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, 1997
COMMISSION FILE NO. 1-13782

WESTINGHOUSE AIR BRAKE COMPANY

(Exact name of registrant as specified in its charter)

Delaware	25-1615902
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1001 Air Brake Avenue
Wilmerding, Pennsylvania 15148
(Address of principal executive offices)

(412) 825-1000
Registrant's telephone number, including area code

Indicate by checkmark 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Number of shares of common stock outstanding, excluding unearned ESOP shares, as of November 3, 1997:

24,915,467

Number of shares of common stock outstanding, including unearned ESOP shares, as of November 3, 1997:

33,630,065

WESTINGHOUSE AIR BRAKE COMPANY

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

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WESTINGHOUSE AIR BRAKE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996
(Dollars in thousands except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
NET SALES	$ 142,761	$ 109,801	$ 417,335	$ 324,667
COST OF SALES	97,202	72,213	279,313	214,913
Gross Profit	45,559	37,588	138,022	109,754
SELLING AND MARKETING EXPENSES	6,594	4,668	18,328	12,040
GENERAL AND ADMINISTRATIVE EXPENSES	8,906	6,581	27,885	20,273
ENGINEERING EXPENSES	6,019	4,674	18,334	12,851
AMORTIZATION EXPENSE	2,004	1,983	6,113	5,700
Income from operations	22,036	19,682	67,362	58,890
OTHER INCOME AND EXPENSES:				
Interest expense	7,700	6,346	22,184	19,040
Other (income) expense, net	(150)	(12)	(306)	(85)
Income before income taxes	14,486	13,348	45,484	39,935
INCOME TAXES	5,650	5,339	17,739	15,974
NET INCOME	$ 8,836	$ 8,009	$ 27,745	$ 23,961
PER SHARE DATA:				
Primary Earnings Per Share	$ 0.35	$ 0.28	$ 1.05	$ 0.84
Average Shares used in Primary	25,565	28,456	26,388	28,449
Fully-Diluted Earnings Per Share	$ 0.34	$ 0.28	$ 1.03	$ 0.84
Average Shares used in Fully-Diluted	26,019	28,456	27,062	28,449

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1997 AND DECEMBER 31, 1996
(Dollars in thousands)

	September 30, 1997 (Unaudited)	December 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 256	$ 618
Accounts receivable	92,207	73,507
Inventories	66,178	62,355
Other current assets	17,163	13,689
Total current assets	175,804	150,169
PROPERTY, PLANT AND EQUIPMENT	178,043	162,324
Less: Accumulated depreciation	(75,566)	(66,480)
Property, plant and equipment, net	102,477	95,844
OTHER ASSETS:		
Prepaid pension costs	4,607	4,608
Goodwill	63,819	60,490
Intangibles	43,774	44,241
Debt issuance costs and other	8,567	7,884
Total other assets	120,767	117,223
TOTAL ASSETS	$ 399,048	$ 363,236
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 22,944	$ 29,700
Accounts payable	31,085	23,789
Accrued income taxes	389	2,634
Other current liabilities	58,967	45,870
Total current liabilities	113,385	101,993
Long-term debt	347,073	311,990
Reserve for post-retirement benefits	14,130	13,309
Accrued pension costs	5,596	4,724
Deferred income taxes	6,061	7,415
Other long-term liabilities	955	-
Total liabilities	487,200	439,431
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par value; 100,000,000 shares authorized and 47,426,600 issued	474	474
Additional paid-in capital	105,077	104,321
Less: Treasury stock, at cost, 13,796,535 and 9,937,867 shares	(191,384)	(149,331)
Less: Unearned ESOP shares, 8,714,598 and 8,927,565 shares	(130,879)	(133,914)
Retained earnings	132,343	105,363
Cumulative translation adjustment	(3,783)	(3,108)
Total shareholders' equity	(88,152)	(76,195)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 399,048	$ 363,236

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996
(Dollars in thousands)
(Unaudited)

	Nine months ended September 30,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 27,745	$ 23,961
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	18,181	16,486
Provision for contribution to ESOP	3,278	1,638
Deferred income taxes	(1,337)	(253)
Changes in certain assets and liabilities:		
Accounts receivable	(6,730)	(5,977)
Inventories	5,550	6,712
Other assets and liabilities	2,392	3,357
Accounts payable	(1,181)	(3,022)
Accrued income taxes	(2,162)	953
Accrued liabilities and advanced deposits	3,542	2,941
Net cash provided by operating activities	49,278	46,796
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net	(16,694)	(9,101)
Cost of business acquisitions	(13,492)	(78,890)
Net cash used for investing activities	(30,186)	(87,991)
FINANCING ACTIVITIES:		
Net bank debt borrowings	35,187	69,895
Payments of term debt	(9,100)	(19,400)
Purchase of treasury stock, including fees	(46,068)	(2,022)
Proceeds from exercise of stock options	2,460	-
Cash dividends	(765)	(846)
Net cash provided (used) by financing activities	(18,286)	47,627
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(1,168)	24
Increase (Decrease) in cash and cash equivalents	(362)	6,456
CASH AND CASH EQUIVALENTS, beginning of period	618	210
CASH AND CASH EQUIVALENTS, end of period	$ 256	$ 6,666

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997
(Dollars in thousands)
(Unaudited)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Unallocated ESOP Shares	Retained Earnings	Cumulative Translation Adjustment	Total Shareholders' Equity
BALANCE, December 31, 1996	$ 474	$ 104,321	$ (149,331)	$ (133,914)	$ 105,363	$ (3,108)	$ (76,195)
Net income	-	-	-	-	27,745	-	27,745
Purchase of treasury stock	-	-	(44,000)	-	-	-	(44,000)
Exercise of stock options	-	513	1,947	-	-	-	2,460
Allocation of ESOP shares	-	243	-	3,035	-	-	3,278
Dividends paid	-	-	-	-	(765)	-	(765)
Cumulative translation adjustment	-	-	-	-	-	(675)	(675)
BALANCE, September 30, 1997	$ 474	$ 105,077	$ (191,384)	$ (130,879)	$ 132,343	$ (3,783)	$ (88,152)

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

(Unaudited)

1. BASIS OF PRESENTATION:

The information contained in these financial statements and notes for the three and nine months ended September 30, 1997, should be read in conjunction with the financial statements and notes for the year ended December 31, 1996, contained in the Company's Annual Report, as filed with the Securities and Exchange Commission on Form 10-K. The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission. These condensed interim statements do not include all of the information and footnotes required for complete financial statements. It is management's opinion that all adjustments (including all normal recurring accruals) considered necessary for a fair presentation have been made; however, results for these interim periods are not necessarily indicative of results to be expected for the full year.

Earnings Per Share

Earnings per common and common equivalent share is based upon the weighted average common and common equivalent shares outstanding during the period. Employee stock options, when dilutive, are considered common stock equivalents using the treasury stock method. Also included in the weighted average shares is the pro-rata amount of the annual allocation of approximately 284,000 shares to the ESOP participants.

In February 1997, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). SFAS No. 128 differs from current accounting guidance in that earnings per share is classified as basic earnings per share and diluted earnings per share, compared to primary earnings per share and fully diluted earnings per share under current standards. Basic earnings per share differs from primary earnings per share in that it includes only the weighted average common shares outstanding and does not include any dilutive securities in the calculation. Diluted earnings per share under the new standard differs in certain calculations compared to fully diluted earnings per share under the existing standards. Adoption of SFAS No. 128 is required for interim and annual periods ending after December 15, 1997 with a restatement of all prior periods being required. The Company currently believes that the effect of adopting SFAS No. 128 will not have a material impact on its earnings per share.

2. STOCK REDEMPTION

On March 31, 1997, the Company repurchased from Scandinavian Incentive Holdings, B.V., ("SIH"), 4,000,000 shares of the Company's Common Stock for a purchase price of $11 per share in cash and an aggregate purchase price of $44 million plus fees and expenses of approximately $2 million (such transaction being hereinafter referred to as the "Redemption"). The Redemption was effected pursuant to a Redemption Agreement (the "Redemption Agreement") dated as of March 5, 1997 among the Company, SIH and Incentive AB, the sole shareholder of SIH ("Incentive"). Concurrently therewith, SIH sold its remaining 6,000,000 shares of Common Stock to a group of investors consisting of Vestar Equity Partners, L.P. ("Vestar"), Harvard Private Capital Holdings, Inc. ("Harvard"), American Industrial Partners Capital Fund II, L.P. ("AIP") and certain members of management of the Company (the "Management Purchasers") for a purchase price of $11 per share in cash, pursuant to a Stock Purchase Agreement dated as of March 5, 1997, which sale was effective as of March 31, 1997 (such transaction being hereinafter referred to as the "SIH Purchase").

In addition, the Company entered into a Common Stock Registration Rights Agreement (the "Registration Rights Agreement") dated as of March 5, 1997 among the Company, Harvard, AIP, the RAC Voting Trust (the "Voting Trust"), Vestar, Vestar Capital Partners, Inc. ("Vestar Capital") and the former Pulse Shareholders, which Registration Rights Agreement provides for, among other things, the registration of sales of shares of Common Stock under the Securities Act of 1933, as amended, by Holders (as defined in the Registration Rights Agreement) at the expense, subject to certain specified exceptions, of the Company.

To finance the Redemption, the Company amended its credit agreement with The Chase Manhattan Bank, The Bank of New York and the other financial institutions named therein, to increase the revolving credit availability by $15 million (from $125 million to $140 million) and to obtain a waiver of the requirement to make a prepayment in an aggregate principal amount equal to 50% of excess cash flow for 1996, or approximately $11.5 million. The Company obtained consents from record owners as of March 3, 1997 of its 9 3/8% Senior Notes Due 2005 (the "Notes") to certain amendments to a covenant contained in the Indenture dated as of June 20, 1995 among the Company, as issuer, and The Bank of New York, as trustee, pursuant to which the Notes were issued (the "Indenture"). The Company borrowed $46 million to fund the Redemption and related expenses.

Upon the Company's receipt of the requisite consents, the Indenture was amended (i) to permit additional Restricted Payments in an amount of approximately $22 million in order to complete the Redemption, and (ii) to permit up to $2 million of additional Restricted Payments to be made in advance of when they would otherwise have been permitted.

In addition, an Amended and Restated Stockholders Agreement dated as of March 5, 1997 by and among the Voting Trust, Vestar, Harvard, AIP and the Company, and joined for certain purposes by Vestar Capital, William E. Kassling, Emilio A. Fernandez, Ofelia B. Fernandez, Robert J. Brooks, John M. Meister, Davideco, Inc. and Suebro, Inc., as amended by Amendment No. 1 thereto dated as of March 28, 1997 (the "Stockholders Agreement"), was executed in connection with the SIH Purchase. The Stockholders Agreement contains provisions regarding, among other things, the disposition and voting of shares of Common Stock by the parties to such agreement, as well as certain provisions regarding the composition of the Board of Directors of the Company.

The following presents the Company's results for the nine months ended September 30, 1997 on a pro forma basis as if this transaction had occurred on January 1, 1997:

	In thousands, except per share data
Net Income	$27,256
Primary Earnings Per Share	$ 1.09
Average Shares used for Primary	25,084
Fully-Diluted Earnings Per Share	$ 1.06
Average Shares used for Fully-Diluted	25,758

3. 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 at September 30, 1997, and December 31, 1996 are:

	(Dollars in Thousands)	
	September 30, 1997	December 31, 1996
Raw materials	$23,689	$20,140
Work-in-process	27,328	31,294
Finished goods	15,161	10,921
	$66,178	$62,355

4. ACQUISITIONS:

Effective January 31, 1996, the Company acquired 100% of the stock of Futuris Industrial Products Pty. Ltd. (Futuris), an Australian company, for a cash purchase price of approximately $15 million. Futuris is a leading manufacturer of brake shoes and disc brake pads for railroads in Australia and the Pacific Rim.

On September 19, 1996, the Company acquired from Mark IV Industries Inc. the Vapor Group (Vapor) for a cash purchase price of approximately $63.9 million. The transaction, which has been accounted for as a purchase, was effective September 1, 1996. Pursuant to an earn out provision, the purchase price may be increased by up to $2 million based on a sales formula. Vapor is the leading manufacturer of door controls for transit rail cars and metropolitan buses in the United States, with annual revenues for its most recent fiscal year (prior to the acquisition) of approximately $65 million. The net tangible assets of Vapor were approximately $36 million at the date of purchase. The fair market valuations and allocation of the purchase price to the acquired tangible and intangible assets have been based upon an independent appraisal. The purchase price paid in excess of the fair value of the acquired net tangible assets was approximately $28.2 million and has been allocated to goodwill and other intangibles.

Effective May 1, 1997 the Company purchased Stone Safety Service Corporation and Stone U.K. Limited (Stone) from Enprotech Corporation, a subsidiary of Itochu International. Stone is located in New Jersey and England, and is one of the world's leading suppliers of air conditioning equipment for the transit industry with an established product base in North America, Europe and the Far East. On June 27, 1997 the Company acquired the heavy rail air conditioning business of Thermo King Corporation (Thermo King) from Westinghouse Electric. The Thermo King purchase included certain inventory, equipment and drawings. The aggregate purchase price for the Stone and Thermo King acquisitions was approximately $7.5 million and was financed by utilizing the Company's revolving line of credit. Annual revenues of the Stone and Thermo King acquisitions aggregate approximately $20 million. The acquisitions have been accounted for under the purchase method and the excess of the purchase price over the fair value of net assets acquired was approximately $1 million which has been allocated primarily to goodwill.

Effective July 31, 1997 the Company acquired 100% of the stock of H.P. S.r.l. (HP), an Italian company for a total purchase price of $5.6 million, which included the assumption of $2.4 million in debt. HP is located in Sassuolo, Italy and is a leading supplier of door controls for transit rail cars and buses in the Italian market, with revenues of approximately $9 million for its most recent fiscal year. The acquisition has been accounted for under the purchase method and the excess of the purchase price over the fair value of the net assets acquired of approximately $3.5 million has been allocated primarily to goodwill.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis by management of financial condition provides information with respect to the results of operations of the Company for the three month and nine month periods ended September 30, 1997 and 1996, respectively. This discussion should be read in connection with the information in the condensed consolidated financial statements and the notes pertaining thereto.

Certain statements in this quarterly report on Form 10-Q are forward-looking statements concerning the future operations of the Company. Such statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and there are many important factors that could cause actual results to differ materially from those in the forward-looking statements.

Results of Operations

The following table summarizes sales by market:

	For the three months ended September 30, 1997	1996	For the nine months ended September 30, 1997	1996
Electronics	$ 16,629	$ 17,637	$ 61,928	$ 49,462
Freight Car	53,502	41,793	141,529	144,015
Transit	43,172	24,764	123,166	56,059
Locomotive	11,441	10,088	35,272	32,178
Friction & Other	18,017	15,519	55,440	42,953
	$ 142,761	$ 109,801	$ 417,335	$ 324,667

THIRD QUARTER 1997 COMPARED TO THIRD QUARTER 1996

Net Sales

Net sales were $142.8 million in the third quarter of 1997, an increase of 30% over the comparable quarter of 1996. The recent acquisitions of Stone, a transit air conditioning manufacturer with locations in the U.S. and the U.K., the heavy rail air conditioning division of Thermo King, and HP, an Italian transit door manufacturer, contributed $8.9 million during the quarter. Also, the inclusion of Vapor Corporation for a full three months in the current quarter, which was acquired as of September 1, 1996, accounted for $13.5 million of the increased sales.

Sales in the Company's Freight Car operations increased 28% or $11.7 million, to $53.5 million in 1997 from $41.8 million in 1996. This increase was due primarily to higher deliveries associated with freight car OEM for the quarter ended September 30, 1997. Sales in the Company's Electronics segment decreased $1.0 million due primarily to the completion of deliveries pursuant to the federal mandate that most trains be equipped with the two-way end-of-train monitoring equipment by July 1997.

Gross Profit

Gross profit increased $8.0 million or 21%, to $45.6 million in 1997 versus $37.6 million in 1996 while gross profit margins decreased to 32% of sales in 1997 from 34% in 1996. The reduced margins were due principally to the lower margins in the beginning backlog of the recently acquired businesses of both Stone and HP.

Selling and Marketing Expenses

Selling and marketing expenses increased $1.9 million in 1997 compared to 1996; selling expenses of the acquired businesses of Vapor and Stone accounted for a majority of the increase; the balance of the increase was attributable to international marketing expansion and new product introductions.

General and Administrative Expenses

General and administrative expenses increased $2.3 million to $8.9 million in 1997 from $6.6 million in 1996. The increase was primarily attributable to expenses of the acquired businesses of Vapor and Stone.

Engineering Expenses

Engineering expenses, which do not include that portion of engineering which supports manufacturing, increased $1.3 million to $6.0 million in 1997 from $4.7 million in 1996. Excluding the effects of the increase relating to the acquisitions of Vapor, Stone and HP, engineering expenses remained relatively constant between periods.

Income from Operations

Operating income increased 12% over the prior year to $22.0 million in 1997 from $19.7 million in 1996, due primarily to the higher sales volume and related gross profit.

Interest Expense

Interest expense increased $1.4 million in the third quarter of 1997 in comparison to the same period in 1996. This increase was attributable to higher average debt levels in 1997 as the result of borrowings to finance the Share Redemption on March 31, 1997, and the recent acquisitions of Stone, Thermo King and HP.

Income Taxes

The effective tax rate was 39% for the third quarter of 1997 as compared to 40% for the same period of 1996. The reduced tax rate was due to the establishment of a Foreign Sales Corporation in October 1996 and lower overall state tax rates.

Net Income

Net income for the third quarter of 1997 was $8.8 million, representing a 10% increase over the prior year. Earnings per share for the third quarter of 1997 increased to $.35 ($.34 on a fully-diluted basis) as compared to $.28 for the corresponding period in the prior year (fully-diluted EPS was also $.28 in the third quarter of 1996).

NINE MONTH PERIOD ENDED SEPTEMBER 30, 1997 COMPARED TO NINE MONTH PERIOD ENDED SEPTEMBER 30, 1996

Net Sales

Net sales for the nine months ended September 30, 1997 increased 29% to $417.3 million in 1997 compared to $324.7 million in 1996. The increase in net sales was due principally to the acquisitions of Vapor, Stone and HP ($70.8 million) as well as increased volume in the Electronics, Transit and Friction businesses. The sales increase in the Electronics product segment was primarily due to new products and the federal mandate for most trains to be equipped with the two-way end-of-train monitoring device.

Net sales in the Locomotive business increased $3.1 million, or 10%, from $32.2 million in 1996 to $35.3 million in 1997. The Freight Car division sales declined from $144.0 million in 1996 to $141.5 million in 1997, as the result of the year-on-year decline in OEM freight car production.

Gross Profit

Gross profit increased 26%, to $138.0 million in 1997 compared to $109.8 million in 1996. Gross margin, as a percentage of sales, was 33% in 1997 as compared to 34% in 1996. The overall product mix of sales and the lower margins at the recently acquired businesses of both Stone and HP were the primary factors for the change.

Selling and Marketing Expenses

Selling and marketing expenses increased $6.3 million in 1997 of which the acquisitions accounted for $4.1 million; increased marketing expenses in conjunction with new products and the Company's expanded international marketing activities accounted for the remainder of the increase.

General and Administrative Expenses

General and administrative expenses increased to $27.9 million in 1997 from $20.3 million in 1996. The increase in general and administrative expenses was due primarily to the effects of the Vapor, Stone and HP acquisitions.

Engineering Expenses

Engineering expenses, which do not include that portion of engineering which supports manufacturing, increased $5.4 million to $18.3 million in 1997 from $12.9 million in 1996, due primarily to the acquisitions which accounted for $4.9 million of the increase. Additional engineering expenses were also incurred in conjunction with new product development.

Amortization Expense

Amortization expense increased $.4 million in 1997 due to the amortization of intangibles, including goodwill, associated with the acquisition of Vapor in September 1996.

Income from Operations

Operating income increased to $67.4 million in 1997 from $58.9 million in 1996, up $8.5 million. Operating income for 1997 was favorably impacted by the aforementioned increased sales volume and related gross profit.

Interest Expense

Interest expense increased $3.1 million to $22.1 million in 1997 from $19.0 million in 1996, due to higher debt levels in 1997 as the result of incremental borrowings for the Share Redemption and acquisitions less repayments made to date during 1997.

Income Taxes

The provision for income taxes increased $1.8 million to $17.7 million in 1997 compared to $15.9 million in 1996. The effective tax rate declined to 39% in 1997 from 40% in 1996, due to the establishment of a Foreign Sales Corporation and lower overall state tax rates.

Net Income

Net income increased $3.8 million to $27.7 million in 1997 from $23.9 million in 1996 as the result of the increased sales volume and associated increased gross profits. Primary earnings per share increased to $1.05 in 1997 compared to $.84 in 1996; while fully-diluted earnings per share increased to $1.03 in 1997 from $.84 in 1996.

Liquidity and Capital Resources

The Company has generated cash from operating activities of $49.3 million and $46.8 million in the first nine months of 1997 and 1996, respectively. During the nine months ended September 30, 1997, the Company increased its bank debt obligations by a net $28 million as a result of funding the $46 million payment for the stock repurchase, as is described below, and financing related to the Stone, Thermo King and HP acquisitions . Excluding the borrowings for the share buyback and acquisitions, the Company would have decreased debt by approximately $31.0 million through September 30, 1997. Cash generated from operating activities has remained strong due to continued profitability and improved asset management, which has enabled the Company to fund both its anticipated capital expenditures and the related working capital requirements.

Accounts receivable have increased approximately $19 million or 25% from December 31, 1996 due to receivables of acquired businesses and increased receivables from the increased sales volume in the freight car market. Other current liabilities increased $13 million or 28% from December 31, 1996 primarily for those new acquisitions mentioned above.

Pursuant to an agreement dated March 4, 1997, one of the Company's major shareholders, Scandinavian Incentive Holding B.V. ("SIH"), agreed to sell the 10 million shares of WABCO Common Stock that it holds. Under the terms of the March 5, 1997 agreement, the Company bought 4 million shares at $11 per share, upon obtaining approval of the Company's senior note holders, and an investment group consisting of Vestar Equity Partners, L.P., Harvard Private Capital Group, American Industrial Partners Capital Fund II, L.P. and certain members of Company management acquired the remaining 6 million shares at the same price. This transaction was completed on March 31, 1997 and increased total bank debt obligations by $46 million for the Company's portion of the buyback.

The Company's primary source of liquidity, other than operations, is the $140 million revolving credit facility (the Revolving Credit Facility) pursuant to the Amended Credit Agreement, of which approximately $94 million had been utilized for borrowings at September 30, 1997 and an additional $20 million had been utilized for letters of credit under customer contract requirements.

At September 30, 1997, the total indebtedness of the Company is approximately $370.0 million, of which approximately $249.0 million is outstanding under the Amended Credit Agreement, $100.0 million is outstanding under the Company's Senior Notes and $17.0 million is due to the former owners of Pulse. In addition, the Company has approximately $4.0 million of debt in acquired businesses. The interest rate for the Notes is fixed at 9.375%, which will result in an annual interest obligation of $9.4 million (based on a total outstanding amount of $100 million). Most of the remaining indebtedness bears interest at variable interest rates and, therefore, the Company's total annual interest obligation will change based on the applicable interest rates in effect from time to time. However, the Company has entered into interest rate swap agreements that fix the interest cost on $75 million at a weighted average interest rate of approximately 7.95%. The Company's total annual interest obligation on all indebtedness would be approximately $30.0 million based on the interest rates in effect as of September 30, 1997 (using a weighted average interest rate of approximately 8.1%).

The Company has information system improvement initiatives under way which include both new computer hardware and software applications. The new system is expected to be operational by late 1998 and will be year

2000 compliant. The majority of the expenditures incurred for this project will be capitalized and amortized over their estimated useful lives, and accordingly, are not expected to have a significant impact on the Company's future results of operations.

Management believes, based upon current levels of operations and forecasted earnings, that cash flows from operations, together with borrowings under the Amended Credit Agreement, will be adequate to make required payments of principal and interest on debt, including the Notes, to permit anticipated capital expenditures, and to fund working capital requirements and other cash needs. Nevertheless, the Company will remain leveraged to a significant extent with corresponding requirements for debt service obligations. Moreover, the ability of the Company to comply with the covenants and other restrictions contained in the Notes and the Amended Credit Agreement may be affected by events beyond its control. If the Company's sources of funds were to be inadequate 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 any such new financing alternatives would be available and, in any case, such new financing, if available, could be expected to be more costly and burdensome than the debt agreements currently in place.

PART II. OTHER INFORMATION

None

SIGNATURES

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

WESTINGHOUSE AIR BRAKE COMPANY
(Registrant)

November 12, 1997

By /s/ ROBERT J. BROOKS

Robert J. Brooks, Vice President and
Chief Financial Officer

5
1,000

9-MOS
DEC-31-1997
JAN-01-1997
SEP-30-1997
256
0
92,207
0
66,178
175,804
178,043
75,566
399,048
113,385
347,073
0
0
474
(88,626)
399,048
417,335
417,335
279,313
279,313
(306)
0
22,184
45,484
17,739
27,745
0
0
0
27,745
1.05
1.03