the anticipated synergies and other benefits of the Transactions, there could be a material adverse effect on Wabtec's business, financial condition and results of operations.

The Merger Agreement contains provisions that may discourage other companies from trying to acquire Wabtec.

The Merger Agreement contains provisions that may discourage a third party from submitting prior to the closing of the Transactions a business combination proposal to Wabtec that might result in greater value to Wabtec stockholders than the Transactions. The Merger Agreement generally prohibits Wabtec from soliciting any alternative transaction proposal, although the board of directors of Wabtec (the "Wabtec Board") may, subject to certain limitations, withdraw or modify its recommendation regarding the Transactions in the event it receives an unsolicited alternative transaction proposal that the Wabtec Board determines is superior to the Transactions. In addition, before the Wabtec Board may withdraw or modify its recommendation regarding the Transactions, GE has the opportunity to negotiate with Wabtec to modify the terms of the Transactions in response to any competing acquisition proposals. If the Merger Agreement is terminated by Wabtec or GE in certain circumstances, Wabtec may be obligated to pay a termination fee to GE, which would represent an additional cost for a potential third party seeking a business combination with Wabtec.

Failure to complete the Transactions could adversely affect the market price of Wabtec common stock as well as its business, financial condition and results of operations.

If the Transactions are not completed for any reason, the price of Wabtec common stock may decline, or the company's business, financial condition and results of operations may be impacted: to the extent that the market price of Wabtec common stock reflects positive market assumptions that the Transactions will be completed and the related benefits will be realized; based on significant expenses, such as legal, advisory and financial services which generally must be paid regardless of whether the Transactions are completed; based on potential disruption of the business of Wabtec and distraction of its workforce and management team; and based on the requirement in the Merger Agreement that, under certain circumstances, Wabtec must pay GE a termination fee or reimburse GE for expenses relating to the Transactions.

Wabtec will incur significant costs related to the Transactions that could have a material adverse effect on its liquidity, cash flows and operating results.

Wabtec expects to incur significant, one-time costs in connection with the Transactions, some of which will be capitalized, including approximately $35.0 million of financing-related fees, approximately $60.0 million of transaction-related costs, including advisory, legal, accounting and other professional fees and approximately $88.0 million of transition and integration-related costs, a portion of which will be incremental capital spending, which Wabtec management believes are necessary to realize the anticipated synergies from the Transactions. The incurrence of these costs may have a material adverse effect on Wabtec's liquidity, cash flows and operating results in the periods in which they are incurred.

Investors holding shares of Wabtec common stock immediately prior to the completion of the Transactions will have a significantly reduced ownership and voting interest in Wabtec after the Transactions and will exercise less influence over management.

Investors holding shares of Wabtec common stock immediately prior to the completion of the Transactions will, in the aggregate, own a significantly smaller percentage of the combined company immediately after the completion of the Transactions.

Upon consummation of the Merger and calculated based on Wabtec's outstanding common stock immediately prior to the Merger on a fully-diluted, as-converted and as-exercised basis, 50.1% of the outstanding shares of Wabtec common stock would be held collectively by GE and pre-Merger holders of GE common stock (with approximately 9.9% of the outstanding shares of Wabtec common stock expected to be held by GE) and 49.9% of the outstanding shares of Wabtec common stock would be held by pre-Merger Wabtec stockholders. The shares held by GE will be subject to GE's obligations under (x) the Tax Matters Agreement to be entered into prior to the time established by the board of directors of GE (the "GE Board") as the effective time of the Distribution on the date on which the Distribution occurs (the "Distribution Date") by and among GE, SpinCo, Wabtec and Direct Sale Purchaser (the "Tax Matters Agreement"), to sell a number of shares of Wabtec common stock within two years of the Distribution Date and (y) the Shareholders Agreement, to be entered into as of the closing date of the Merger, between Wabtec and GE (the "Shareholders Agreement"), to sell, subject to limited exceptions, all of the shares of Wabtec common stock GE beneficially owns within three years of the closing date of the Merger and prior thereto, to vote all of such shares in the proportion required under the Shareholders Agreement. Consequently, Wabtec stockholders, collectively, will be able to exercise significantly less influence over the management and policies of the combined company than they will be able to exercise over the management and Wabtec's policies immediately prior to the completion of the Transactions.

Where calculations are presented herein on a fully-diluted, as-converted and as-exercised basis, such calculations reflect a number of outstanding shares of Wabtec common stock that will be higher than the number of shares of Wabtec common stock actually outstanding at the relevant time, which variance may affect the actual percentages upon consummation of the Merger. In addition, in those instances, references to "Wabtec stockholders" owning 49.9% of the outstanding Wabtec common stock assume that the holders of instruments convertible into or exercisable for Wabtec common stock are the owners of the underlying Wabtec common stock and, with limited exceptions, assume that Wabtec equity awards, including those that may be settled in cash, are instruments convertible into or exercisable for Wabtec common stock.

The calculation of merger consideration will not be adjusted if there is a change in the value of GE Transportation or its assets or the value of Wabtec before the Transactions are completed.

The calculation of the number of shares of Wabtec common stock to be distributed in the Merger is based upon fixed percentages and will not be adjusted if there is a change in the value of GE Transportation or its assets or the value of Wabtec prior to the consummation of the Transactions. Wabtec will not be required to consummate the Merger if there has been any “material adverse effect” on GE Transportation as defined in the Merger Agreement. However, Wabtec will not be permitted to terminate or re-solicit the vote of Wabtec stockholders because of any changes in the market prices of Wabtec common stock or any changes in the value of GE Transportation that do not constitute a material adverse effect on GE Transportation.

Sales of Wabtec common stock after the Transactions may negatively affect the market price of Wabtec common stock.

The shares of Wabtec common stock to be issued as part of the Transactions will generally be eligible for immediate resale. The market price of Wabtec common stock could decline as a result of sales of a large number of shares of Wabtec common stock in the market after the consummation of the Transactions or even the perception that these sales could occur.

Following the consummation of the Transactions, GE is expected to hold approximately 9.9% of the outstanding Wabtec common stock. Pursuant to the Tax Matters Agreement and the Shareholders Agreement, GE is subject to certain requirements to sell shares of Wabtec common stock acquired in the Merger with a number of shares required to be sold by the second anniversary of the Merger and, with limited exceptions, all such shares required to be sold by the third anniversary of the closing of the Merger. Although these required sales have been disclosed, future sales by GE of a substantial number of shares could reduce the market price of Wabtec common stock.

Currently, GE stock may be held in index funds, and may be held by institutional investors subject to various investing guidelines. Because Wabtec may not be included in these indices following the consummation of the Transactions or may not meet the investing guidelines of some of these institutional investors, these index funds and institutional investors may decide to or may be required to sell the Wabtec common stock that they receive. In addition, with respect to the GE retirement plans that receive shares of Wabtec common stock in the Transactions, if any, those persons with investment discretion with respect to those shares of Wabtec common stock may decide to sell such shares following the consummation of the Transactions.

Wabtec has incurred, and expects to incur, new indebtedness in connection with the Transactions, and the degree to which Wabtec will be leveraged following completion of the Transactions may have a material adverse effect on Wabtec’s business, financial condition or results of operations and cash flows.

Wabtec and the other Borrowers entered into the Credit Agreement on June 8, 2018, which includes (i) a $1.2 billion unsecured revolving credit facility (the “Revolving Credit Facility”), (ii) a $350.0 million refinancing term loan (the “Refinancing Term Loan”) and (iii) a $400.0 million delayed draw term loan (the “Delayed Draw Term Loan”). Wabtec has also obtained commitments (the “Bridge Commitments”) in respect of the Bridge Loan Facility in an amount not to exceed $2.5 billion. The Bridge Commitments will be reduced by any alternative financing (including any other loans or debt securities) that Wabtec arranges prior to the Direct Sale, subject to customary exceptions. Wabtec will use funds available under the Delayed Draw Term Loan and the Bridge Loan Facility (or any alternative financing that Wabtec arranges, which would reduce the Bridge Commitments under the Bridge Loan Facility) to pay the Direct Sale Purchase Price. The Credit Agreement is expected to have approximately $812 million of unused availability immediately following consummation of the Transactions.

If Wabtec is not able to repay or refinance its debt as it becomes due, Wabtec may be forced to sell assets or take other disadvantageous actions, including (i) reducing financing in the future for working capital, capital expenditures and general corporate purposes or (ii) dedicating an unsustainable level of Wabtec’s cash flow from operations to the payment of principal and interest on Wabtec’s indebtedness. In addition, Wabtec’s ability to withstand competitive pressures and react to changes in Wabtec’s industry could be impaired. The lenders who hold such debt also could accelerate amounts due, which could potentially trigger a default or acceleration of any of Wabtec’s other debt.

In addition, Wabtec may increase its debt or raise additional capital following the Transactions, subject to restrictions in Wabtec's debt agreements. If Wabtec's cash flow from operations is less than it anticipates, or if Wabtec's cash requirements are more than it expects, Wabtec may require more financing. However, debt or equity financing may not be available to Wabtec on terms advantageous or acceptable to Wabtec, if at all. If Wabtec incurs additional debt or raises equity through the issuance of preferred stock, the terms of the debt or preferred stock issued may give the holders rights, preferences and privileges senior to those of holders of Wabtec common stock, particularly in the event of liquidation. The terms of the debt or preferred stock also may impose additional and more stringent restrictions on Wabtec's operations than those to which it is currently subject. If Wabtec raises funds through the issuance of additional equity, Wabtec stockholders' percentage ownership in Wabtec would be further diluted. If Wabtec is unable to raise additional capital when needed, it could affect Wabtec's financial condition.

Further, Wabtec's credit ratings impact the cost and availability of future borrowings, and, as a result, Wabtec's cost of capital. Wabtec's ratings reflect each rating organization's opinion of Wabtec's financial strength, operating performance and ability to meet Wabtec's debt obligations. Each of the ratings organizations reviews Wabtec's ratings periodically, and there can be no assurance that current ratings will be maintained in the future. Following the announcement of the Transactions, Moody's Investors Service, Inc. affirmed Wabtec's current credit ratings with a negative outlook, Standard & Poor's Ratings Services placed Wabtec's credit ratings under review for a possible downgrade and Fitch Ratings assigned Wabtec a BBB- credit rating with a stable outlook. Downgrades in Wabtec's ratings could adversely affect Wabtec's businesses, cash flows, financial condition and operating results.

The historical financial information of GE Transportation may not be representative of its results or financial condition if it had been operated independently of GE and, as a result, may not be a reliable indicator of its future results.

GE Transportation is currently operated by GE. Consequently, the financial information of GE Transportation included elsewhere in this Current Report on Form 8-K has been derived from the consolidated financial statements and accounting records of GE as if the operations of GE Transportation were conducted independently from GE. The historical results of operations, financial position and cash flows of GE Transportation included elsewhere in this Current Report on Form 8-K may not be indicative of what they would have been had GE Transportation actually been an independent stand-alone entity, nor are they necessarily indicative of the future results of operations, financial position and cash flows of GE Transportation. For example, the combined financial statements of GE Transportation include all revenues and costs directly attributable to GE Transportation and an allocation of expenses related to certain GE corporate functions. These expenses have been allocated to GE Transportation based on direct usage or benefit where identifiable, with the remainder allocated *pro rata* based on an applicable measure of revenues, cost of revenues, headcount, fixed assets, number of transactions or other relevant measures. Although SpinCo considers these allocations to be a reasonable reflection of the utilization of services or the benefit received, the allocations may not be indicative of the actual expense that would have been incurred had SpinCo operated as an independent, stand-alone entity, nor are they indicative of SpinCo's future expenses.

The unaudited pro forma combined financial information of Wabtec and GE Transportation is not intended to reflect what actual results of operations and financial condition would have been had Wabtec and GE Transportation been a combined company for the periods presented, and therefore these results may not be indicative of Wabtec's future operating performance.

Because Wabtec will acquire GE Transportation only upon completion of the Transactions, it has no available historical financial information that consolidates the financial results for the GE Transportation and Wabtec. The historical financial statements included elsewhere in this Current Report on Form 8-K consist of the separate financial statements of GE Transportation and Wabtec.

The unaudited pro forma condensed combined financial information presented elsewhere in this Current Report on Form 8-K is for illustrative purposes only and is not intended to, and does not purport to, represent what Wabtec's actual results or financial condition would have been if the Transactions had occurred on the relevant date. In addition, such unaudited pro forma condensed combined financial information is based in part on certain assumptions regarding the Transactions that Wabtec believes are reasonable. These assumptions, however, are only preliminary and will be updated only after the consummation of the Transactions. The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting, with Wabtec considered the acquirer of GE Transportation. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values with any excess purchase price allocated to goodwill. The pro forma purchase price allocation was based on an estimate of the fair values of the tangible and intangible assets and liabilities of GE Transportation. In arriving at the estimated fair values, Wabtec considered the preliminary appraisals of independent consultants which were based on a preliminary and limited review of the assets and liabilities related to GE Transportation to be transferred to, or assumed by, Direct Sale Purchaser, SpinCo and the SpinCo Transferred Subsidiaries in the Transactions. Following the Merger, Wabtec expects to complete the purchase price allocation after considering the fair value of the assets and liabilities of GE Transportation at the level of detail necessary to finalize the required purchase price allocation. The final purchase price allocation may be different than that reflected in the pro forma purchase price allocation presented herein, and this difference may be material.

The unaudited pro forma condensed combined financial information does not reflect the costs of any integration activities or transaction-related costs or incremental capital spending that Wabtec management believes are necessary to realize the anticipated synergies from the Transactions. Accordingly, the pro forma financial information included elsewhere in this Current Report on Form 8-K does not reflect what Wabtec's results of operations or operating condition would have been had Wabtec and GE Transportation been a consolidated entity during all periods presented, or what Wabtec's results of operations and financial condition will be in the future.

Wabtec may be unable to provide the same types and level of benefits, services and resources to GE Transportation that historically have been provided by GE, or may be unable to provide them at the same cost.

As part of GE, GE Transportation has been able to receive benefits and services from GE and has been able to benefit from GE's financial strength and extensive business relationships. After the consummation of the Transactions, GE Transportation will be owned by Wabtec and no longer will benefit from GE's resources. While Wabtec will enter into agreements under which GE will agree to provide certain transition services and site-related services for a period of time following the consummation of the Transactions, it cannot be assured that Wabtec will be able to adequately replace those resources or replace them at the same cost. If Wabtec is not able to replace the resources provided by GE or is unable to replace them at the same cost or is delayed in replacing the resources provided by GE, Wabtec's business, financial condition and results of operations may be materially adversely impacted.

Wabtec's business, financial condition and results of operations may be adversely affected following the Transactions if Wabtec cannot negotiate contract terms that are as favorable as those GE has received when Wabtec replaces certain of GE Transportation's contracts after the closing of the Transactions.

Prior to the consummation of the Transactions, certain functions (such as purchasing, accounts payable processing, accounts receivable management, information systems, logistics and distribution) associated with GE Transportation are being performed under GE's centralized systems and, in some cases, under contracts that also are used for GE's other businesses and which will not be assigned in whole or in part to GE Transportation. In addition, some other contracts to which GE is a party on behalf of GE Transportation will require consents of third parties to assign them to GE Transportation. There can be no assurance that GE Transportation will be able to negotiate contract terms that are as favorable as those GE received when and if Wabtec replaces these contracts with its own agreements for similar services, including any contracts that may need to be replaced as a result of a failure to obtain required third-party consents.

Although Wabtec believes that it will be able to enter into new agreements for similar services and that GE and Wabtec will be able to obtain all material third-party consents required to assign contracts to GE Transportation, it is possible that the failure to enter into new agreements for similar services or to obtain required consents to assign contracts could have a material adverse impact on Wabtec's business, financial condition and results of operations following the consummation of the Transactions.

Wabtec may fail to realize anticipated tax benefits of the Transactions.

GE and Wabtec intend that the Distribution and/or certain related transactions and the Direct Sale will be taxable to GE. Accordingly, GE and Wabtec intend that the Transactions will enable Wabtec to receive an increased tax basis in the assets of the SpinCo Business and the assets acquired in the Direct Sale and to realize other related tax benefits. However, the tax treatment of the Distribution, the Direct Sale and certain related transactions, and Wabtec's ability to realize the increased tax basis and other related tax benefits referenced above, are not certain. GE and Wabtec are not aware of any authority directly addressing a transaction involving these same facts, and do not intend to obtain any ruling from the United States Internal Revenue Service (the "IRS"), or any opinion of counsel, relating to the availability of the intended tax basis increases and other related tax benefits referenced above.

If the IRS or a court were to successfully assert that the Distribution and certain related transactions are not taxable to GE or that the Direct Sale is not treated as a taxable sale for U.S. federal income tax purposes, Wabtec and its subsidiaries (including SpinCo and Direct Sale Purchaser) likely would need to make increased payments for taxes in the future relative to the payments they would have made absent such successful assertion. GE is obligated under the Tax Matters Agreement to repay Wabtec on account of certain tax benefits related to the Transactions that are later disallowed. However, because GE's repayment obligation is solely in respect of the portion of the tax benefits for which Wabtec made payments to GE under the Tax Matters Agreement (and not the entire amount of incremental tax benefits referenced above), GE's repayment obligation in such case would not fully compensate Wabtec and its subsidiaries for the loss of all of the intended tax basis increases and other related tax benefits referenced above.

Wabtec may be required to make significant tax-related payments to GE.

Under the Tax Matters Agreement, Wabtec has agreed to make certain payments to GE as and when Wabtec realizes certain tax benefits arising out of the Transactions. The exact amount and timing of these payments is not certain, but GE and Wabtec expect that the amount of the payments will be significant and that all or a large majority of the amounts paid by Wabtec pursuant to this obligation will be paid within several years of the Distribution. The Tax Matters Agreement also obligates Wabtec to indemnify GE for certain types of taxes and other related amounts paid by GE or its subsidiaries to the extent such taxes and other amounts arise as a result of certain actions or failures to act, or breaches of the Tax Matters Agreement, by Wabtec, SpinCo or their subsidiaries, or with respect to the assets of Wabtec, SpinCo or their subsidiaries. To the extent the Tax Matters Agreement requires Wabtec, SpinCo or their subsidiaries to make substantial payments to GE or its subsidiaries, such payments could have a material adverse effect on Wabtec, including with respect to its financial condition and results of operations.

Wabtec and SpinCo are required to abide by potentially significant restrictions which could limit their ability to effect certain transactions (such as a merger or other combination) that otherwise could be advantageous.

To preserve the intended tax treatment of the Distribution and related transactions, the Tax Matters Agreement restricts Wabtec, SpinCo and their subsidiaries from taking certain actions that could affect such tax treatment or increase the tax liability of GE or its affiliates. These restrictions may limit the ability of Wabtec, SpinCo and their subsidiaries to pursue certain strategic or otherwise beneficial transactions, including certain acquisitions and equity capital market transactions.

Wabtec will have more shares of its common stock outstanding and will be a substantially larger company with significant indebtedness after the Transactions, which may discourage other companies from trying to acquire Wabtec.

Wabtec expects to issue approximately 98.5 million shares of its common stock in the Merger. Because Wabtec will be a significantly larger company and will have significantly more shares of its common stock outstanding after the consummation of the Transactions and significantly more outstanding indebtedness, an acquisition of Wabtec by a third party may become more expensive for potential acquirors. As a result, some companies may not seek to acquire Wabtec, and the reduction in potential parties that may seek to acquire Wabtec could negatively impact the prices at which Wabtec common stock trades.

Wabtec's estimates and judgments related to the acquisition accounting models used to record the purchase price allocation may be inaccurate.

Wabtec management will make significant accounting judgments and estimates for the application of acquisition accounting under GAAP, and the underlying valuation models. Wabtec's business, operating results and financial condition could be materially and adversely impacted in future periods if Wabtec's accounting judgments and estimates related to these models prove to be inaccurate.

Wabtec may be required to recognize impairment charges for goodwill and other intangible assets.

Wabtec currently estimates that the proposed Transactions will add approximately $11,124 million of goodwill and other intangible assets to Wabtec's consolidated balance sheet. In accordance with generally accepted accounting principles in the United States ("GAAP"), Wabtec management periodically assesses these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to Wabtec's business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may impair goodwill and other intangible assets. Any charges relating to such impairments would adversely affect Wabtec's results of operations in the periods recognized.

Wabtec may waive one or more of the conditions to the consummation of the Transactions without re-soliciting stockholder approval.

Wabtec may determine to waive, in whole or in part, one or more of the conditions to its obligations to consummate the Transactions to the extent permitted by applicable law. If Wabtec waives the satisfaction of a material condition to the consummation of the Transactions, Wabtec will evaluate the facts and circumstances at that time and re-solicit stockholder approval of the Share Issuance and the Wabtec Charter Amendment if required to do so by applicable law or other relevant rules. In some cases, if the Wabtec Board determines that such waiver or its effect on Wabtec stockholders does not rise to the level of materiality that would require re-solicitation of proxies pursuant to applicable law or rules, Wabtec would complete the Merger without seeking further stockholder approval.

Wabtec directors and executive officers have interests in seeing the Transactions completed are different from, or in addition to, those of other Wabtec stockholders. Therefore, Wabtec directors and executive officers may have a conflict of interest in recommending the proposals being voted on at Wabtec's special meeting.

In considering the recommendations of the Wabtec Board that Wabtec stockholders vote to approve the Share Issuance and the Wabtec Charter Amendment, you should be aware that Wabtec directors and executive officers have financial interests in the Transactions that are different from, or in addition to, the interests of Wabtec stockholders generally. The members of the Wabtec Board were aware of and considered these interests, among other matters, in deciding to approve the terms of the Transactions, including the Merger, and in recommending to Wabtec stockholders that they vote to approve the Share Issuance and the Wabtec Charter Amendment.

The directors of Wabtec immediately prior to the consummation of the Merger are generally expected to be the directors of Wabtec immediately after the consummation of the Merger (although the size of the Wabtec Board will be increased to include three additional independent directors to be designated by GE, effective at the time of closing of the Merger). The executive officers of Wabtec immediately prior to consummation of the Merger are generally expected to be the executive officers of Wabtec immediately following consummation of the Merger, with Albert J. Neupaver remaining as Wabtec's executive chairman and Raymond T. Betler remaining as Wabtec's president and CEO. Following consummation of the Transactions, Stéphane Rambaud-Measson will become president and CEO of Wabtec's Transit Segment and Rafael O. Santana, president and CEO of GE Transportation, will become president and CEO of Wabtec's Freight Segment.

In addition, the directors and executive officers of Wabtec would be entitled to accelerated vesting of certain equity incentive awards upon the consummation of the Merger, and certain executive officers would be entitled to severance benefits upon a qualifying termination of employment in connection with the Merger that are greater than the severance benefits to which they are entitled without regard to the consummation of the Merger.

Risks Related to Wabtec, Including GE Transportation, After the Transactions

For purposes of the following discussion, unless the context requires otherwise, "Wabtec" refers to Westinghouse Air Brake Technologies Corporation and its subsidiaries, including SpinCo and the SpinCo Transferred Subsidiaries.

Prolonged unfavorable economic and market conditions could adversely affect Wabtec's business.

Unfavorable general economic and market conditions in the United States and internationally—particularly in Wabtec's key end markets—could have a negative impact on Wabtec's sales and operations. To the extent that these factors result in continued instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market Wabtec's products effectively, Wabtec's business and results of operations could be materially adversely affected.

Wabtec is dependent upon key customers.

Wabtec relies on several key customers who represent a significant portion of its business. While Wabtec believes its relationships with its customers are generally good, Wabtec's top customers could choose to reduce or terminate their relationships with Wabtec. In addition, many of Wabtec's customers place orders for products on an as-needed basis and operate in cyclical industries. As a result, customer order levels have varied from period to period in the past and may vary significantly in the future. Such customer orders are dependent upon their markets and customers, and may be subject to delays and cancellations. Furthermore, the average service life of certain products in Wabtec's end markets has increased in recent years due to innovations in technologies and manufacturing processes, which has also allowed end users to replace parts less often. As a result of Wabtec's dependence on its key customers, Wabtec could experience a material adverse effect on its business, results of operations and financial condition if it lost any one or more of its key customers or if there is a reduction in their demand for Wabtec's products.

Wabtec operates in a highly competitive industry.

Wabtec operates in a global, competitive marketplace and faces substantial competition from a limited number of established competitors, some of which may have greater financial resources than Wabtec, may have a more extensive low-cost sourcing strategy and presence in low-cost regions than Wabtec or may receive significant governmental support. Price competition is strong and, coupled with the existence of a number of cost conscious customers with significant negotiating power, has historically limited Wabtec's ability to increase prices. In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery and customer service and support. If Wabtec's competitors invest heavily in innovation and develop products that are more efficient or effective than Wabtec's products, Wabtec may not be able to compete effectively. There can be no assurance that competition in one or more of Wabtec's markets will not adversely affect Wabtec's business and its results of operations.

Wabtec intends to pursue acquisitions, joint ventures and alliances that involve a number of inherent risks, any of which may cause Wabtec not to realize anticipated benefits.

One aspect of Wabtec's business strategy is to selectively pursue acquisitions, joint ventures and alliances that Wabtec believes will improve its market position, and provide opportunities to realize operating synergies. These transactions involve inherent risks and uncertainties, any one of which could have a material adverse effect on Wabtec's business, results of operations and financial condition including:

- difficulties in achieving identified financial and operating synergies, including the integration of operations, services and products;
- diversion of management's attention from other business concerns;
- the assumption of unknown liabilities; and
- unanticipated changes in the market conditions, business and economic factors affecting such an acquisition, joint venture or alliance.

Wabtec cannot assure that it will be able to consummate any future acquisitions, joint ventures or other business combinations. If Wabtec is unable to identify or consummate suitable acquisitions, joint ventures or alliances, Wabtec may be unable to fully implement its business strategy, and its business and results of operations may be adversely affected as a result. In addition, Wabtec's ability to engage in such strategic transactions will be dependent on its ability to raise substantial capital, and Wabtec may not be able to raise the funds necessary to implement this strategy on terms satisfactory to Wabtec, if at all.

A failure to predict and react to customer demand could adversely affect Wabtec's business.

If Wabtec is unable to accurately forecast demand for its existing products or to react appropriately to changes in demand, Wabtec may experience delayed product shipments and customer dissatisfaction. If demand increases significantly from current levels, both Wabtec and its suppliers may have difficulty meeting such demand, particularly if such demand increases occur rapidly. Alternatively, Wabtec may carry excess inventory if demand for its products decreases below projected levels.

Additionally, Wabtec has dedicated significant resources to the development, manufacturing and marketing of new products. Decisions to develop and market new transportation products are typically made without firm indications of customer acceptance. Moreover, by their nature, new products may require alteration of existing business methods or threaten to displace existing equipment in which Wabtec's customers may have a substantial capital investment. There can be no assurance that any new products that Wabtec develops will gain widespread acceptance in the marketplace or that such products will be able to compete successfully with other new products or services that may be introduced by competitors. Furthermore, Wabtec may incur additional warranty or other costs as new products are tested and used by customers.

Failure to accurately predict and react to customer demand could have a material adverse effect on Wabtec's business, results of operations and financial condition.

Wabtec may fail to respond adequately or in a timely manner to innovative changes in new technology.

In recent years, the global transportation landscape has been characterized by rapid changes in technology, leading to innovative transportation and logistics concepts that could change the way the railway industry does business. There may be additional innovations impacting the railway industry that Wabtec cannot yet foresee. Any failure by Wabtec to quickly adapt to and adopt new innovations in products and processes desired by Wabtec's customers may result in a significant loss of demand for Wabtec's product and service offerings. In addition, advances in technology may require Wabtec to increase investments in order to remain competitive, and Wabtec's customers may not be willing to accept higher prices to cover the cost of these investments.

A portion of Wabtec's sales are related to delivering products and services to help its U.S. railroad and transit customers meet the Positive Train Control ("PTC") mandate from the U.S. federal government, which requires the use of on-board locomotive computers and software by the end of 2018.

For the fiscal year ended December 31, 2017, Wabtec, without giving effect to the Transactions, had sales of about $322 million related to train control and signaling, which includes PTC. In 2015, the industry's PTC deadline was extended by three years through December 31, 2018, which also included the ability of railroads to request an additional two years for compliance with the approval of the Department of Transportation if certain parameters are met. This could change the timing of Wabtec's revenues and could cause Wabtec to reassess the staffing, resources and assets deployed in delivering PTC services.

Wabtec's revenues are subject to cyclical variations in the railway and passenger transit markets and changes in government spending.

The railway industry historically has been subject to significant fluctuations due to overall economic conditions, the use of alternate methods of transportation and the levels of government spending on railway projects. In economic downturns, railroads have deferred, and may defer, certain expenditures in order to conserve cash in the short term. Reductions in freight traffic may reduce demand for Wabtec's replacement products.

The passenger transit railroad industry is also cyclical and is influenced by a variety of factors. New passenger transit car orders vary from year to year and are influenced by a variety of factors, including major replacement programs, the construction or expansion of transit systems by transit authorities and the quality and cost of alternative modes of transportation. To the extent that future funding for proposed public projects is curtailed or withdrawn altogether as a result of changes in political, economic, fiscal or other conditions beyond Wabtec's control, such projects may be delayed or cancelled, resulting in a potential loss of business for Wabtec, including locomotives, transit aftermarket and new transit car orders. There can be no assurance that economic conditions will be favorable or that there will not be significant fluctuations adversely affecting the industry as a whole and, as a result, Wabtec.

Wabtec's backlog is not necessarily indicative of the level of Wabtec's future revenues.

Wabtec's backlog represents future production and estimated potential revenue attributable to firm contracts with, or written orders from, its customers for delivery in various periods. Instability in the global economy, negative conditions in the global credit markets, volatility in the industries that Wabtec's products serve, changes in legislative policy, adverse changes in the financial condition of Wabtec's customers, adverse changes in the availability of raw materials and supplies, or un-remedied contract breaches could possibly lead to contract termination or cancellations of orders in Wabtec's backlog or request for deferred deliveries of Wabtec's backlog orders, each of which could adversely affect Wabtec's cash flows and results of operations.

A growing portion of Wabtec's sales may be derived from its international operations, which exposes Wabtec to certain risks inherent in doing business on an international level.

For the fiscal year ended December 31, 2017, without giving effect to the Transactions, approximately 66% of Wabtec's consolidated net sales were to customers outside of the United States. Wabtec intends to continue to expand its international operations, including in emerging markets, in the future. Wabtec's global headquarters for the Transit group is located in France, and Wabtec conducts other international operations through a variety of wholly and majority-owned subsidiaries and joint ventures, including in Australia, Austria, Brazil, Canada, China, Czech Republic, France, Germany, India, Italy, Macedonia, Mexico, the Netherlands, Poland, Russia, Spain, South Africa, Turkey, and the United Kingdom. As a result, Wabtec is subject to various risks, any one of which could have a material adverse effect on those operations and on its business as a whole, including:

- lack of complete operating control;
- lack of local business experience;
- currency exchange fluctuations and devaluations;
- restrictions on currency conversion or the transfer of funds or limitations on Wabtec's ability to repatriate income or capital;
- the complexities of operating within multiple tax jurisdictions;
- foreign trade restrictions and exchange controls;
- adverse impacts of international trade policies, such as import quotas, capital controls or tariffs;
- difficulty enforcing agreements and intellectual property rights;
- the challenges of complying with complex and changing, laws regulations and policies of foreign governments;
- the difficulties involved in staffing and managing widespread operations;
- the potential for nationalization of enterprises;
- economic, political and social instability; and
- possible terrorist attacks, conflicts and wars, including those against American interests.

Wabtec's exposure to the risks associated with international operations may intensify if its international operations expand in the future.

Wabtec may have liability arising from asbestos litigation.

Claims have been filed against Wabtec and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Most of these claims have been made against Wabtec's wholly-owned subsidiary, Railroad Friction Products Corporation ("RFPC"), and are based on a product sold by RFPC prior to the time that Wabtec acquired any interest in RFPC.

Most of these claims, including all of the RFPC claims, are submitted to insurance carriers for defense and indemnity or to non-affiliated companies that have retained the liabilities for the asbestos-containing products at issue. Wabtec cannot, however, assure that all these claims will be fully covered by insurance or that the indemnitors or insurers will remain financially viable. Wabtec's ultimate legal and financial liability with respect to these claims, as is the case with most other pending litigation, cannot be estimated.

Wabtec is subject to a variety of laws and regulations, including anti-corruption laws, in various jurisdictions.

Wabtec is subject to various laws, rules and regulations administered by authorities in jurisdictions in which Wabtec does business, such as the anti-corruption laws of the U.S. Foreign Corrupt Practices Act, the French Law n° 2016-1691 (Sapin II) and the U.K. Bribery Act, relating to its business and its employees. Wabtec is also subject to other laws and regulations governing its international operations, including regulations administered by the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Department of Treasury's Office of Foreign Assets Control, and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations, and transfer pricing regulations. Despite Wabtec's policies, procedures and compliance programs, its internal controls and compliance systems may not be able to protect Wabtec from prohibited acts willfully committed by its employees, agents or business partners that would violate such applicable laws and regulations. Any such improper acts could damage Wabtec's reputation, subject it to civil or criminal judgments, fines or penalties, and could otherwise disrupt Wabtec's business, and as a result, could materially adversely impact Wabtec's business, results of operations and financial condition.

In addition, Wabtec's manufacturing operations are subject to safety, operations, maintenance and mechanical standards, rules and regulations enforced by various federal and state agencies and industry organizations both domestically and internationally. Wabtec's business may be adversely impacted by new rules and regulations or changes to existing rules or regulations, which could require additional maintenance or substantial modification or refurbishment of certain of Wabtec's products or could make such products obsolete or require them to be phased out prior to their useful lives. Wabtec is unable to predict what impact these or other regulatory changes may have, if any, on its business or the industry as a whole. Wabtec cannot assure that costs incurred to comply with any new standards or regulations will not be material to Wabtec's business, results of operations and financial condition.

Wabtec is subject to a variety of environmental laws and regulations.

Wabtec is subject to a variety of increasingly stringent environmental laws and regulations governing discharges to air and water, substances in products, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. Wabtec has incurred, and will continue to incur, both operating and capital costs to comply with environmental laws and regulations, including costs associated with the clean-up and investigation of some of Wabtec's current and former properties and offsite disposal locations. Wabtec believes its operations currently comply in all material respects with all of the various environmental laws and regulations applicable to its business; however, there can be no assurance that environmental requirements will not change in the future or that Wabtec will not incur significant costs to comply with such requirements. Failure to comply with environmental laws and regulations could have significant consequences on Wabtec's business and results of operations, including the imposition of substantial fines and sanctions for violations, injunctive relief (including requirements that Wabtec limit or cease operations at affected facilities), and reputational risk.

In addition, certain of Wabtec's products are subject to extensive, and increasingly stringent, statutory and regulatory requirements governing, *e.g.*, emissions and noise, including standards imposed by the U.S. Environmental Protection Agency, the European Union and other regulatory agencies around the world. Wabtec has made, and will continue to make, significant capital and research expenditures relating to compliance with these standards. The successful development and introduction of new and enhanced products in order to comply with new regulatory requirements are subject to other risks, such as delays in product development, cost over-runs and unanticipated technical and manufacturing difficulties. In addition to these risks, the nature and timing of government implementation and enforcement of these standards—particularly in emerging markets—are unpredictable and subject to change.

Future climate change regulation could result in increased operating costs, affect the demand for Wabtec's products or affect the ability of Wabtec's critical suppliers to meet its needs.

Wabtec has followed the current debate over climate change and the related policy discussion and prospective legislation. The potential challenges for Wabtec that climate change policy and legislation may pose have been reviewed by Wabtec. Any such challenges are heavily dependent on the nature and degree of climate change legislation and the extent to which it applies to Wabtec's industry. At this time, Wabtec cannot predict the ultimate impact of climate change and climate change legislation on Wabtec's operations. Further, when or if these impacts may occur cannot be assessed until scientific analysis and legislative policy are more developed and specific legislative proposals begin to take shape. Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gas could require Wabtec to incur increased operating costs, and could have an adverse effect on demand for Wabtec's products. In addition, the price and availability of certain of the raw materials that Wabtec uses could vary in the future as a result of environmental laws and regulations affecting Wabtec's suppliers. An increase in the price of Wabtec's raw materials or a decline in their availability could adversely affect Wabtec's operating margins or result in reduced demand for Wabtec's products.

The occurrence of litigation in which Wabtec could be named as a defendant is unpredictable.

From time to time, Wabtec is subject to litigation or other commercial disputes and other legal and regulatory proceedings with respect to its business, customers, suppliers, creditors, shareholders, product liability, intellectual property infringement, warranty claims or environmental-related matters. Due to the inherent uncertainties of any litigation, commercial disputes or other legal or regulatory proceedings, Wabtec cannot accurately predict their ultimate outcome, including the outcome of any related appeals. Wabtec may incur significant expense to defend or otherwise address current or future claims. Any litigation, even a claim without merit, could result in substantial costs and diversion of resources and could have a material adverse effect on Wabtec's business and results of operations. Although Wabtec maintains insurance policies for certain risks, Wabtec cannot make assurances that this insurance will be adequate to protect Wabtec from all material judgments and expenses related to potential future claims or that these levels of insurance will be available in the future at economical prices or at all.

If Wabtec is not able to protect its intellectual property and other proprietary rights, Wabtec may be adversely affected.

Wabtec's success can be impacted by its ability to protect its intellectual property and other proprietary rights. Wabtec relies primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect its intellectual property and other proprietary rights. However, filing, prosecuting and defending patents on Wabtec's products in all countries and jurisdictions throughout the world would be prohibitively expensive. Moreover, existing U.S. legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide Wabtec with any competitive advantages and may be challenged by third parties. The laws of countries other than the United States may be even less protective of intellectual property rights. As a result, a significant portion of Wabtec's technology is not patented and Wabtec may be unable or may not seek to obtain patent protection for this technology. Further, although Wabtec routinely conducts anti-counterfeiting activities in multiple jurisdictions, Wabtec has encountered counterfeit reproductions of Wabtec's products or products that otherwise infringe on Wabtec's intellectual property rights. Counterfeit components of low quality may negatively impact Wabtec's brand value. Accordingly, despite Wabtec's efforts, Wabtec may be unable to prevent third parties from infringing upon, counterfeiting or misappropriating its intellectual property or otherwise gaining access to Wabtec's technology. If Wabtec fails to protect its intellectual property and other proprietary rights, then Wabtec's business, results of operations and financial condition could be negatively impacted.

In addition, Wabtec operates in industries in which there are many third-party owners of intellectual property rights. Owners of intellectual property that Wabtec needs to conduct its business as it evolves may be unwilling to license such intellectual property rights to Wabtec on terms Wabtec considers reasonable. Third party intellectual property owners may assert infringement claims against Wabtec based on their intellectual property portfolios. If Wabtec is sued for intellectual property infringement, Wabtec may incur significant expenses investigating and defending such claims, even if Wabtec prevails.

Wabtec faces risks relating to cybersecurity attacks that could cause loss of confidential information and other business disruptions.

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and Wabtec's business is at risk from and may be impacted by cybersecurity attacks. Wabtec relies extensively on computer systems to process transactions and manage its business. In addition, Wabtec collects, processes and retains sensitive and confidential customer information in the normal course of business. Cybersecurity attacks could include attempts to gain unauthorized access to Wabtec's data and computer systems. Attacks can be both individual and/or highly organized attempts by very sophisticated hacking organizations. Wabtec employs a number of measures to prevent, detect and mitigate these threats, which include employee education, password encryption, frequent password change events, firewall detection systems, anti-virus software in-place and frequent backups; however, there is no guarantee such efforts will be successful in preventing a cyber-attack. A cybersecurity attack could compromise the confidential information of Wabtec's employees, customers and suppliers, and potentially violate certain domestic and international privacy laws. Furthermore, a cybersecurity attack on Wabtec's customers and suppliers could compromise Wabtec's confidential information in the possession of Wabtec's customers and suppliers. A successful attack could disrupt and otherwise adversely affect Wabtec's business operations, including through lawsuits by third-parties. In addition, the regulatory environment related to information security and privacy is constantly changing, and compliance with those requirements could result in additional costs.

Wabtec's manufacturer's warranties or product liability may expose Wabtec to potentially significant claims.

Wabtec warrants the workmanship and materials of many of its products. Accordingly, Wabtec is subject to a risk of product liability or warranty claims in the event that the failure of any of its products results in personal injury or death, or does not conform to Wabtec's customers' specifications. In addition, in recent years, Wabtec has introduced a number of new products for which Wabtec does not have a history of warranty experience. Although Wabtec currently maintains liability insurance coverage, Wabtec cannot assure that product liability claims, if made, would not exceed Wabtec's insurance coverage limits or that insurance will continue to be available on commercially acceptable terms, if at all. The possibility exists for these types of warranty claims to result in costly product recalls, significant repair costs and damage to Wabtec's reputation.

Labor shortages and labor disputes may have a material adverse effect on Wabtec's operations and profitability.

Wabtec depends on skilled labor in its manufacturing and other businesses. Due to the competitive nature of the labor markets in which Wabtec operates, Wabtec may not be able to retain, recruit and train the personnel Wabtec requires, particularly when the economy expands, production rates are high or competition for such skilled labor increases.

Wabtec collectively bargains with labor unions at some of its operations throughout the world. Failure to reach an agreement could result in strikes or other labor protests which could disrupt Wabtec's operations. Furthermore, non-union employees in certain countries have the right to strike. If Wabtec were to experience a strike or work stoppage, it would be difficult for Wabtec to find a sufficient number of employees with the necessary skills to replace these employees. Wabtec cannot assure that it will reach any such agreement or that it will not encounter strikes or other types of conflicts with the labor unions of Wabtec's personnel.

Any such labor shortages or labor disputes could have an adverse effect on Wabtec’s business, results of operations and financial condition, could cause Wabtec to lose revenues and customers and might have permanent effects on Wabtec’s business.

Equipment failures, interruptions, delays in deliveries or extensive damage to Wabtec’s facilities, supply chains, distribution systems or information technology systems, could adversely affect its business.

All of Wabtec’s facilities, equipment, supply chains, distribution systems and information technology systems are subject to the risk of catastrophic loss due to unanticipated events, such as fires, earthquakes, explosions, floods, tornados, hurricanes or weather conditions. An interruption in Wabtec’s manufacturing capabilities, supply chains, distribution systems or information technology systems, whether as a result of such catastrophic loss or any other reason, could reduce, prevent or delay Wabtec’s production and shipment of its product offerings, result in defective products or services, damage customer relationships and Wabtec’s reputation and result in legal exposure and large repair or replacement expenses. This could result in the delay or termination of orders, the loss of future sales and a negative impact to Wabtec’s reputation with Wabtec’s customers.

Third-party insurance coverage that Wabtec maintains with respect to such matters will vary from time to time in both type and amount depending on cost, availability and Wabtec’s decisions regarding risk retention, and may be unavailable or insufficient to protect Wabtec against losses. Any of these risks coming to fruition could materially adversely affect Wabtec’s business, results of operations and financial condition.

Wabtec may be exposed to raw material shortages, supply shortages and fluctuations in raw material, energy and commodity prices.

Wabtec purchases energy, steel, aluminum, copper, rubber and rubber-based materials, chemicals, polymers and other key manufacturing inputs from outside sources, and traditionally has not had long-term pricing contracts with its pure raw material suppliers. The costs of these raw materials have been volatile historically and are influenced by factors that are outside Wabtec’s control. If Wabtec is unable to pass increases in the costs of Wabtec’s raw materials on to Wabtec’s customers, experiences a lag in its ability to pass increases to Wabtec’s customers, or operational efficiencies are not achieved, Wabtec’s operating margins and results of operations may be materially adversely affected.

Wabtec’s businesses compete globally for key production inputs. In addition, Wabtec relies upon third-party suppliers, including certain single-sourced suppliers, for various components for its products. In the event of a shortage or discontinuation of certain raw materials or key inputs, Wabtec may experience challenges sourcing certain of its components to meet its production requirements and may not be able to arrange for alternative sources of certain raw materials or key inputs. Any such shortage may materially adversely affect Wabtec’s competitive position versus companies that are able to better or more cheaply source such raw materials or key inputs.

Wabtec may incur increased costs due to fluctuations in interest rates and foreign currency exchange rates.

In the ordinary course of business, Wabtec is exposed to increases in interest rates that may adversely affect funding costs associated with variable-rate debt and changes in foreign currency exchange rates. Wabtec is subject to currency exchange rate risk to the extent that Wabtec’s costs may be denominated in currencies other than those in which Wabtec earns and reports revenues and vice versa. In addition, a decrease in the value of any of these currencies relative to the U.S. dollar could reduce Wabtec’s profits from non-U.S. operations and the translated value of the net assets of Wabtec’s non-U.S. operations when reported in U.S. dollars in Wabtec’s consolidated financial statements. Wabtec may seek to minimize these risks through the use of interest rate swap contracts and currency hedging agreements. There can be no assurance that any of these measures will be effective. Material changes in interest or exchange rates could result in material losses to Wabtec.

If Wabtec loses its senior management or key personnel, Wabtec's business may be materially and adversely affected.

The success of Wabtec's business is largely dependent on Wabtec's senior management team, as well as on Wabtec's ability to attract and retain other qualified key personnel. It cannot be assured that Wabtec will be able to retain all of its current senior management personnel and attract and retain other key personnel necessary for the development of Wabtec's business. The loss of the services of senior management and other key personnel or the failure to attract additional personnel as required could have a material adverse effect on Wabtec's business, results of operations and financial condition.

Wabtec has substantial operations located in India, and Wabtec is subject to regulatory, economic, social and political uncertainties in India.

Wabtec has extensive operations in India, including a large scale project in which Wabtec is constructing a factory in the state of Bihar, which includes a township to house employees. The project also includes construction of two service sheds, in the states of Uttar Pradesh and Gujarat. Wabtec's operations in India are inherently risky due to a number of regulatory, economic, social and political uncertainties. For example, in September 2017 several media outlets reported that the Indian government expressed a desire to switch the country's rail system from diesel to electric locomotives, which would threaten to interfere with the completion of the project and curtail the viability of Wabtec's ongoing operations in India. While no such actions have been taken to date, any change in policy with respect to India's rail system could have a material adverse effect on Wabtec's business.

In addition, the Indian government has exercised and continues to exercise significant influence over many aspects of the Indian economy. Since 1991, successive Indian governments have generally pursued policies of economic liberalization and financial sector reforms, including by significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant and Wabtec cannot assure you that such liberalization policies will continue. The rate of economic liberalization could change, and specific laws and policies affecting foreign investments in India could change as well, including exposure to possible expropriation, nationalization or other governmental actions.

Further, protests against privatizations and government corruption scandals, which have occurred in the past, could slow the pace of liberalization and deregulation. A significant change in India's policy of economic liberalization and deregulation or any social or political uncertainties could significantly harm business and economic conditions in India generally and Wabtec's business and prospects.

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption with respect to communication systems or any public facility, including transportation infrastructure, could disrupt Wabtec's normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of people, goods and supplies, and add costs to doing business in India. These disruptions could interrupt Wabtec's business operations and significantly harm Wabtec's results of operations, financial condition and cash flows.

Wabtec's indebtedness could adversely affect its financial health.

At June 30, 2018, without giving effect to the Transactions, Wabtec had total debt of $1,884.9 million. Wabtec and the other Borrowers entered into the Credit Agreement on June 8, 2018, which includes (i) a $1.2 billion Revolving Credit Facility, (ii) a $350.0 million Refinancing Term Loan and (iii) a $400.0 million Delayed Draw Term Loan. Wabtec has also obtained Bridge Commitments in respect of the Bridge Loan Facility in an amount not to exceed $2.5 billion. The Bridge Commitments will be reduced by any alternative financing (including any other loans or debt securities) that Wabtec arranges prior to the Direct Sale, subject to customary exceptions. The Credit Agreement is expected to have approximately $812 million of unused availability immediately following consummation of the Transactions. Being indebted could have important consequences to Wabtec. For example, Wabtec's indebtedness could:

- increase Wabtec's vulnerability to general adverse economic and industry conditions;

- require Wabtec to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit Wabtec's flexibility in planning for, or reacting to, changes in its business and the industries in which it operate;
- place Wabtec at a disadvantage compared to competitors that have less debt; and
- limit Wabtec's ability to borrow additional funds.

The indenture for Wabtec's $750.0 million 3.450% senior notes due in 2026, Wabtec's $250.0 million 4.375% senior notes due in 2023, and the Credit Agreement contain various covenants that limit Wabtec's management's discretion in the operation of Wabtec's businesses.

The Credit Agreement contains customary representations and warranties by Wabtec and its subsidiaries, including customary use of materiality, material adverse effect, and knowledge qualifiers. Wabtec and its subsidiaries are also subject to (i) customary affirmative covenants that impose certain reporting obligations on Wabtec and its subsidiaries and (ii) customary negative covenants, including limitations on: indebtedness; liens; restricted payments; fundamental changes; business activities; transactions with affiliates; restrictive agreements; changes in fiscal year; and use of proceeds. In addition, Wabtec is required to maintain (i) a ratio of EBITDA to interest expense of at least 3.00 to 1.00 over each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter and (ii) a Leverage Ratio, calculated as of the last day of a fiscal quarter for a period of four consecutive fiscal quarters, of 3.25 to 1.00 or less; *provided* that, in the event Wabtec completes the Direct Sale and the Merger or any other material acquisition in which the cash consideration paid exceeds $500.0 million, the maximum Leverage Ratio permitted will be (x) 3.75 to 1.00 at the end of the fiscal quarter in which such acquisition is consummated and each of the three fiscal quarters immediately following such fiscal quarter and (y) 3.50 to 1.00 at the end of each of the fourth and fifth full fiscal quarters after the consummation of such acquisition.

The indenture under which the senior notes were issued contain covenants and restrictions which limit among other things, the following: sale and leaseback transactions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The integration of Wabtec's recently completed acquisitions may not result in anticipated improvements in market position or the realization of anticipated operating synergies or may take longer to realize than expected.

In 2016 and 2017, Wabtec completed multiple acquisitions with a combined investment of $1,865 million, which included Wabtec's acquisition of Faiveley Transport, S.A. for $1,507 million. Although Wabtec believes that the acquisitions will improve its market position and realize positive operating results, including operating synergies, operating expense reductions and overhead cost savings, Wabtec cannot be assured that these improvements will be obtained or the timing of such improvements. The management and acquisition of businesses involves substantial risks, any of which may result in a material adverse effect on Wabtec's business and results of operations, including:

- the uncertainty that an acquired business will achieve anticipated operating results;
- significant expenses to integrate;
- diversion of management's attention;
- departure of key personnel from the acquired business;
- effectively managing entrepreneurial spirit and decision-making;
- integration of different information systems;
- unanticipated costs and exposure to unforeseen liabilities; and
- impairment of assets.

Wabtec
CORPORATION

/// Wabtec: Investor Presentation

September 10, 2018

/// DISCLAIMER / FORWARD-LOOKING STATEMENTS

Additional Information and Where to Find It

Westinghouse Air Brake Technologies ("Wabtec") has filed a shelf registration statement (including a prospectus) with the U.S. Securities and Exchange Commission ("SEC"). Any offering of securities will be made only by means of a prospectus supplement, which will be filed with the SEC. In connection with any offering of securities pursuant to the shelf registration statement, you may obtain a copy of the applicable prospectus supplement and accompanying prospectus for the offering through the website maintained by the SEC at www.sec.gov or through the underwriters for such offering.

In connection with the proposed transaction (the "Proposed Transaction") between General Electric Company ("GE") and Wabtec, Transportation Systems Holdings, Inc. ("SpinCo") will file with the SEC a registration statement on Form S-4/S-1 containing a prospectus or a registration statement on Form 10 and Wabtec will file with the SEC a registration statement on Form S-4 that will include a combined proxy statement/prospectus. If the transaction is effected via an exchange offer, GE will also file with the SEC a Schedule TO with respect thereto. This communication is not a substitute for any proxy statement, registration statement, proxy statement/prospectus or other documents GE, Wabtec and/or SpinCo may file with the SEC in connection with the Proposed Transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ CAREFULLY AND IN THEIR ENTIRETY THESE DOCUMENTS WHEN THEY BECOME AVAILABLE, ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, AND OTHER DOCUMENTS FILED BY GE, WABTEC OR SPINCO WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION, BECAUSE THESE DOCUMENTS WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of these materials and other documents filed with the SEC by GE, Wabtec and/or SpinCo through the website maintained by the SEC at www.sec.gov. Investors and security holders will also be able to obtain free copies of the documents filed by GE, Wabtec and/or SpinCo with the SEC from the respective companies by directing a written request to GE and/or SpinCo at General Electric Company, 41 Farnsworth Street, Boston, Massachusetts 02210 or by calling 617-443-3400, or to Wabtec at Wabtec Corporation, 1001 Air Brake Avenue, Wilmerding, PA 15148 or by calling 412-825-1543.

No Offer or Solicitation

This presentation is for informational purposes only and not intended to and does not constitute an offer to subscribe for, buy or sell, the solicitation of an offer to subscribe for, buy or sell, or an invitation to subscribe for, buy or sell, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the Proposed Transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

Participants in the Solicitation

This presentation is not a solicitation of a proxy from any investor or security holder. GE, Wabtec, SpinCo, their respective directors, executive officers and other members of their management and employees may be deemed to be participants in the solicitation of proxies from shareholders of Wabtec in connection with the Proposed Transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies in connection with the Proposed Transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the relevant materials when filed with the SEC. Information regarding the directors and executive officers of GE is contained in GE's proxy statement for its 2018 annual meeting of stockholders, filed with the SEC on March 23, 2018, its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 23, 2018, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which was filed with the SEC on May 1, 2018, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which was filed with the SEC on July 27, 2018, and certain of its Current Reports filed on Form 8-K. Information regarding the directors and executive officers of Wabtec is contained in Wabtec's proxy statement for its 2018 annual meeting of stockholders, filed with the SEC on April 5, 2018, its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 26, 2018, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 which was filed with the SEC on May 4, 2018, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which was filed on July 31, 2018 and certain of its Current Reports filed on Form 8-K. These documents can be obtained free of charge from the sources indicated above.

/// DISCLAIMER / FORWARD-LOOKING STATEMENTS

Caution Concerning Forward-Looking Statements

This presentation contains “forward-looking” statements as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995, including statements regarding the Proposed Transaction. All statements, other than historical facts, including statements regarding the expected timing and structure of the Proposed Transaction; the ability of the parties to complete the Proposed Transaction considering the various closing conditions; the expected benefits of the Proposed Transaction, including future financial and operating results, the tax consequences of the Proposed Transaction and the combined company's plans, objectives, expectations and intentions; legal, economic and regulatory conditions; and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “overestimate,” “underestimate,” “believe,” “could,” “project,” “predict,” “continue,” “target” or other similar words or expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) that one or more closing conditions to the Proposed Transaction, including certain regulatory approvals, may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the Proposed Transaction, may require conditions, limitations or restrictions in connection with such approvals or that the required approval by the stockholders of Wabtec may not be obtained; (2) the risk that the Proposed Transaction may not be completed on the terms or in the time frame expected by GE or Wabtec, or at all; (3) unexpected costs, charges or expenses resulting from the Proposed Transaction; (4) uncertainty of the expected financial performance of the combined company following completion of the Proposed Transaction; (5) failure to realize the anticipated benefits of the Proposed Transaction, including as a result of delay in completing the Proposed Transaction or integrating the businesses of GE Transportation, Wabtec and SpinCo; (6) the ability of the combined company to implement its business strategy; (7) difficulties and delays in achieving revenue and cost synergies of the combined company; (8) inability to retain and hire key personnel; (9) the occurrence of any event that could give rise to termination of the Proposed Transaction; (10) the risk that stockholder litigation in connection with the Proposed Transaction or settlements or investigations may affect the timing or occurrence of the Proposed Transaction or result in significant costs of defense, indemnification and liability; (11) evolving legal, regulatory and tax regimes; (12) changes in general economic and/or industry specific conditions; (13) actions by third parties, including government agencies; and (14) other risk factors as detailed from time to time in GE's and Wabtec's respective reports filed with the SEC, including GE's and Wabtec's annual reports on Form 10-K, periodic quarterly reports on Form 10-Q, periodic current reports on Form 8-K and other documents filed with the SEC. The foregoing list of important factors is not exclusive. Any forward-looking statements speak only as of the date of this presentation. Neither GE nor Wabtec undertakes any obligation to update any forward-looking statements, whether as a result of new information or development, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

Non-GAAP Metrics

This presentation includes certain non-GAAP financial measures, including EBITDA, EBIT, Adj. EBITDA and Adj. EBIT. While Wabtec believes these are useful supplemental measures for investors, they are not presented in accordance with GAAP. You should not consider non-GAAP measures in isolation or as a substitute for net income, cash flows from operations, or any other items calculated in accordance with GAAP. In addition, the non-GAAP financial measures included in this presentation have inherent material limitations as performance measures because they add back certain expenses incurred by us to net income, resulting in those expenses not being taken into account in the applicable financial measure. Because not all companies use identical calculations, the presentation herein of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies.

Wabtec CORPORATION

/// TODAY'S PRESENTERS & AGENDA

Presenters

Pat Dugan
Executive VP & CFO

Mondher Bach
VP Finance, Global Treasury

Agenda

1. GE Transportation Transaction Overview
2. Wabtec Business Update
3. GE Transportation Business Overview
4. GE Transportation Transaction Rationale
5. Financial Overview

Wabtec CORPORATION

GE TRANSPORTATION TRANSACTION OVERVIEW

/// GE TRANSPORTATION TRANSACTION TERMS

Structure & Consideration	• The proposed transaction was valued by the Wabtec Board at approximately $11.1 billion[1]. When adjusted for the estimated net tax benefit of $1.1 billion accruing to the combined company, the transaction was valued at $10 billion — Wabtec existing shareholders to own 49.9%[2] of the combined entity — $2.9B cash payment of direct sale purchase price to GE — GE and its shareholders to receive 50.1%[2] of shares – 40.2%[2] to GE shareholders at closing and 9.9%[2] retained by GE – The GE Transportation business will be distributed to GE shareholders through a tax-free spin- or split-off; then immediately merged with a subsidiary of Wabtec – GE stake subject to customary lock-up (90 days) and other provisions — Significant tax benefit expected to accrue to the combined company created by deal structure (net ~$1.1B)
Combined Company	• Company name: Wabtec Corporation; Listing: NYSE; Ticker: WAB • Global headquarters to remain in Wilmerding, Pa. • Freight Segment HQ in Chicago and Transit Segment HQ in Paris
Management	• Ray Betler to remain President & CEO of combined company • Rafael Santana to become President & CEO of Freight Segment • Stéphane Rambaud-Measson to become President & CEO of Transit Segment
Board of Directors	• Al Neupaver re-appointed as Executive Chairman • GE to designate for nomination three independent Board members
Timing & Closing Conditions	• Customary closing conditions, including regulatory approvals and Wabtec stockholder approval • Transaction anticipated to close in early 2019

[1] Based on Wabtec undisturbed share price of $83.79 on 19-Apr-2018, the last unaffected trading day prior to media speculation regarding a potential transaction, and Wabtec fully diluted share count. Wabtec's share price has increased significantly since then.
[2] Calculated on a fully-diluted, as-converted and as-exercised basis, assuming all instruments are share-settled and owned by Wabtec common stockholders.

/// A DIVERSIFIED, GLOBAL LEADER POSITIONED TO ACCELERATE THE FUTURE OF TRANSPORTATION

Wabtec Corporation

FY17 Revenue
$3.9B

FY17 Adj. EBIT[1] Margin
~13%

+

FY17 Revenue
$3.9B

FY17 Adj. EBIT[1] Margin
~16%

GE Transportation

FY17 Revenue[2]
$7.7B

1. **Diversified, Global Leader in Transportation and Logistics**
   Wabtec's Freight and Transit Components Combined With GE Transportation's Locomotive Manufacturing/Service Capabilities
2. **Electronics and Digital Technologies Leading to Autonomous Operations**
   Positions Combined Company to Meet Growing Demand for Train Intelligence and Network Optimization
3. **Recurring Revenue Growth in High-Margin Aftermarket and Services**
   Complementary Global Customer Relationships to Yield Substantial Cross-Selling Opportunities
4. **Compelling Pro Forma Financial Profile . . . Attractive Point in Cycle**
   Significant Scale, Strong Free Cash Flow; GE Transportation Well-Positioned as Industry Recovers, with Backlog of $18B and Robust Recent Order Flow
5. **Significant Operating Synergy Potential and Tax Benefit Drive Value Creation**
   ~$250M of Anticipated Run-Rate Synergies Driven by Cost and Revenue Opportunities in addition to expected Net Tax Benefit of ~$1.1B
6. **Strong Free Cash Flow Profile Enabling Rapid Deleveraging**
   Commitment to Retaining Investment Grade Rating and Dividend, Supported by Strong Post-Close Deleveraging Profile

[1] Adj. EBIT is a non-GAAP metric. Please refer to "Non-GAAP Reconciliation" for reconciliation.
[2] Represents Wabtec's Pro Forma Net Sales. See Wabtec's Unaudited Pro Forma Condensed Combined Statements filed as Exhibit 99.3 on Form 8-K filed with the SEC on September 10, 2018.

Wabtec Corporation

///WABTEC BUSINESS UPDATE

/// WABTEC Q2 2018 HIGHLIGHTS

Performance Overview

- Revenue of $1.1b vs. Q2 2017 of $0.9B (↑19% YoY)
- Operating Profit of $141M (excl. restructuring)[1] vs. Q2 2017 of $121M (↑15% YoY)
- Operating Profit Margin (excl. restructuring)[1] of 12.6%
- Backlog of $4.7B vs. Q2 2017 of $4.9B
- Cash Flow From Operations of $44M vs. Q2 2017 of $12M

Management Commentary

- Compared to Q2 2017, organic sales increased $105 million; acquisitions increased sales $39 million and changes in foreign currency exchange rates increased sales by $35 million, mainly in the Transit segment
- Strong backlog and positive trends in our businesses
  - Freight business demonstrated strong growth in revenues and income from operations, and expect demand to continue to improve
  - Transit business is managing through lower-margin contracts in the short term while making long-term improvements in the core business
- Company's total multi-year backlog was slightly higher than at the end of the first quarter, excluding changes in foreign currency exchange rates
  - Recent new orders included projects in all major geographic regions around the world and in all major product categories, including train control hardware and services, components for freight cars in the U.S. and a long-term aftermarket services agreement with SNCF in France
- Excited about the opportunities we see from our combination with GE Transportation and we believe we can deliver improved earnings, margins and cash flow in the future

Source: Wabtec public filings and earnings transcript
[1] Operating Profit (excl. restructuring) is a non-GAAP metric. Please refer to "Non-GAAP Reconciliation" for reconciliation.

/// RECAP: WABTEC AT-A-GLANCE

Business Overview

Business Overview

- Leading, global provider of equipment, components and value-added services for transit and freight rail
- History of innovation dating back to 1869 when George Westinghouse invented air brakes – 3,000+ active patents
- World-class lean manufacturing, process excellence and culture of continuous improvement
- Operations in 30+ countries and sales in 100+

Portfolio Highlights

- Strong position in PTC with sizeable backlog
- Comprehensive portfolio and leading positions in freight car products
- Strong positions in locomotive electronics, brakes, heat exchangers and air dryers
- Strong aftermarket presence in core segments

Segment Overview

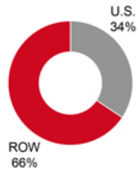
2017 Overview

$3.9bn Sales

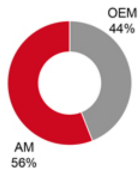
~16% Adj. EBITDA[2] Margin

Segment Mix[1]

Sales by Region[1]



Business Mix[1]



[1] Based on 2017A financial information.
[2] Adj. EBITDA is a non-GAAP metric. Please refer to "Non-GAAP Reconciliation" for reconciliation.

/// UPDATE ON WABTEC'S SEGMENTS

Two Reporting Segments and Six Operational Groups

Wabtec CORPORATION

Wabtec Freight

2017 Sales of $1.4B | 18% Operating Margin

Group
1 Freight
2 Electronics

Faiveley Transport

A Wabtec Company

2017 Sales of $2.5B | 8% Operating Margin

Group
3 Brakes & Safety
4 Energy & Comfort
5 Access & Mobility
6 Transit Services

Wabtec CORPORATION

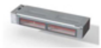
/// UPDATE ON WABTEC'S SEGMENTS

	1 Freight	2 Electronics	3 Brakes & Safety
Description	Manufactures and services components for locomotives, freight cars and railroad track and signal products	Provides electronic products and related services to optimize performance, increase operational savings and improve safety	Manufactures complete braking systems and safety connections for all types of rolling stock
Products & Services	Freight Car Products Locomotive Wayside/track Products Freight Aftermarket Industrial	Train Control Core Electronics Condition Monitoring Systems Signaling & Construction	Brakes Couplers Friction
Illustrative Examples			

■ Freight Segment ■ Transit Segment

Wabtec CORPORATION

/// UPDATE ON WABTEC'S SEGMENTS

	4 Energy & Comfort	5 Access & Mobility	6 Transit Services
Description	Provides products related to passenger comfort railway, energy management railway and industry, as well as information and safety railway	Optimizes the flow of passengers from the platform to the train, with products including platform doors, automatic platform gates, access doors, movable steps and ramps for disabled persons and interior doors	Provides services and solutions to maintain and optimize customers' equipment throughout its life cycle, including installation, commissioning and training
Products & Services	HVAC Sanitation Information & Safety Power Collection Relays, Train Protection & Energy	Rail Doors & Steps Platform Doors & Gates Bus	Installation Commissioning & Training Corrective & Predictive Maintenance Upgrades Remote Diagnostics
Illustrative Examples	     	    	   

■ Freight Segment ■ Transit Segment

Wabtec CORPORATION

///GE TRANSPORTATION BUSINESS OVERVIEW

/// GE TRANSPORTATION Q2 2018 HIGHLIGHTS

Performance Overview	• Revenue of \$942M • Segment Profit of \$155M • Segment Profit Margin of 16.5% • Orders of \$1.1B vs. Q2 2017 Orders of \$0.8B (↑42% YoY) • Backlog of \$18.3B vs. Q2 2017 Backlog of \$18.0B (↑2% YoY)
Management Commentary	• North American carload volume up 5% in the quarter primarily driven by intermodal carloads, up 7% and commodity carloads, up 4% — Parked locomotives continued to improve, ending the quarter down ~31% from last year • Orders of \$1.1B up 42%, with equipment orders of \$486M, up 110% — Received orders for 115 locomotives, principally from North American customers, versus 26 in Q2 2017 • Continue to see strong growth in mining wheels, with unit orders up 115%. Services orders of \$620M were up 13% driven by a double-digit growth in both locomotives and mining — Backlog up \$300M vs. prior year to \$18.3B, equipment up 30% and Services, down 7% • Revenues of \$942M down 13%, equipment down 40% on lower local volume — Shipped 7 North American locomotives in Q2 2018 vs. 37 in Q2 2017. International unit shipments were 47 in Q2 2018 vs. 83 in Q2 2017, partly offset by mining, which was up 109% • Services revenue up 12% driven by locomotive and mining parts growth — Operating profit of \$155M was down 15% due to lower locomotive volume, partly offset by Services growth

Source: GE public filings and earnings transcript

/// GE TRANSPORTATION IS A LEADER IN THE FREIGHT RAIL INDUSTRY

Resilient portfolio with proven financial performance through cycles

Equipment **(45% of 2017 Revenue)**

- Global freight rail and propulsion system provider
- Leading Tier 4 engineering and technical innovation
- ~23K locomotive installed base

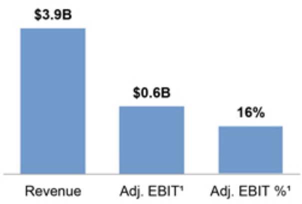
Services **(48% of 2017 Revenue)**

- Maintain and upgrade fleet through asset lifecycle
- ~70% installed base under service contract
- ~13x growth in locomotive modernizations since '15

Digital **(7% of 2017 Revenue)**

- Driving efficiency and productivity for customers
- Portfolio spans ecosystem … port, yard, rail network
- Proven outcomes … ~10% fuel savings, 10%+ increase in network velocity, ~40% increase in rail volume

2017A Financials



~$18B BACKLOG

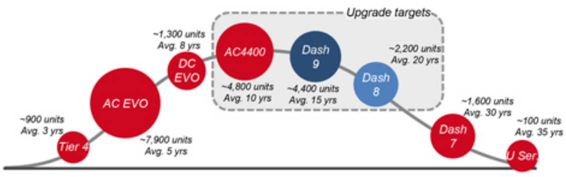
[1] Adj. EBIT is a non-GAAP metric. Please refer to "Non-GAAP Reconciliation" for reconciliation.

Wabtec CORPORATION

/// ATTRACTIVE POINT IN CYCLE, WELL POSITIONED FOR INDUSTRY REBOUND

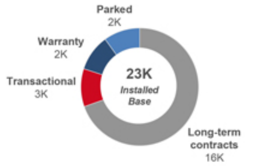
GE Fleet Age Pyramid

Over 11K locomotives currently at age of typical upgrade – will drive substantial near-term growth



Contractual Coverage

Over 70% under long-term service contracts



GE Transportation Historical Locomotive Deliveries

Wabtec
CORPORATION

/// GE TRANSPORTATION STRENGTHS

- ✓ **Leading global freight rail provider with an approximately 23K locomotive installed base across both developed and emerging markets**
- ✓ **Growing services business with $13B backlog drives recurring revenues and mitigates cycles**
- ✓ **Comprehensive digital portfolio driving train performance and network optimization**
- ✓ **Leading engineering and technical intellectual property**
- ✓ **Strong horizontal / efficient supply chain**
- ✓ **Proven leadership team & results-driven culture**
- ✓ **Maintained solid 20%+ adj. EBITDA[1] margins through the cycle**

[1] Adj. EBITDA is a non-GAAP metric. Please refer to “Non-GAAP Reconciliation” for reconciliation.

Wabtec CORPORATION

/// GE TRANSPORTATION CUSTOMER LANDSCAPE

	Established	Emerging
Americas	BNSF, CN, CP, NS Norfolk Southern, Kansas City Southern Lines, Union Pacific, CSX, Komatsu, Ferromex	G&W Genesee & Wyoming, Pan Am, Baffinland, LA The Port of Los Angeles
International	Indonesia, Pakistan, Transnet South Africa, Roy Hill Australia, rumo Brazil, Kazakhstan, RioTinto Australia, UGL Australia, Vale Brazil	ae energia Angola, Nigeria, VLI Brazil, TCDD Turkey, Egypt, Ukraine, India, Thailand, Camrail Cameroon, South32, Cuba, Sri Lanka, Taiwan

Wabtec CORPORATION

GE TRANSPORTATION TRANSACTION RATIONALE

/// GE TRANSPORTATION STRATEGIC RATIONALE

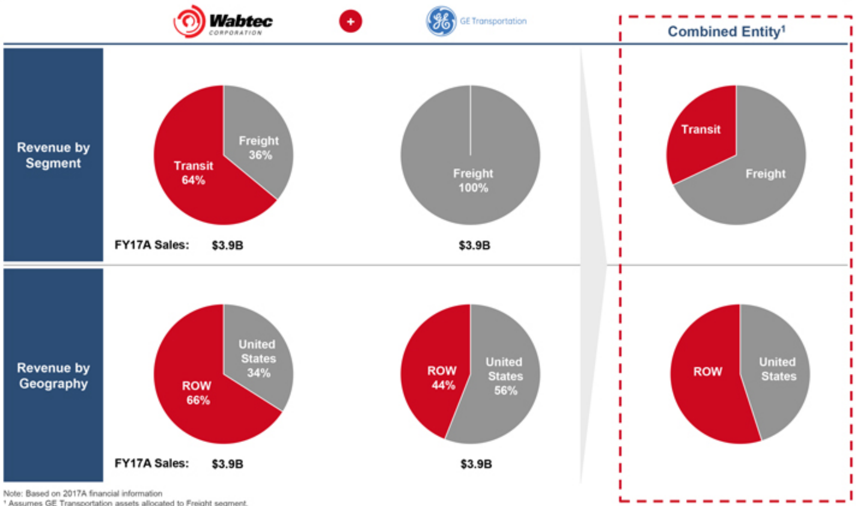
Combination creates one of the world's largest providers of technology-enabled equipment, systems and services for the locomotive, freight and passenger rail industries

1. Diversified, Global Leader in Transportation and Logistics
2. Electronics and Digital Technologies Leading to Autonomous Operations
3. Opportunity for Recurring Revenue Growth in High-Margin Aftermarket and Services
4. Compelling Pro Forma Financial Profile . . . Attractive Point in Cycle
5. Significant Operating Synergy Potential and Tax Benefit Drive Value Creation
6. Strong Free Cash Flow Profile Enabling Rapid Deleveraging

Wabtec CORPORATION

❶ DIVERSIFIED, GLOBAL LEADER IN TRANSPORTATION AND LOGISTICS

Complementary Portfolios with Focus on Transportation Industry . . . Poised for Seamless Integration



Note: Based on 2017A financial information
[1] Assumes GE Transportation assets allocated to Freight segment.

Wabtec Corporation

② ELECTRONICS AND DIGITAL TECHNOLOGIES LEADING TO AUTONOMOUS OPERATION

Safety

Positive Train Control: Implemented across ~70,000 route miles of track; 25,000 locomotives

VideoTrax: High-definition video recording on-board locomotives; ~18,000 units installed

Brake Control: Installed on ~50% of NAFTA locomotives and freight cars

Productivity

Movement Planner: Plans 42% of rev-ton miles in US; 5-10% ↑ in network velocity

Transportation Management System: Manages interchange of 9M annual carloads; used by 520 Short Lines

Remote Locomotive Monitoring: ~17,000 locomotives monitored daily

Efficiency

Trip Optimizer: 7-13% ↑ in fuel savings; ~200M gallons of fuel saved/year

Smart HPT: Incremental 5-8% fuel saved by automatically managing locomotive consist

Locotrol Distributed Power: Enables operation of long, heavy and fuel-efficient trains. Fuel Savings ↑3%; Crew savings ↑25%

Creates compelling offering to meet growing demand for integrated digital, autonomous solutions

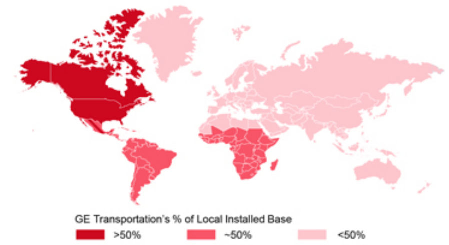
- ↑ Fuel Savings
- ↓ Labor Costs
- ↑ Asset Reliability
- ↑ Enhanced Visibility
- ↑ Network Velocity
- ↑ Path to Autonomous

Wabtec CORPORATION

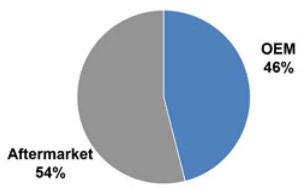
3 OPPORTUNITY FOR RECURRING REVENUE GROWTH IN HIGH-MARGIN AFTERMARKET AND SERVICES

Combined entity will be a leading global freight and transit rail provider with installed base of >23,000 locomotives and content on virtually all locomotives and freight cars in NAFTA, enabling opportunities for aftermarket parts and services

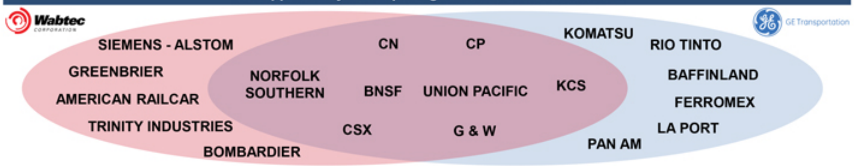
Extensive Installed Base



Strong Mix of Aftermarket Products & Services[1]



… Supported by a Compelling Combined Customer Base

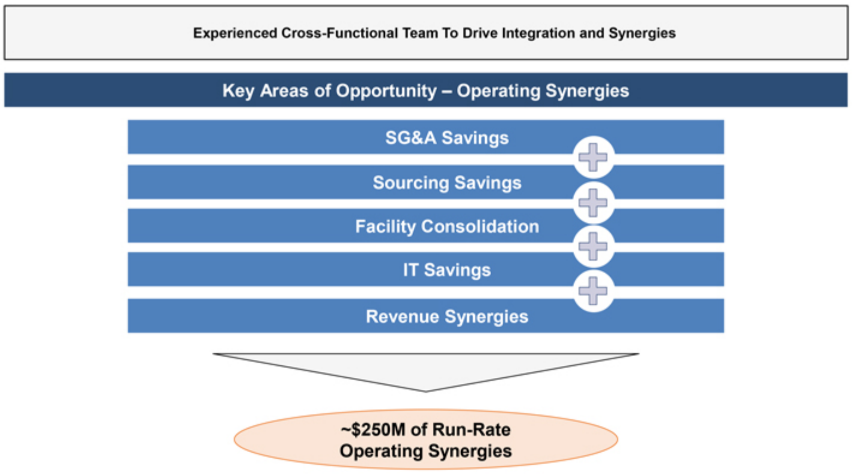


[1] Based on 2017A financial information of both Wabtec and GE Transportation

4 HIGHLY COMPELLING PRO FORMA FINANCIAL PROFILE … ATTRACTIVE POINT IN CYCLE

- Transaction expected to create an ~$8B revenue company with significant scale, higher margins and strong cash flow
- Approximately $250M of run-rate operating synergies expected to be achieved by year 4
- Expected to be accretive to Wabtec operating margins
- ~$150M of annual cash tax savings expected for next 15 years
- Strong free cash flow generation anticipated

5 SIGNIFICANT OPERATING SYNERGY POTENTIAL AND TAX BENEFIT DRIVE VALUE CREATION



Run-rate expected to be achieved by Year 4

///FINANCIAL OVERVIEW

/// CLEAR FINANCIAL POLICY

1. Committed to solid investment grade rating
2. Long-term leverage target of 2.5x or less total debt / Adj. EBITDA[1]
3. Excess cash flow to be applied toward prudent debt reduction
4. Maintain stable dividend policy

[1] Adj. EBITDA is a non-GAAP metric. Please refer to "Non-GAAP Reconciliation" for reconciliation.

/// STRONG FREE CASH FLOW PROFILE ENABLING RAPID DELEVERAGING

Combined company's strong free cash flow profile expected to allow for deleveraging and commitment to solid investment grade credit rating

- Wabtec remains committed to paying its quarterly 12c per share dividend to all shareholders
- Top priority for deployment of excess cash will be debt reduction to achieve target leverage levels
- Wabtec expects to remain investment grade
- Wabtec obtained full commitments for a $2.9B bridge facility which has since been reduced to $2.5B via a $0.4B Delay-Draw Term Loan
- Wabtec refinanced its $1.2B revolving Credit Facility
- Target $\leq$ 2.5x gross leverage ratio
  - Permanent financing will contemplate an appropriate mix of permanent and pre-payable debt to facilitate achieving leverage targets

Target Combined Capitalization at Close[1] ($B)

Wabtec Existing Debt	$1.7
(+) Incremental Transaction Debt	$2.9
Total Debt	$4.6
(-) Cash	$0.2
Net Debt	$4.4

Deleveraging Target Post Close

Total Debt / Adj. EBITDA[2]

Current Ratings:
Moody's: Baa3 (Negative Outlook)
S&P: BBB (Watch Negative)
Fitch: BBB- (Stable Outlook)

Target Total Debt / Adj. EBITDA[2]
$\leq$ 2.5x

[1] Illustratively assumes 31-Dec-2018 transaction closing.
[2] Adj. EBITDA is a non-GAAP metric. Please refer to "Non-GAAP Reconciliation" for reconciliation.

/// HISTORICAL FINANCIAL PERFORMANCE

Wabtec & GE Transportation | Revenue and Adj. EBITDA
(US$ in Millions)

Revenue

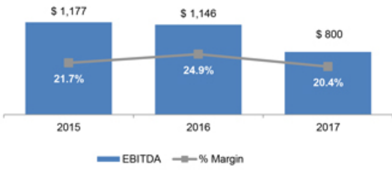
Wabtec

GE Transportation

Adj. EBITDA[1]

Wabtec

GE Transportation[2]



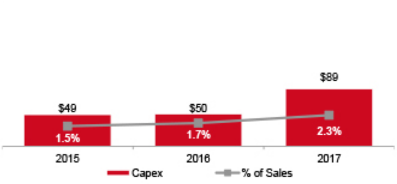
[1] Adj. EBITDA is a non-GAAP metric. Please refer to "Non-GAAP Reconciliation" for reconciliation
[2] Calculated as Net Earnings + Tax + Interest Expense & Other Finance Charges + Restructuring Costs + Impairment of Goodwill + Non-Operating Benefit Costs + Depreciation & Amortization.

/// HISTORICAL FINANCIAL PERFORMANCE (CONT'D)

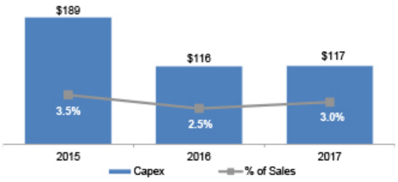
Wabtec & GE Transportation | Capital Expenditure and Free Cash Flow
(US$ in Millions)

Capital Expenditure

Wabtec[1]

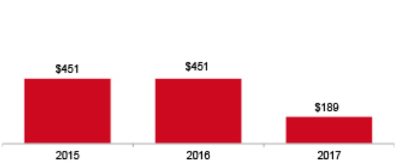


GE Transportation[2]

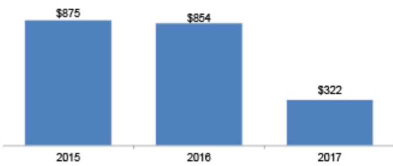


Cash Flow from Operating Activities

Wabtec



GE Transportation



[1] Listed as "Purchase of property, plant and equipment" in statement of cash flows.
[2] Listed as "Additions to property, plant and equipment" in statement of cash flows.

/// SUMMARY RECAP

NON-GAAP RECONCILIATION

/// WABTEC 2015 – 2017 NON-GAAP RECONCILIATION

(US$ in millions)

Set forth below is the calculation of the non-GAAP performance measures included in this presentation. We believe that these measures provide useful supplemental information to assess our operating performance and to evaluate period-to-period comparisons. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, Wabtec's reported results prepared in accordance with GAAP. (Note: Dollars in millions.)

	2015	2016	2017
Revenue	**$3,308**	**$2,931**	**$3,882**
Net Income	**$399**	**$313**	**$262**
(+) Taxes	187	99	90
(-) Other Income	(4)	(7)	(9)
(+) Interest Expense	27	50	78
EBIT	**$609**	**$457**	**$421**
EBIT Margin	***18.4 %***	***15.6 %***	***10.8 %***
(+) Integration & Restructuring Costs	0	0	42
(+) Contract Adjustments	0	0	45
Adj. EBIT	**$609**	**$457**	**$507**
Adj. EBIT Margin	***18.4 %***	***15.6 %***	***13.1 %***
(+) D&A	65	70	103
Adj. EBITDA	**$674**	**$527**	**$610**
Adj. EBITDA Margin	***20.4 %***	***18.0 %***	***15.7 %***

Wabtec CORPORATION

/// WABTEC Q2 2017 & 2018 NON-GAAP RECONCILIATION

(US$ in millions)

Set forth below is the calculation of the non-GAAP performance measures included in this presentation. We believe that these measures provide useful supplemental information to assess our operating performance and to evaluate period-to-period comparisons. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, Wabtec's reported results prepared in accordance with GAAP. (Note: Dollars in millions.)

	Q2 2017	Q2 2018
Revenue	$932	$1,112
(-) Cost of Sales	(658)	(788)
(-) SG&A	(128)	(171)
(-) Engineering Expenses	(23)	(19)
(-) Amortization Expenses	(9)	(10)
Operating Profit	**$113**	**$124**
Operating Profit Margin	***12.2 %***	***11.1 %***
(+) GE Transaction Costs	0	9
(+) Restructuring Costs	0	4
(+) India Goods and Service Tax Law Change	0	4
(+) Faiveley Transport Transaction Costs	8	0
Operating Profit (excl. Restructuring)	**$121**	**$141**
Operating Profit (excl. Restructuring) Margin	***13.0 %***	***12.6 %***

/// GET 2015 – 2017 NON-GAAP RECONCILIATION

(US$ in millions)

Set forth below is the calculation of the non-GAAP performance measures included in this presentation. We believe that these measures provide useful supplemental information to assess our operating performance and to evaluate period-to-period comparisons. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, Wabtec's reported results prepared in accordance with GAAP. (Note: Dollars in millions.)

	2015	2016	2017
Revenue	**$5,421**	**$4,607**	**$3,930**
Net Income	**$480**	**$534**	**$374**
(+) NCI	8	6	14
(+) Taxes	349	167	44
(+) Interest Expense	15	20	22
EBIT	**$852**	**$728**	**$454**
(+) Non-Operating Benefit Costs	16	18	17
(+) Impairment of Goodwill	85	2	0
(+) Restructuring Costs	15	178	145
Adj. EBIT	**$968**	**$926**	**$616**
Adj. EBIT Margin	***17.9 %***	***20.1 %***	***15.7 %***
(+) D&A	$209	$220	$184
Adj. EBITDA	**$1,177**	**$1,146**	**$800**
Adj. EBITDA Margin	***21.7 %***	***24.9 %***	***20.4 %***

Note: GET 2017 adj. EBIT and adj. EBIT margin differ from figures presented at the time of merger announcement due to the subsequent completion of the audited carve-out financials and differences in actual corporate allocations, unusuals, non-operating, corporate relief / restructuring, and other costs as compared to figures presented at the time of merger announcement.

/// UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME DATA

(US$ in millions)

	Wabtec	GET	Reclass. Adj.	PF Adj.	PF Comb.
Revenue	**$3,882**	**$3,930**	**$0**	**$(153)**	**$7,659**
(-) Cost of Goods Sold	(2,816)	(2,130)	319	53	(4,575)
(-) Cost of Services Sold	0	(877)	(149)	(4)	(1,031)
Gross Profit	**$1,065**	**$923**	**$170**	**$(105)**	**$2,054**
(-) SG&A	(513)	(450)	15	0	(947)
(-) Engineering Expense	(95)	0	(113)	0	(208)
(-) Amortization Expense	(37)	0	(72)	(147)	(255)
Income from Operations	**$421**	**$474**	**$0**	**$(251)**	**$643**
(-) Interest Expense	(78)	0	(41)	(151)	(270)
(+) Other Income (Expenses)	9	(24)	24	16	25
Income before Taxes	**$352**	**$432**	**$0**	**$(386)**	**$399**
(-) Taxes	(90)	(44)	0	114	(20)
Net Income	**$262**	**$388**	**$0**	**$(272)**	**$378**
(-) NCI	0	(14)	0	0	(14)
Net Income Attrib. to Wabtec	**$262**	**$374**	**$0**	**$(272)**	**$364**

Note: See Wabtec's Unaudited Pro Forma Condensed Combined Statements filed as Exhibit 99.3 on Form 8-K filed with the SEC on September 10, 2018.
Note: The following table presents the unaudited pro forma combined consolidated statement of income data for the year ended December 31, 2017.