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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 1999

Commission file number 1-13782

WESTINGHOUSE AIR BRAKE COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	25-1615902 (IRS Employer Identification No.)
1001 AIR BRAKE AVENUE WILMERDING, PENNSYLVANIA 15148 (Address of principal executive offices)	(412) 825-1000 (Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for at least the past 90 days. Yes X No .

As of October 31, 1999, 33,801,363 shares of Common Stock of the registrant were issued and outstanding, of which 8,397,196 shares were unallocated ESOP shares.

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WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET

Dollars in thousands, except par value	UNAUDITED SEPTEMBER 30 1999	DECEMBER 31 1998
ASSETS		
CURRENT ASSETS		
Cash	$ 7,487	$ 3,323
Accounts receivable	123,100	132,901
Inventories	110,966	103,560
Other	25,476	23,177
Total current assets	267,029	262,961
Property, plant and equipment	236,361	214,461
Accumulated depreciation	(103,413)	(89,480)
Property, plant and equipment, net	132,948	124,981
OTHER ASSETS		
Prepaid pension costs	6,875	5,724
Goodwill	150,204	151,658
Other intangibles	42,237	46,021
Other noncurrent assets	6,319	4,839
Total other assets	205,635	208,242
Total Assets	$ 605,612	$ 596,184
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 27,666	$ 30,579
Accounts payable	45,260	62,974
Accrued income taxes	8,228	8,352
Accrued interest	5,217	1,616
Customer deposits	23,070	20,426
Other accrued liabilities	40,716	43,603
Total current liabilities	150,157	167,550
Long-term debt	413,728	437,238
Reserve for postretirement benefits	17,103	16,238
Accrued pension costs	3,944	3,631
Other long-term liabilities	7,804	5,380
Total liabilities	592,736	630,037
SHAREHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, no shares issued	--	--
Common stock, $.01 par value; 100,000,000 shares authorized: 47,426,600 shares issued	474	474
Additional paid-in capital	109,186	107,720
Treasury stock, at cost, 13,315,050 and 13,532,092 shares	(184,716)	(187,654)
Unearned ESOP shares, at cost, 8,412,756 and 8,564,811 shares	(126,191)	(128,472)
Retained earnings	219,198	182,291
Unamortized restricted stock award	(59)	(162)
Accumulated other comprehensive income (loss)	(5,016)	(8,050)
Total shareholders' equity	12,876	(33,853)
Liabilities and Shareholders' Equity	$ 605,612	$ 596,184

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

In thousands, except per share data	THREE MONTHS ENDED SEPTEMBER 30 1999	1998	NINE MONTHS ENDED SEPTEMBER 30 1999	1998
Net sales	$172,471	$160,476	$557,656	$490,664
Cost of sales	114,297	109,142	374,605	332,487
Gross profit	58,174	51,334	183,051	158,177
Selling and marketing expenses	7,325	7,747	23,435	21,815
General and administrative expenses	10,188	9,713	36,438	34,016
Engineering expenses	8,796	6,999	27,332	20,453
Amortization expense	2,887	1,694	7,724	5,873
Total operating expenses	29,196	26,153	94,929	82,157
Income from operations	28,978	25,181	88,122	76,020
Other income and expense				
Interest expense	8,748	7,386	26,612	22,284
Other (income) expense, net	520	302	1,000	(141)
Income before income taxes and extraordinary item	19,710	17,493	60,510	53,877
Income taxes	7,191	6,647	22,389	20,473
Income before extraordinary item	12,519	10,846	38,121	33,404
Loss on extinguishment of debt, net of tax			(469)	(2,730)
Net income	$ 12,519	$ 10,846	$ 37,652	$ 30,674
EARNINGS PER COMMON SHARE				
Basic				
Income before extraordinary item	$ 0.49	$ 0.43	$ 1.50	$ 1.33
Extraordinary item, net			(0.02)	(0.11)
Net Income	$ 0.49	$ 0.43	$ 1.48	$ 1.22
Diluted				
Income before extraordinary item	$ 0.48	$ 0.42	$ 1.47	$ 1.30
Extraordinary item, net			(0.02)	(0.11)
Net Income	$ 0.48	$ 0.42	$ 1.45	$ 1.19
Weighted Average Shares Outstanding				
Basic	25,619	25,197	25,449	25,046
Diluted	26,129	25,696	25,960	25,696

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands	UNAUDITED NINE MONTHS ENDED SEPTEMBER 30 1999	1998
OPERATING ACTIVITIES		
Net income	$ 37,652	$ 30,674
Adjustments to reconcile net income to cash provided by operations		
Extraordinary loss on extinguishment of debt	469	2,730
Depreciation and amortization	19,622	19,294
Provision for ESOP contribution	3,273	3,462
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	10,180	(10,979)
Inventories	(6,426)	(12,981)
Accounts payable	(18,136)	6,781
Accrued income taxes	(168)	7,400
Accrued liabilities and customer deposits	1,318	(8,146)
Other assets and liabilities	(1,537)	(2,986)
Net cash provided by operating activities	46,247	35,249
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(17,694)	(22,333)
Acquisitions of businesses, net of cash acquired	(960)	(19,314)
Net cash used for investing activities	(18,654)	(41,647)
FINANCING ACTIVITIES		
Proceeds from Senior Note offering	76,875	--
Debt issuance costs	(1,926)	(1,037)
Net (repayments of) proceeds from the credit agreement	(60,655)	14,895
Repayments of other borrowings	(40,717)	(71)
Cash dividends	(741)	(734)
Proceeds from exercise of stock options and employee stock purchases	2,939	2,094
Net cash (used for) provided by financing activities	(24,225)	15,147
Effect of changes in currency exchange rates	796	248
Increase in cash	4,164	8,997
Cash, beginning of year	3,323	836
Cash, end of period	$ 7,487	$ 9,833

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999
(UNAUDITED)

1. BUSINESS

Westinghouse Air Brake Company (the "Company") is North America's largest manufacturer of value-added equipment for locomotives, railway freight cars and passenger transit vehicles. The Company's products, which are sold to both the original equipment manufacturer market ("OEM") and the aftermarket, are intended to enhance safety, improve productivity and reduce maintenance costs for its customers. The Company's products include electronic controls and monitors, air brakes, couplers, door controls, draft gears and brake shoes. The Company's primary manufacturing operations are in the United States and Canada, and the Company's revenues have been primarily from North America. The Company's customer base consists of freight transportation (railroad) companies, locomotive and freight car original equipment manufacturers, transit car builders and public transit systems.

2. ACCOUNTING POLICIES

BASIS OF PRESENTATION The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission and include the accounts of Westinghouse Air Brake Company and its majority owned subsidiaries ("WABCO"). These condensed interim financial statements do not include all of the information and footnotes required for complete financial statements. In management's opinion, these financial statements reflect all adjustments, which are of a normal, recurring nature, necessary for a fair presentation of the results for the interim periods presented. Results for these interim periods are not necessarily indicative of results to be expected for the full year. Certain prior period amounts have been reclassified, where necessary, to conform to the current period presentation.

The notes included herein should be read in conjunction with the audited consolidated financial statements included in WABCO's Annual Report on Form 10-K for the year ended December 31, 1998.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles 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.

OTHER COMPREHENSIVE INCOME Comprehensive income is defined as net income and all nonowner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss) consists entirely of foreign currency translation adjustments. Total comprehensive income for the third quarter ending September 30, 1999 and 1998 was $13.1 million and $10.1 million, respectively, and for the nine months ending September 30, 1999 and 1998 was $40.7 million and $28.8 million, respectively.

3. ACQUISITIONS

On October 5, 1998, the Company purchased the railway electronics business of Rockwell Collins, Inc. ("RRE"), a wholly owned subsidiary of Rockwell International Corporation, for approximately $80 million in cash. The purchase was initially financed by obtaining additional term debt of $40 million through an amendment to the Company's existing credit facility, an unsecured bank loan of $30 million and additional borrowings under the Company's revolving credit agreement. RRE is a leading manufacturer and supplier of mobile electronics (display and positioning systems), data communications and electronic braking systems for the railroad industry and its operations are in the United States. Revenues of the acquired business for its fiscal year ended September 30, 1998 were approximately $46 million.

Since the beginning of 1998, the Company also completed the following acquisitions:

i) In February 1999, the acquisition of the mass transit electrical inverter and converter product line of AGC System & Technologies, Inc. of Canada for approximately $960 thousand.

ii) The October 1998 acquisition of the United States railway service center business of Comet Industries, Inc. ("Comet"), for $13.2 million, financed through the issuance of $12.2 million of promissory notes. Annual revenue for its most recent fiscal year was approximately $20 million.

iii) In July 1998, the purchase of assets and assumption of certain liabilities of U.S.-based Lokring Corporation ("Lokring"), for $5.1 million in cash. Lokring develops, manufactures and markets patented non-welded connectors and sealing products for railroad and other industries. Annual sales in 1997 were approximately $10 million.

iv) The acquisition in April 1998, of 100% of the stock of RFS (E) Limited ("RFS") of England, for approximately $10.0 million including the assumption of certain debt. RFS is a leading provider of vehicle overhaul, conversion and maintenance services to Britain's railway industry. Annual revenue for its most recent fiscal year was approximately $27.5 million.

v) The acquisition in April 1998, of the transit coupler product line of Hadady Corporation ("Hadady") located in the United States for $4.6 million in cash.

All of the above acquisitions were accounted for under the purchase method. Accordingly, the results of operations of the applicable acquisition are included in the Company's financial statements prospectively from the acquisition date.

4. 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. The components of inventory, net of reserves, were:

Dollars in thousands	SEPTEMBER 30 1999	DECEMBER 31 1998
Raw materials	$ 51,988	$ 47,853
Work-in-process	40,559	29,965
Finished goods	18,419	25,742
Total inventory	$110,966	$103,560

5. DEBT OFFERING AND EXTRAORDINARY ITEM

In 1999, WABCO issued $75 million of 9 3/8% Senior Notes which mature in June 2005. The Senior Notes were issued at a premium resulting in an effective rate of 8.5%. The premium is being amortized over the life of the instruments.

The issuance improved WABCO's financial liquidity by i) using a portion of the proceeds to repay $30 million of debt associated with the RRE acquisition that bore interest at 9.56%, and; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility. As a result of the issuance and retirement of certain term debt, the Company wrote-off previously capitalized debt issuance costs of approximately $469 thousand, ($.02 per diluted share), net of tax, in the first quarter of 1999.

6. EARNINGS PER SHARE

The computation of earnings per share is as follows:

In thousands, except per share	THREE MONTHS ENDED SEPTEMBER 30 1999	1998	NINE MONTHS ENDED SEPTEMBER 30 1999	1998
BASIC EARNINGS PER SHARE				
Income, before extraordinary item, applicable to common shareholders	$12,519	$10,846	$38,121	$33,404
Divided by				
Weighted average shares outstanding	25,619	25,197	25,449	25,046
Basic earnings per share, before extraordinary item	$ 0.49	$ 0.43	$ 1.50	$ 1.33
DILUTED EARNINGS PER SHARE				
Income, before extraordinary item, applicable to common shareholders	$12,519	$10,846	$38,121	$33,404
Divided by sum of				
Weighted average shares outstanding	25,619	25,197	25,449	25,046
Conversion of dilutive stock options	510	499	511	650
Diluted shares outstanding	26,129	25,696	25,960	25,696
Diluted earnings per share, before extraordinary item	$ 0.48	$ 0.42	$ 1.47	$ 1.30

7. LEGAL PROCEEDINGS

On February 12, 1999, GE Harris Railway Electronics, LLC and GE Harris Railway Electronic Services, LLC (collectively, "GE Harris") brought suit against the Company for alleged patent infringement and unfair competition related to a communications system installed in one of the Company's products. GE Harris is seeking to prohibit the Company from future infringement and is seeking an unspecified amount of money damages to recover, in part, royalties. As this lawsuit is in the earliest stages, the Company is unable to estimate the cost, if any, of resolving litigation and thus, no costs have been provided for this matter.

8. SEGMENT INFORMATION

The Company evaluates its business segments' operating results based on income from operations. 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 tables below are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

WABCO has three reportable segments - Railroad Group, Transit Group and Molded Products Group. 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:

RAILROAD GROUP consists of products geared to the production of freight cars and locomotives, including braking control equipment and train couplers. Customers include freight car and locomotive manufacturers as well as freight railroad companies. Revenues are derived from OEM and aftermarket sales and from repairs and services.

TRANSIT GROUP consists of products for passenger transit vehicles (typically subways, rail and buses) that include braking, coupling, electrification and monitoring equipment, climate control and door equipment that are engineered to meet individual customer specifications. Revenues are derived from OEM and aftermarket sales as well as from repairs and services.

MOLDED PRODUCTS GROUP includes manufacturing and distribution of composition brake shoes and discs and other rubberized products. Revenues are generally derived from the aftermarket.

Segment financial information for the three months ended September 30, 1999 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$ 95,866	$57,711	$18,894		$172,471
Intersegment sales	5,730		2,209	(7,939)	--
Total sales	$101,596	$57,711	$21,103	$ (7,939)	$172,471
Income from operations	19,118	5,477	6,776	(2,393)	28,978
Interest expense and other				9,268	9,268
Income before income taxes and extraordinary item	$ 19,118	$ 5,477	$ 6,776	$(11,661)	$ 19,710

Segment financial information for the three months ended September 30, 1998 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$92,294	51,679	16,503		$160,476
Intersegment sales	3,482	598	1,992	(6,072)	--
Total sales	$95,776	$52,277	$18,495	$ (6,072)	$160,476
Income from operations	19,072	3,044	5,023	(1,958)	25,181
Interest expense and other				7,688	7,688
Income before income taxes and extraordinary item	$19,072	$ 3,044	$ 5,023	$ (9,646)	$ 17,493

Segment financial information for the nine months ended September 30, 1999 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$327,068	$174,058	$56,530		$557,656
Intersegment sales	14,227	532	7,910	(22,669)	--
Total sales	$341,295	$174,590	$64,440	$(22,669)	$557,656
Income from operations	62,584	14,736	19,483	(8,681)	88,122
Interest expense and other				27,612	27,612
Income before income taxes and extraordinary item	$ 62,584	$ 14,736	$19,483	$(36,293)	$ 60,510

Segment financial information for the nine months ended September 30, 1998 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$282,501	$154,314	$53,849		$490,664
Intersegment sales	11,679	934	6,853	(19,466)	--
Total sales	$294,180	$155,248	$60,702	$(19,466)	$490,664
Income from operations	57,203	10,451	16,114	(7,748)	76,020
Interest expense and other				22,143	22,143
Income before income taxes and extraordinary item	$ 57,203	$ 10,451	$16,114	$(29,891)	$ 53,877

9. PENDING MERGER

On June 2, 1999, the Company agreed to merge with and into MotivePower Industries, Inc., pursuant to an Agreement and Plan of Merger. Prior to the August 23, 1999 special meeting to vote upon the proposed merger, WABCO postponed it's meeting in order to provide shareholders more time to evaluate recent financial disclosures regarding MotivePower. On September 26, 1999, the companies agreed to an amended and restated merger agreement. In the revised merger agreement, each share of MotivePower Common Stock and Right will be exchanged with 0.66 shares of WABCO Common Stock. For accounting purposes, the transaction will be accounted for as a pooling of interests and is expected to be completed in the fourth quarter. The merger is intended to be a tax-free reorganization for federal income tax purposes and is subject to a variety of conditions, including approval by the shareholders of both companies, at special meetings of shareholders scheduled for November 19, 1999.

The Company has filed a Form S-4 that became effective on October 20, 1999, which contains specific details on the proposed merger.

The Company has deferred costs of approximately $2 million related to the proposed merger and will take this as a charge against earnings in the fourth quarter of 1999 in conjunction with other merger related restructuring and integration costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and Westinghouse Air Brake Company's Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its 1998 Annual Report on Form 10-K.

OVERVIEW

Westinghouse Air Brake Company was formed in 1990 through the acquisition of the Railway Products Group of American Standard Inc. The Company is North America's largest manufacturer of value-added equipment for locomotives, railway freight cars and passenger transit vehicles.

The Company's business is comprised of three principal business segments: Railroad, Transit and Molded Products.

On September 26, 1999, WABCO and MotivePower Industries, Inc. agreed to an amended and restated merger agreement. In connection with the merger, each share of MotivePower Common Stock and Right will be exchanged with 0.66 shares of WABCO Common Stock. For accounting purposes, the transaction will be accounted for as a pooling of interests and is expected to be completed in the fourth quarter. The merger is intended to be a tax-free reorganization for federal income tax purposes and is subject to a variety of conditions, including approval by the shareholders of both companies at special meetings of shareholders scheduled for November 19, 1999.

THIRD QUARTER 1999 COMPARED TO THIRD QUARTER 1998

Summary Results of Operations

Dollars in millions, except per share	THREE MONTHS ENDED SEPTEMBER 30 1999	1998	PERCENT CHANGE
Net sales	$172.5	$160.5	7.5%
Gross profit margin	33.7%	32.0%	nm
Income from operations	$29.0	$25.2	15.1
Net income	12.5	10.8	15.7
Diluted earnings per share	0.48	0.42	14.3

nm-not meaningful

Net income increased $1.7 million, or 15.7% in the quarter ending September 30, 1999 as compared to the third quarter of 1998. Diluted earnings per share increased 14.3% to $0.48 in the same comparison. Income from operations increased in the comparison primarily due to revenue growth and related gross profit.

A number of events have occurred over the comparative period that impacted the Company's results of operations and financial condition including:

- The Company completed several acquisitions that complement and enhance the mix of existing products and markets. Acquisitions completed during this timeframe were RRE and Comet. Aggregate incremental revenues from all of the above acquisitions were approximately $10 million in the third quarter of 1999.
- Increased aftermarket sales in all product lines.
- Improved sales and backlog in the transit business due to increased governmental spending for transit equipment.

Net Sales

The following table sets forth the Company's net sales by business segment:

Dollars in thousands	THREE MONTHS ENDED SEPTEMBER 30 1999	1998
Railroad Group	$ 95,866	$ 92,294
Transit Group	57,711	51,679
Molded Products Group	18,894	16,503
Net sales	$172,471	$160,476

Net sales for the third quarter of 1999 increased $12.0 million, or 7.5%, to $172.5 million. This increase was attributable to incremental revenue from the events referred to above, partially offset by decreased OEM freight car volumes within the Railroad Group. Sales volumes within the Railroad Group reflect a strong, but softening OEM market for freight cars, with approximately 16,400 freight cars delivered in the third quarter of 1999 compared to 18,400 in the same period of 1998.

Gross Profit

Gross profit increased 13.3% to $58.2 million in the third quarter of 1999 compared to $51.3 million in the same period of 1998. Gross margin, as a percentage of sales, was 33.7% compared to 32.0%. Gross margin is dependent on a number of factors including sales volume and product mix. Favorable margins on increased aftermarket sales in all major product lines more than offset the reduction of freight OEM sales and incremental revenue from recent acquisitions at lower margins as compared to the Company's historical results.

Operating Expenses

Dollars in thousands	THREE MONTHS ENDED SEPTEMBER 30 1999	1998	PERCENT CHANGE
Selling and marketing	$ 7,325	$ 7,747	(5.4%)
General and administrative	10,188	9,713	4.9
Engineering	8,796	6,999	25.7
Amortization	2,887	1,694	70.4
Total	$29,196	$26,153	

Total operating expenses as a percentage of net sales were 16.9% in the third quarter of 1999 as compared to 16.3% in the same period a year ago. Total operating expenses increased $3.0 million in the quarter-to-quarter comparison almost all of which related to operating expenses of the acquired businesses listed above. Amortization expense increased in the comparison due to amortization of goodwill and intangibles on recent acquisitions and amortization of debt fees on the January Senior Notes offering.

Income from Operations

Operating income totaled $29.0 million in the third quarter of 1999 compared with $25.2 million. Higher operating income resulted from higher sales volume and related higher gross profit. As a percentage of sales, operating income was 16.8% and is slightly higher than the prior year. Favorable aftermarket sales volume at relatively strong operating margins in the Transit and Molded Products Groups was the primary reason for the increase in operating income (See Note 8 - "Notes to Condensed Consolidated Financial Statements" regarding segment-specific information, included elsewhere in this report).

Interest and Other Expense

Interest expense totaled $8.7 million, an increase of $1.3 million in the quarter-to-quarter comparison. The increase was primarily due to financing costs of recent acquisitions.

Income Taxes

The provision for income taxes on income increased to $7.2 million for the third quarter of 1999. In the third quarter of 1999, the effective tax rate improved to an annual rate of 37% quarter from 38.0% a year ago, resulting from additional benefits through our Foreign Sales Corporation.

NINE MONTH PERIOD ENDED SEPTEMBER 30, 1999 COMPARED TO
NINE MONTH PERIOD ENDED SEPTEMBER 30, 1998

Summary Results of Operations

Dollars in millions, except per share	NINE MONTHS ENDED SEPTEMBER 30 1999	1998	PERCENT CHANGE
Net sales	$557.7	$490.7	13.6%
Gross profit margin	32.8%	32.2%	nm
Income from operations	$ 88.1	$ 76.0	15.9%
Income before extraordinary item	38.1	33.4	14.1
Extraordinary item, net of tax	(.5)	(2.7)	nm
Net income	37.6	30.7	22.5
Diluted earnings per share, before extraordinary item	1.47	1.30	13.1
Diluted earnings per share	1.45	1.19	21.8

nm-not meaningful

Income before extraordinary item, increased $4.7 million, or 14.1%. Diluted earnings per share before extraordinary item increased 13.1% to $1.47 per share. Income from operations increased in the comparison primarily due to revenue growth and related gross profit.

A number of events have occurred over the comparative period that impacted the Company's results of operations and financial condition including:

o The Company completed several acquisitions that complement and enhance the mix of existing products and markets. Acquisitions completed during this timeframe were RRE, Comet, Hadady, Lokring and RFS(E). Aggregate incremental revenues from all of the above acquisitions were $48.5 million, or 72% of the increase, in the nine months ending September 30, 1999.

o In January 1999, the Company issued $75 million of Senior Notes at an effective interest rate of 8.5% (See Note 5 - "Notes to Condensed Consolidated Financial Statements" included elsewhere in this report). As a result of the issuance and repayment of an unsecured credit facility, the Company wrote off previously capitalized debt issuance costs of approximately $469 thousand, net of tax ($.02 per diluted share) in the first quarter of 1999, which was reported as an extraordinary item.

- In the second quarter of 1998, the Company refinanced its credit agreement and wrote-off previously deferred financing costs of approximately $2.7 million ($0.11 per share), net of income tax, reported as a non-cash, non-recurring, extraordinary item.

Net Sales

The following table sets forth the Company's net sales by business segment:

Dollars in thousands	NINE MONTHS ENDED SEPTEMBER 30 1999	1998
Railroad Group	$327,068	$282,501
Transit Group	174,058	154,314
Molded Products Group	56,530	53,849
Net sales	$557,656	$490,664

Net sales for the nine month period ending September 30, 1999 increased $67 million, or 13.6%, to $557.7 million. This increase was primarily attributable to incremental revenue from the acquisitions referred to above and increases in Transit sales as a result of continuing improvements to mass transit authority infrastructure, in both OE and aftermarket, pursuant to recent governmental funding legislation. All business segments experienced significant growth in aftermarket sales volumes in the nine month period ending September 30, 1999 as compared to the prior year period. OEM freight car volumes year to year were lower due to a return to more normal replacement levels of production. The Company anticipates new freight car deliveries to level out in 2000 at a lower level than that of 1999; however, railroad OEM and aftermarket sales are expected to remain strong.

Gross Profit

Gross profit increased to $183.1 million in the nine month period ending September 30, 1999 compared to $158.2 million in the same period of 1998. Gross margin, as a percentage of sales, was 32.8%, compared to 32.2% for the prior period. Gross margin is dependent on a number of factors including sales volume and product mix. Favorable margins on increased volumes, particularly aftermarket sales in all major product lines more than offset the effect of reduced freight OEM sales and incremental revenue from recent acquisitions at lower margins as compared to the Company's historical results.

Operating Expenses

Dollars in thousands	NINE MONTHS ENDED SEPTEMBER 30 1999	1998	PERCENT CHANGE
Selling and marketing	$23,435	$21,815	7.4%
General and administrative	36,438	34,016	7.1
Engineering	27,332	20,453	33.6
Amortization	7,724	5,873	31.5
Total	$94,929	$82,157	

Total operating expenses as a percentage of net sales were 17.0% in the nine month period ending September 30, 1999 as compared to 16.7% in the same period a year ago. Total operating expenses increased $12.8 million in the period to period comparison, substantially all of which related to operating expenses of the businesses acquired during this period. Excluding incremental revenues and operating expenses from businesses acquired in the comparative period, 1999 operating expenses as a percentage of sales would have decreased to 16.2%, as compared to the prior year period, due to costs incurred in 1998 to install computer system upgrades that included Year 2000 compliant software. During 1999, the Company completed cost savings programs from the consolidation of several facilities as it integrated recently acquired businesses into its core operations. Amortization expense increased in the comparison due to amortization of goodwill and intangibles on recent acquisitions and amortization of debt fees on the January Senior Notes offering.

Income from Operations

Operating income totaled $88.1 million in the nine month period ending September 30, 1999 compared with $76.0 million in the same period of 1998. Higher operating income resulted from higher sales volume and related higher gross profit. As a percentage of sales, operating income was 15.8% and is substantially consistent with that of the prior year. Favorable volume changes at relatively consistent operating margins, was the primary reason for the increase in operating income (See Note 8 - "Notes to Condensed Consolidated Financial Statements" regarding segment-specific information, included elsewhere in this report).

Interest and Other Expense

Interest expense totaled $26.6 million, compared with $22.3 million in 1998. The increase was primarily due to the effect of financing recent acquisitions.

Income Taxes

The provision for income taxes on income before extraordinary items increased to $22.4 million. The effective tax rate improved to 37% in the current year from 38.0% a year ago, resulting from additional benefits through our Foreign Sales Corporation and lower overall effective state tax rates.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is provided primarily by operating cash flow and borrowings under the Company's credit facilities with a consortium of commercial banks ("Credit Agreement"). The following is a summary of selected cash flow information and other relevant data.

Dollars in millions	NINE MONTHS ENDED SEPTEMBER 30 1999	1998
Cash provided (used) by:		
Operating activities	$ 46.2	$ 35.2
Investing activities	(18.7)	(41.6)
Financing activities	(24.2)	15.1
Earnings before interest, taxes, depreciation and amortization	107.7	95.3

Operating cash flow in the nine month period ending September 30, 1999 increased to $46.2 million from $35.2 million in the same period a year ago, primarily as a result of higher earnings and improved working capital management. However, inventory levels are increasing within the Transit Group as production continues for future product deliveries related to the Metropolitan Transit Authority/New York City Transit project. Deliveries are expected to commence in the first quarter of 2000.

Cash used for investing activities declined to $18.7 million from $41.6 million a year ago. In the nine month period ending September 30, 1999 and 1998, the Company used $1.0 million and $19.3 million, respectively, for certain business acquisitions. Gross capital expenditures were $17.7 million and $22.3 million in the nine months ending September 30, 1999 and 1998, respectively. The majority of capital expenditures for these periods relates to upgrades to existing equipment, replacement of existing equipment and purchases of new equipment due to expansion of WABCO's operations, where the Company believes overall cost savings can be achieved through increasing efficiencies. The Company expects 1999 capital expenditures for equipment purchased for similar purposes to approximate $25 to $30 million.

In 1999, the Company issued $75 million of additional Senior Notes and used the proceeds to repay amounts outstanding on certain unsecured bank term debt. The balance repaid a portion of the Company's revolving credit facility, thereby increasing amounts available under the Credit Agreement (see below for additional information). Additionally, $26 million of cash generated from operations in the nine month period ended September 30, 1999 was used to repay a portion of the outstanding balance on the revolving credit facility. Historically, the Company has financed the purchase of significant businesses through utilizing the amounts available under the credit facility and/or obtaining amendments to or refinancings of the Credit Agreement.

Based on anticipated cash flow provided by operations, forecasted results and credit available under the credit agreement, the Company believes it will be able to make planned capital expenditures and required debt payments over the next twelve months.

The following table sets forth the Company's outstanding indebtedness and average interest rates at September 30, 1999. The revolving credit note and term loan interest rates are variable and dependent on market conditions. Interest on the Pulse note can vary with prime.

Dollars in thousands	SEPTEMBER 30 1999	DECEMBER 31 1998
Credit Agreement, matures 12/2003		
Revolving credit, 6.74%	$ 52,400	$105,555
Term loan, 6.54%	195,000	202,500
9 3/8% Senior notes due 6/2005	175,000	100,000
Unsecured credit facility	--	30,000
Pulse note, 9.5%, due 1/2004	16,990	16,990
Comet notes	--	10,200
Other	2,004	2,572
Total	441,394	467,817
Less-current portion	27,666	30,579
Long-term portion	$413,728	$437,238

The Credit Agreement provides for an aggregate credit facility of $350 million, consisting of $210 million of term loans and up to $140 million of revolving loans. At September 30, 1999, amounts available under the revolving credit facility were $65.7 million.

In 1999, WABCO issued $75 million of 9 3/8% Senior Notes (with an effective rate of 8.5%) which mature in June 2005. The January issuance improved WABCO's financial liquidity by i) using a portion of the proceeds to repay $30 million of debt associated with the RRE acquisition that bore interest at 9.56%, and; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility.

Management believes, based upon current levels of operations and forecasted earnings, that cash flow from operations, together with available borrowings under the Credit Agreement, will be adequate to make payments of principal and interest on debt, including the Notes, to make required contributions to the ESOP, to permit anticipated capital expenditures, and to fund working capital requirements and other cash needs for the foreseeable future, including 1999.

Nevertheless, the Company will remain leveraged to a significant extent and its debt service obligations will continue to be substantial. The debt of the Company requires the dedication of a substantial portion of future cash flows to the payment of principal and interest on indebtedness, thereby reducing funds available for capital expenditures and future business opportunities that the Company believes are available. The Company believes that cash flow and liquidity will be sufficient to meet its debt service requirements. If the Company's sources of funds were to fail to satisfy the Company's cash requirements, the Company may need to refinance its existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place. The Company intends to reduce its indebtedness in 1999 through generating operating income and by maintaining working capital at current requirements and other measures.

EFFECTS OF YEAR 2000

The Company has information system improvement initiatives in process that include both new computer hardware and software applications. The new system is substantially operational and is Year 2000 compliant. The cost of the project will be approximately $10 million, with the majority of the costs incurred. The majority of the expenditures incurred for hardware and purchased software related to this project have been capitalized and are amortized over their estimated useful lives. Other costs, such as training and advisory consulting, are expensed as incurred. These expenditures are not expected to have a significant impact on our future results of operations or financial condition.

The Company has identified other equipment that is used in operations that has non-information system characteristics and embedded technology components, such as those items with internal clocks. The Company will need to replace this type of equipment but does not believe a possible Year 2000 failure will have a significant impact on our operations. The estimated cost of replacement equipment is not considered significant.

The Company has received written assurances from some of our suppliers and customers and other providers acknowledging Year 2000 issues and stating their present intention to be compliant; however, not all customers, vendors and providers have provided such assurances.

The Company will continue to regularly evaluate information technology applications, as well as those of the suppliers, and based on such evaluation, will revise Year 2000 readiness plans accordingly. The Company is evaluating its preparedness in a number of areas, including information technology infrastructure, external resources, physical plant and production facilities, equipment and machinery, products and inventory.

The Company has developed contingency plans and actions for Year 2000 issues related to both internal and external systems. As part of this planning, the Company is evaluating the incremental cost of the contingency alternatives as compared to the perceived level of risk for Year 2000 problems. In some cases, we have determined that the perceived level of risk does not justify the cost of the contingency alternative. Contingency plans involve consideration of a number of possible actions, including, to the extent necessary or justified, the selection of alternative service providers and adjustments to staffing strategies, as ordering and billing procedures could be done manually. The Company plans to continue developing and modifying contingency plans throughout 1999 as the Company monitors and evaluates the progress of our internal and external Year 2000 compliance program.

With regard to contingency planning, as previously noted, the Company is assessing the Year 2000 readiness of key suppliers, distributors, customers and service providers. Toward that objective, since the Company has not received assurances from all of its suppliers and other service providers that they will be compliant, the Company is evaluating the risks to us that the failure of others to be Year 2000 ready would cause a material disruption to, or have a material effect on, financial condition, business or operations. Although the Company has not determined the costs to handle Year 2000 failures by third party suppliers or customers, the Company presently believes such costs will not be material. Due to the nature of our business, we do not anticipate that Year 2000 problems at our suppliers or customers will generate many problems with the process such suppliers or customers must undertake in order to provide products to us or purchase products from us, as the case may be. For example, our critical supplies include bar stock and scrap metal and are commodity materials that can be obtained from different sources. Further, these types of industries are not expected to be severely hampered by the Year 2000 issues. Rather, if anything, we expect that Year 2000 problems will affect the ability of suppliers or customers to communicate with us in a manner in which we can efficiently obtain the necessary supplies or take customer orders. The Company has attempted to address these Year 2000 concerns by preparing to accept paper copy orders from customers and enter those orders into our own computer system, if our customers' computers are unable to communicate with our computers. The Company's ordering on the supply end is typically done by paper copy rather than computer, so it should not be negatively impacted by Year 2000 issues. The Company is also considering the advisability of augmenting our inventories of certain raw materials and finished products, securing additional sources for certain supplies and services and exploring the use of manual paper flow to handle both the distribution and sales channels, among other things.

The Company's products are generally sold with a limited warranty for defects. The Company has reviewed its products currently in use by our customers or being sold and does not believe that there will be material increases in warranty or liability claims arising out of year 2000 non-compliance. However, a material increase in such claims could have a material adverse effect on our financial condition, future results of operations and liquidity. If large scale systems failures occur, it could have a significant adverse effect on our financial condition, future results of operations and liquidity.

FORWARD LOOKING STATEMENTS

The Company believes that all statements other than statements of historical facts included in this report, including certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute forward-looking statements. The Company has based these forward-looking statements on current expectations and projections about future events and believes assumptions made in connection with these statements are reasonable, however, there is no assurance these assumptions and expectations will prove to have been correct.

These forward-looking statements are subject to various risks, uncertainties and assumptions about us, including, among other things:

- Interest rates;
- Demand for services in the freight and passenger rail industry;
- Consolidations in the rail industry;
- Demand for our products and services;
- Gains and losses in market share;
- Demand for freight cars, locomotives, passenger transit cars and buses;
- Industry demand for faster and more efficient braking equipment;
- Continued outsourcing by our customers;
- Governmental funding for some of our customers;
- Future regulation/deregulation of our customers and/or the rail industry;
- General economic conditions in the markets which we compete, including North America, South America, Europe and Australia;
- Successful introduction of new products;
- Successful integration of newly acquired companies;
- Year 2000 concerns;
- Labor relations;
- Completion of additional acquisitions; and
- Other factors.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK INTEREST RATE RISK

In the ordinary course of business, WABCO is exposed to risks that increases in interest rates may adversely affect funding costs associated with $216 million of variable-rate debt (considering the effects of existing interest rate swaps), which represents 49% of total long-term debt at September 30, 1999. At September 30, 1999, an instantaneous 100 basis point increase in interest rates would reduce the Company's earnings annually by approximately $1.4 million, net of tax, assuming no additional intervention strategies by management.

FOREIGN CURRENCY EXCHANGE RISK The Company periodically enters into several types of financial instruments for the purpose of managing its exposure to foreign currency exchange rate fluctuations in countries in which the Company has significant operations. As of September 30, 1999, the Company had no instruments outstanding.

WABCO is also subject to certain risks associated with changes in foreign currency exchange rates to the extent its operations are conducted in currencies other than the U.S. dollar. For the nine months ending September 30, 1999, approximately 75% of WABCO's net sales are in the United States, 12% in Canada and 13% in other international locations, primarily Europe. At September 30, 1999, the Company does not believe changes in foreign currency exchanges rates represent a material risk to results of operations or financial position.

LEGAL PROCEEDINGS

On February 12, 1999, GE Harris Railway Electronics, LLC and GE Harris Railway Electronic Services, LLC (collectively, "GE Harris") brought suit against the Company for alleged patent infringement and unfair competition related to a communications system installed in one of the Company's products. GE Harris is seeking to prohibit the Company from future infringement and is seeking an unspecified amount of money damages to recover, in part, royalties. As this lawsuit is in the earliest stages, the Company is unable to estimate the cost, if any, of resolving litigation and thus, no costs have been provided for this matter.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On September 26, 1999, the Company and MotivePower Industries, Inc. agreed to an amended and restated merger agreement whereby each share of MotivePower Common Stock and Right will be exchanged with 0.66 shares of WABCO Common Stock (See Note 9 - "Notes to Condensed Consolidated Financial Statements" included elsewhere in this report). On October 26, 1999, the Company mailed a Joint Proxy Statement/Prospectus to the shareholders for the consideration of and voting upon the proposed revised merger, at a special meeting of shareholders scheduled for November 19, 1999.

EXHIBITS AND REPORTS ON FORM 8-K

The Company filed the Current Report on Form 8-K on the dates below pertaining to the following items:

On August 18, 1999, text of joint press release on the MotivePower Industries, Inc. and the Company's possible synergies, benefits of the merger, and 1999 EPS expectations (Item 7).

On August 23, 1999, text of press release of the August 20, 1999 announcement of the postponement of the Shareholders meeting to vote upon the merger with MotivePower Industries, Inc. (Item 7).

On October 13, 1999, reported the September 26, 1999 Amended and Restated Merger Agreement between MotivePower Industries, Inc. and the Company (Item 5).

On October 15, 1999, text of press release of the Company's Third Quarter 1999 and September 30, 1999 Year to Date financial results and share repurchase program (Items 5 and 7).

Exhibit No. 27 "Financial Data Schedule" as of and for the Nine Months ended September 30, 1999 is filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTINGHOUSE AIR BRAKE COMPANY

By: /s/ ROBERT J. BROOKS

Robert J. Brooks
Chief Financial Officer

Date: November 5, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM WESTINGHOUSE AIR BRAKE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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SEP-30-1999
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