

**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 June 30, 2021

OR

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

For the transition period from

to

Commission file number: 033-90866

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES  
CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)  
30 Isabella Street Pittsburgh, Pennsylvania  
(Address of principal executive offices)

25-1615902  
(I.R.S. Employer Identification No.)  
15212  
(Zip code)

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

Not applicable  
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value per share	WAB	New York Stock Exchange

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 (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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>		

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 23, 2021, there were 189,034,202 shares of common stock, par value \$.01 per share, of the registrant outstanding.

**WESTINGHOUSE AIR BRAKE  
TECHNOLOGIES CORPORATION**

**June 30, 2021**

**FORM 10-Q**

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**PART I—FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>In millions, except par value</i>	<b>Unaudited</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 453.5	\$ 598.7
Accounts receivable	1,020.9	969.3
Unbilled accounts receivable	431.7	443.2
Inventories	1,661.2	1,642.1
Other current assets	240.9	226.5
Total current assets	3,808.2	3,879.8
Property, plant and equipment, net	1,544.3	1,601.6
Goodwill	8,653.2	8,485.2
Other intangible assets, net	3,876.0	3,869.2
Other noncurrent assets	630.7	618.7
Total noncurrent assets	14,704.2	14,574.7
<b>Total Assets</b>	<b>\$ 18,512.4</b>	<b>\$ 18,454.5</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 994.7	\$ 909.4
Customer deposits	597.5	642.7
Accrued compensation	243.2	242.3
Accrued warranty	245.2	240.1
Current portion of long-term debt	0.6	447.2
Other accrued liabilities	763.5	744.6
Total current liabilities	2,844.7	3,226.3
Long-term debt	4,079.6	3,792.2
Accrued postretirement and pension benefits	108.1	113.5
Deferred income taxes	194.1	168.4
Contingent consideration	219.2	218.1
Other long term liabilities	738.9	783.3
Total Liabilities	8,184.6	8,301.8
Commitments and contingencies (Note 15)		
<b>Equity</b>		
Common stock, \$.01 par value; 500.0 shares authorized: 226.9 and 226.9 shares issued and 189.0 and 188.9 outstanding at June 30, 2021 and December 31, 2020, respectively	2.0	2.0
Additional paid-in capital	7,896.7	7,880.6
Treasury stock, at cost, 37.9 and 38.0 shares, at June 30, 2021 and December 31, 2020, respectively	(1,008.6)	(1,010.1)
Retained earnings	3,780.1	3,588.9
Accumulated other comprehensive loss	(375.8)	(339.1)
Total Westinghouse Air Brake Technologies Corporation shareholders' equity	10,294.4	10,122.3
Noncontrolling interest	33.4	30.4
<b>Total Equity</b>	<b>10,327.8</b>	<b>10,152.7</b>
<b>Total Liabilities and Equity</b>	<b>\$ 18,512.4</b>	<b>\$ 18,454.5</b>

The accompanying notes are an integral part of these statements.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

<i>In millions, except per share data</i>	Unaudited		Unaudited	
	Three Months Ended June 30, 2021	2020	Six Months Ended June 30, 2021	2020
<b>Net sales:</b>				
Sales of goods	\$ 1,588.0	\$ 1,406.1	\$ 3,073.1	\$ 2,996.9
Sales of services	424.3	331.3	769.4	670.4
Total net sales	<u>2,012.3</u>	<u>1,737.4</u>	<u>3,842.5</u>	<u>3,667.3</u>
<b>Cost of sales:</b>				
Cost of goods	(1,185.0)	(1,061.3)	(2,292.7)	(2,217.2)
Cost of services	(247.2)	(189.4)	(435.5)	(384.7)
Total cost of sales	<u>(1,432.2)</u>	<u>(1,250.7)</u>	<u>(2,728.2)</u>	<u>(2,601.9)</u>
Gross profit	580.1	486.7	1,114.3	1,065.4
<b>Operating expenses:</b>				
Selling, general and administrative expenses	(262.1)	(216.8)	(497.5)	(460.2)
Engineering expenses	(42.0)	(38.2)	(79.7)	(87.2)
Amortization expense	(72.7)	(72.3)	(142.2)	(141.3)
Total operating expenses	<u>(376.8)</u>	<u>(327.3)</u>	<u>(719.4)</u>	<u>(688.7)</u>
Income from operations	203.3	159.4	394.9	376.7
<b>Other income and expenses:</b>				
Interest expense, net	(44.9)	(51.4)	(92.5)	(104.7)
Other income (expense), net	10.3	6.3	24.5	(8.5)
Income before income taxes	168.7	114.3	326.9	263.5
Income tax expense	(43.5)	(28.5)	(87.0)	(66.5)
Net income	125.2	85.8	239.9	197.0
Less: Net (income) loss attributable to noncontrolling interest	(0.4)	1.0	(2.7)	1.4
Net income attributable to Wabtec shareholders	<u>\$ 124.8</u>	<u>\$ 86.8</u>	<u>\$ 237.2</u>	<u>\$ 198.4</u>
<b>Earnings Per Common Share</b>				
<b>Basic</b>				
Net income attributable to Wabtec shareholders	<u>\$ 0.66</u>	<u>\$ 0.46</u>	<u>\$ 1.25</u>	<u>\$ 1.04</u>
<b>Diluted</b>				
Net income attributable to Wabtec shareholders	<u>\$ 0.66</u>	<u>\$ 0.46</u>	<u>\$ 1.25</u>	<u>\$ 1.04</u>
<b>Weighted average shares outstanding</b>				
Basic	188.6	189.8	188.5	190.3
Diluted	188.9	190.2	188.9	190.8

The accompanying notes are an integral part of these statements.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>In millions</i>	Unaudited		Unaudited	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to Wabtec shareholders	\$ 124.8	\$ 86.8	\$ 237.2	\$ 198.4
Foreign currency translation gain (loss)	33.8	29.2	(27.9)	(152.2)
Unrealized gain (loss) on derivative contracts	0.5	(9.1)	(7.4)	(1.0)
Unrealized (loss) gain on pension benefit plans and post-retirement benefit plans	(1.1)	0.7	(4.4)	(2.9)
Other comprehensive income (loss) before tax	33.2	20.8	(39.7)	(156.1)
Income tax benefit related to components of other comprehensive income (loss)	—	2.0	3.0	0.9
Other comprehensive income (loss), net of tax	33.2	22.8	(36.7)	(155.2)
Comprehensive income attributable to Wabtec shareholders	<u>\$ 158.0</u>	<u>\$ 109.6</u>	<u>\$ 200.5</u>	<u>\$ 43.2</u>

The accompanying notes are an integral part of these statements.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

<u><i>In millions</i></u>	<b>Unaudited</b>	
	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Net income	\$ 239.9	\$ 197.0
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Depreciation and amortization	246.3	233.7
Stock-based compensation expense	24.2	5.7
Below market intangible amortization	(19.9)	(55.4)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable and unbilled accounts receivable	(28.8)	246.1
Inventories	7.8	(30.3)
Accounts payable	82.4	(148.5)
Accrued income taxes	18.6	5.1
Accrued liabilities and customer deposits	(38.0)	(99.3)
Other assets and liabilities	(17.1)	(125.5)
Net cash provided by operating activities	515.4	228.6
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(55.5)	(67.6)
Proceeds from disposal of assets and businesses	8.2	9.7
Acquisitions of businesses, net of cash acquired	(405.1)	(40.3)
Net cash used for investing activities	(452.4)	(98.2)
<b>Financing Activities</b>		
Proceeds from debt	3,008.4	2,093.0
Payments of debt	(3,170.0)	(2,059.3)
Repurchase of stock	(1.2)	(105.3)
Cash dividends	(45.9)	(46.4)
Other financing activities	(3.8)	(5.5)
Net cash used for financing activities	(212.5)	(123.5)
Effect of changes in currency exchange rates	4.3	(23.2)
Decrease in cash	(145.2)	(16.3)
Cash and cash equivalents, beginning of period	598.7	604.2
Cash and cash equivalents, end of period	\$ 453.5	\$ 587.9

The accompanying notes are an integral part of these statements.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Unaudited)

In millions, except per share data	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
<b>Balance, December 31, 2020</b>	226.9	\$ 2.0	\$ 7,880.6	(38.0)	\$ (1,010.1)	\$ 3,588.9	\$ (339.1)	\$ 30.4	\$ 10,152.7
Cash dividends (\$0.12 dividend per share)	—	—	—	—	—	(23.0)	—	—	(23.0)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(5.4)	—	0.2	—	—	—	(5.2)
Stock based compensation	—	—	8.7	—	—	—	—	—	8.7
Net income	—	—	—	—	—	112.4	—	2.3	114.7
Other comprehensive loss, net of tax	—	—	—	—	—	—	(69.9)	—	(69.9)
Stock repurchase	—	—	—	—	(1.2)	—	—	—	(1.2)
Other	—	—	—	—	—	—	—	0.3	0.3
<b>Balance, March 31, 2021</b>	226.9	\$ 2.0	\$ 7,883.9	(38.0)	\$ (1,011.1)	\$ 3,678.3	\$ (409.0)	\$ 33.0	\$ 10,177.1
Cash dividends (\$0.12 dividend per share)	—	—	—	—	—	(23.0)	—	—	(23.0)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(1.1)	0.1	2.5	—	—	—	1.4
Stock based compensation	—	—	13.9	—	—	—	—	—	13.9
Net income	—	—	—	—	—	124.8	—	0.4	125.2
Other comprehensive income, net of tax	—	—	—	—	—	—	33.2	—	33.2
Stock repurchase	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
<b>Balance, June 30, 2021</b>	226.9	\$ 2.0	\$ 7,896.7	(37.9)	\$ (1,008.6)	\$ 3,780.1	\$ (375.8)	\$ 33.4	\$ 10,327.8
<b>Balance, December 31, 2019</b>	226.9	\$ 2.0	\$ 7,877.2	(35.3)	\$ (807.1)	\$ 3,267.0	\$ (382.6)	\$ 37.1	\$ 9,993.6
Cash dividends (\$0.12 dividend per share)	—	—	—	—	—	(23.0)	—	—	(23.0)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(7.9)	0.2	2.2	—	—	—	(5.7)
Stock based compensation	—	—	10.0	—	—	—	—	—	10.0
Net income (loss)	—	—	—	—	—	111.6	—	(0.4)	111.2
Other comprehensive loss, net of tax	—	—	—	—	—	—	(178.0)	—	(178.0)
Stock repurchase	—	—	—	(1.6)	(105.3)	—	—	—	(105.3)
Other	—	—	(4.3)	—	—	—	—	(0.8)	(5.1)
<b>Balance, March 31, 2020</b>	226.9	\$ 2.0	\$ 7,875.0	(36.7)	\$ (910.2)	\$ 3,355.6	\$ (560.6)	\$ 35.9	\$ 9,797.7
Cash dividends (\$0.12 dividend per share)	—	—	—	—	—	(23.4)	—	—	(23.4)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(0.6)	0.1	0.9	—	—	—	0.3
Stock based compensation	—	—	(2.7)	—	—	—	—	—	(2.7)
Net income (loss)	—	—	—	—	—	86.8	—	(1.0)	85.8
Other comprehensive income, net of tax	—	—	—	—	—	—	22.8	—	22.8
Other	—	—	—	—	—	—	—	0.1	0.1
<b>Balance, June 30, 2020</b>	226.9	\$ 2.0	\$ 7,871.7	(36.6)	\$ (909.3)	\$ 3,419.0	\$ (537.8)	\$ 35.0	\$ 9,880.6

The accompanying notes are an integral part of these statements.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021 (UNAUDITED)**

**1. BUSINESS**

Westinghouse Air Brake Technologies Corporation ("Wabtec" or the "Company") is one of the world's largest providers of locomotives, value-added, technology-based equipment, systems and services for the global freight rail and passenger transit 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 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 over 50 countries and our products can be found in more than 100 countries throughout the world. In the first six months of 2021, approximately 59% of the Company's revenues came from customers outside the United States.

**2. ACCOUNTING POLICIES**

**Basis of Presentation** The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America and the rules and regulations of the Securities and Exchange Commission and include the accounts of Wabtec and its subsidiaries in which Wabtec has a controlling interest. These condensed consolidated 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 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 particularly in light of the ongoing COVID-19 pandemic that is continuing to impact our sales channels, supply chain, manufacturing operations, workforce, and other key aspects of our operations and the high degree of uncertainty regarding the pandemic's duration and severity, availability and effectiveness of vaccines, impact of variants of the disease, actions to control it, and the potential impact on global economic activity, global supply chain operations and our customers, suppliers, and end-markets.

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

The notes included herein should be read in conjunction with the audited consolidated financial statements included in Wabtec's Annual Report on Form 10-K for the year ended December 31, 2020. The December 31, 2020 information has been derived from the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

**Use of Estimates** The preparation of financial statements in conformity with GAAP 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.

**Revenue Recognition** A majority of the Company's revenues are derived from performance obligations that are satisfied at a point in time when control passes to the customer. The remaining revenues are earned over time. Generally, for performance obligations satisfied at a point in time control passes at the time of shipment in accordance with agreed upon delivery terms.

The Company also has long-term customer agreements involving the design and production of highly engineered products that require revenue to be recognized over time because these products have no alternative use without significant economic loss and the agreements contain an enforceable right to payment including a reasonable profit margin from the customer in the event of contract termination. Additionally, the Company has customer agreements involving the creation or enhancement of an asset that the customer controls which also require revenue to be recognized over time. Generally, the Company uses an input method for determining the amount of revenue, cost and gross margin to recognize over time for these customer agreements. The input methods used for these agreements include costs of material and labor, both of which give an accurate representation of the progress made toward complete satisfaction of a particular performance obligation. Contract revenues and cost estimates are reviewed and revised periodically through the year and adjustments are reflected in the accounting period as such amounts are determined.

Due to the nature of work required to be performed on the Company's long-term projects, the estimation of total revenue and cost at completion is subject to many variables and requires significant judgment. Contract estimates related to long-term projects are based on various assumptions to project the outcome of future events that could span several years. These assumptions include cost of materials; labor availability and productivity; complexity of the work to be performed; and the



performance of suppliers, customers and subcontractors that may be associated with the contract. We have a disciplined process where management reviews the progress of long term-projects periodically throughout the year. As part of this process, management reviews information including key contract matters, progress towards completion, identified risks and opportunities and any other information that could impact the Company's estimates of revenue and costs. After completing this analysis, any adjustments to net sales, cost of goods sold, and the related impact to operating income are recognized as necessary in the period they become known.

Generally, the Company's revenue contains a single performance obligation for each distinct good or service; however, a single contract may have multiple performance obligations comprising multiple promises to customers. When there are multiple performance obligations, revenue is allocated based on the relative stand-alone selling price. Pricing is defined in our contracts on a line item basis and includes an estimate of variable consideration when required by the terms of the individual customer contract. Types of variable consideration the Company typically has include volume discounts, prompt payment discounts, liquidating damages and performance bonuses. Sales returns and allowances are also estimated and recognized in the same period the related revenue is recognized, based upon the Company's experience.

Remaining performance obligations represent the transaction price of firm customer orders subject to standard industry cancellation provisions and substantial scope-of-work adjustments. As of June 30, 2021, the Company's remaining performance obligations were \$20.8 billion. The Company expects to recognize revenue of approximately 25% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

SEC regulations require that revenue categories that exceed 10% of total revenue are presented separately on the company's Statement of income. As such, the Company has displayed sales of goods and sales of services, and the related cost, in line with those regulations. Additionally, those regulations also require that goods are to include all sales of tangible products, and services must include all other sales. In Note 16 we refer to sales of both goods, such as spare parts and equipment upgrades, and related services, such as monitoring, maintenance and repairs, as sales in our Services product line.

**Revolving Receivables Program** In May 2020, the Company entered into a revolving agreement to transfer up to \$150 million of certain receivables of certain subsidiaries of the Company (the "Originators") through our bankruptcy-remote subsidiary to a financial institution on a recurring basis in exchange for cash equal to the gross receivables transferred. The bankruptcy remote subsidiary is a separate legal entity with its own creditors, and its assets are not available to pay creditors of the Company or any other affiliates of the Company. During the first quarter of 2021, the Company amended its revolving agreement to increase the amount of certain receivables that can be transferred from \$150 million to \$200 million. As customers pay their balances, we transfer additional receivables into the program, resulting in our gross receivables sold exceeding net cash flow impacts (e.g., collect and reinvest). The sold receivables are fully guaranteed by our bankruptcy-remote subsidiary which held additional receivables of \$332.7 million at June 30, 2021 that are pledged as collateral under this agreement. The transfers are recorded at the fair value of the proceeds received and obligations assumed less derecognized receivables. No obligation was recorded at June 30, 2021 as the estimated expected credit losses on receivables sold is insignificant. Our maximum exposure to loss related to these receivables transferred is limited to the amount outstanding. The Company has agreed to guarantee the performance of the Originators respective obligations under the revolving agreement. None of the Company (except for the bankruptcy-remote consolidated subsidiary referenced above) nor the Originators guarantees the collectability of the receivables under the revolving agreements.

The following table sets forth a summary of receivables sold:

<i>In millions</i>	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Gross receivables sold/cash proceeds received	\$ 568.8	\$ 293.9
Collections reinvested under revolving agreement	486.8	193.9
Net cash proceeds received	<u>\$ 82.0</u>	<u>\$ 100.0</u>

**Depreciation Expense** Depreciation of property, plant and equipment related to the manufacturing of products or services provided is included in Cost of goods or Cost of services. Depreciation of other property, plant and equipment that is not attributable to the manufacturing of products or services provided is included in Selling, general and administrative expenses or Engineering expense depending on how the property, plant and equipment is used.

**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 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 to be performed.

**Accounting Standards Recently Adopted** In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, "Income Taxes: Simplifying the Accounting for Income Taxes." The amendments in this update simplify the accounting for certain income tax transactions by removing specific exceptions to the general principles in Accounting Standards Codification ("ASC") 740, "Income Taxes." This guidance is effective for fiscal years beginning after December 15, 2020 with early adoption permitted. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

**Other Comprehensive Income (Loss)** Comprehensive income comprises both net income and the change in equity from transactions and other events and circumstances from non-owner sources.

The changes in Accumulated other comprehensive loss by component, net of tax, for the three months ended June 30, 2021 are as follows:

<i>In millions</i>	Foreign currency translation	Derivative contracts	Pension and post retirement benefit plans	Total
Balance at March 31, 2021	\$ (321.9)	\$ (3.5)	\$ (83.6)	\$ (409.0)
Other comprehensive income (loss) before reclassifications	33.8	0.4	(1.8)	32.4
Amounts reclassified from Accumulated other comprehensive loss	—	—	0.8	0.8
Other comprehensive income (loss), net	33.8	0.4	(1.0)	33.2
Balance at June 30, 2021	\$ (288.1)	\$ (3.1)	\$ (84.6)	\$ (375.8)

The changes in Accumulated other comprehensive loss by component, net of tax, for the three months ended June 30, 2020 are as follows:

<i>In millions</i>	Foreign currency translation	Derivative contracts	Pension and post retirement benefit plans	Total
Balance at March 31, 2020	\$ (490.0)	\$ 2.8	\$ (73.4)	\$ (560.6)
Other comprehensive income (loss) before reclassifications	29.2	(6.9)	(0.3)	22.0
Amounts reclassified from Accumulated other comprehensive loss	—	—	0.8	0.8
Other comprehensive income (loss), net	29.2	(6.9)	0.5	22.8
Balance at June 30, 2020	\$ (460.8)	\$ (4.1)	\$ (72.9)	\$ (537.8)

The changes in Accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2021 are as follows:

<i>In millions</i>	Foreign currency translation	Derivative contracts	Pension and post retirement benefit plans	Total
Balance at December 31, 2020	\$ (260.2)	\$ 2.4	\$ (81.3)	\$ (339.1)
Other comprehensive loss before reclassifications	(27.9)	(5.5)	(4.8)	(38.2)
Amounts reclassified from Accumulated other comprehensive loss	—	—	1.5	1.5
Other comprehensive loss, net	(27.9)	(5.5)	(3.3)	(36.7)
Balance at June 30, 2021	\$ (288.1)	\$ (3.1)	\$ (84.6)	\$ (375.8)

The changes in Accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2020 are as follows:

<i>In millions</i>	Foreign currency translation	Derivative contracts	Pension and post retirement benefit plans	Total
Balance at December 31, 2019	\$ (308.6)	\$ (3.3)	\$ (70.7)	\$ (382.6)
Other comprehensive loss before reclassifications	(152.2)	(0.8)	(3.7)	(156.7)
Amounts reclassified from Accumulated other comprehensive loss	—	—	1.5	1.5
Other comprehensive loss, net	(152.2)	(0.8)	(2.2)	(155.2)
Balance at June 30, 2020	\$ (460.8)	\$ (4.1)	\$ (72.9)	\$ (537.8)

Reclassifications out of and into Accumulated other comprehensive income (loss) are recognized in "Other income (expense), net" with the tax impact recognized in "Income tax expense."

### 3. ACQUISITIONS

#### *Nordco*

On March 31, 2021, the Company acquired Nordco, a leading North American supplier of new, rebuilt and used maintenance of way equipment. Nordco's products and services portfolio includes mobile railcar movers and ultrasonic rail flaw detection technologies. The purchase price paid for 100% ownership of Nordco was approximately \$410 million.

The following table summarizes the preliminary fair value of the Nordco assets acquired and liabilities assumed:

<i>In millions</i>	
<b>Assets acquired</b>	
Cash and cash equivalents	\$ 5.1
Accounts receivable	22.4
Inventory	34.3
Other current assets	1.7
Property, plant and equipment	16.6
Goodwill	214.2
Other intangible assets	167.6
Other noncurrent assets	13.6
Total assets acquired	475.5
<b>Liabilities assumed</b>	
Current liabilities	19.1
Noncurrent liabilities	46.2
Total liabilities assumed	65.3
Net assets acquired	\$ 410.2

The fair values of the assets acquired and liabilities assumed were determined using the income, cost and market approaches. Discounted cash flow models were used to estimate the fair values of acquired intangibles. The fair value measurements were primarily based on significant inputs that are not observable in the market and are considered Level 3 in the fair value hierarchy. These estimates are preliminary in nature and subject to adjustments, which could be material, as the Company has not completed its valuation of assets acquired and liabilities assumed. Any necessary adjustments will be finalized within one year from the date of acquisition; adjustments to date have not been significant. Substantially all of the accounts receivable acquired are expected to be collectible. Intangible assets acquired include customer relationships and intellectual property that are subject to amortization, and trade names that were assigned an indefinite life and are not subject to amortization. Contingent liabilities assumed as part of the transaction were not material.

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 assembled workforce and the future economic benefits, including synergies, that are expected to be achieved as a result of the acquisition. The purchased goodwill is not expected to be deductible for tax purposes. The results of this business since the date of acquisition are reported within the Freight segment

and the Services product line. The pro-forma impact on Wabtec's sales and results of operations, including the pro forma effect of events that are directly attributable to the acquisition, was not significant.

#### 4. INVENTORIES

The components of inventory, net of reserves, were:

<i>In millions</i>	June 30, 2021	December 31, 2020
Raw materials	\$ 710.9	\$ 669.4
Work-in-progress	314.5	339.4
Finished goods	635.8	633.3
Total inventories	<u>\$ 1,661.2</u>	<u>\$ 1,642.1</u>

#### 5. GOODWILL AND INTANGIBLE ASSETS

The change in the carrying amount of goodwill by segment for the six months ended June 30, 2021 is as follows:

<i>In millions</i>	Freight Segment	Transit Segment	Total
Balance at December 31, 2020	\$ 6,872.2	\$ 1,613.0	\$ 8,485.2
Additions / opening balance sheet adjustments	214.2	—	214.2
Foreign currency impact	2.8	(49.0)	(46.2)
Balance at June 30, 2021	<u>\$ 7,089.2</u>	<u>\$ 1,564.0</u>	<u>\$ 8,653.2</u>

As of June 30, 2021 and December 31, 2020, the Company's trade names had a net carrying amount of \$660.6 million and \$650.7 million, respectively. The Company believes these intangibles have indefinite lives, with the exception of the right to use the GE Transportation trade name, to which the Company has assigned a useful life of 5 years.

Intangible assets of the Company, other than goodwill and trade names, consist of the following:

<i>In millions</i>	June 30, 2021	December 31, 2020
Intellectual property, patents, and other intangibles, net of accumulated amortization of \$274.9 and \$223.7	\$ 1,015.6	\$ 1,007.6
Backlog, net of accumulated amortization of \$259.2 and \$206.9	1,173.0	1,224.7
Customer relationships, net of accumulated amortization of \$306.4 and \$276.3	1,026.8	986.2
Total	<u>\$ 3,215.4</u>	<u>\$ 3,218.5</u>

The weighted average remaining useful life of backlog, intellectual property, customer relationships and other intangible assets were 12 years, 11 years, 16 years and 8 years, respectively. The backlog intangible asset primarily consists of in-place long-term service agreements acquired by the Company in conjunction with the acquisition of GE Transportation in 2019. Amortization expense for intangible assets was \$72.7 million and \$142.2 million for the three and six months ended June 30, 2021 and \$72.3 million and \$141.3 million for the three and six months ended June 30, 2020, respectively.

Amortization expense for the five succeeding years is estimated to be as follows:

<i>In millions</i>	
Remainder of 2021	\$ 145.5
2022	290.3
2023	289.6
2024	280.1
2025	277.5

## 6. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets include unbilled amounts resulting from sales under long-term contracts where revenue is recognized over time and revenue exceeds the amount that can be billed to the customer based on the terms of the contract. The current portion of the contract assets are classified as current assets under the caption "Unbilled accounts receivable" while the noncurrent contract assets are classified as other assets under the caption "Other noncurrent assets" on the consolidated balance sheet. Noncurrent contract assets were \$113.5 million at June 30, 2021 and \$101.0 million at December 31, 2020, respectively. Included in noncurrent contract assets are certain costs that are specifically related to a contract, however, do not directly contribute to the transfer of control of the tangible product being created, such as non-recurring engineering costs. The Company has elected to use the practical expedient and does not consider unbilled amounts anticipated to be paid within one year as significant financing components.

Contract liabilities include customer deposits that are made prior to the incurrence of costs related to a newly agreed upon contract and advanced customer payments that are in excess of revenue recognized. The current portion of contract liabilities are classified as current liabilities under the caption "Customer deposits" while the noncurrent contract liabilities are classified as noncurrent liabilities under the caption "Other long-term liabilities" on the consolidated balance sheet. Noncurrent contract liabilities were \$66.1 million at June 30, 2021 and \$79.6 million at December 31, 2020. These contract liabilities are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract or revenue associated with the contract liabilities is expected to be recognized within one year. Contract liabilities also include provisions for estimated losses from uncompleted contracts. Provisions for loss contracts were \$122.5 million and \$108.9 million at June 30, 2021 and December 31, 2020, respectively. These provisions for estimated losses are classified as current liabilities and included within the caption "Other accrued liabilities" on the consolidated balance sheets.

The change in the carrying amount of contract assets and contract liabilities for the six months ended June 30, 2021 and 2020 is as follows:

<i>In millions</i>	Contract Assets	
	2021	2020
Balance at beginning of year	\$ 544.2	\$ 623.4
Acquisitions	—	4.1
Recognized in current year	369.5	451.8
Reclassified to accounts receivable	(364.0)	(519.1)
Foreign currency impact	(4.5)	(6.2)
Balance at June 30	\$ 545.2	\$ 554.0

<i>In millions</i>	Contract Liabilities	
	2021	2020
Balance at beginning of year	\$ 831.2	\$ 799.7
Acquisitions	1.7	6.8
Recognized in current year	339.3	424.7
Amounts in beginning balance reclassified to revenue	(316.7)	(333.9)
Current year amounts reclassified to revenue	(63.3)	(107.5)
Foreign currency impact	(6.1)	(12.0)
Balance at June 30	\$ 786.1	\$ 777.8

## 7. LEASES

The Company leases property and equipment under finance and operating leases. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of lease payments. Many of the Company's leases include rental escalation clauses, renewal options, and/or termination options that are factored into our determination of lease payments when appropriate. The Company does not separate lease and non-lease components contracts.

As most of the Company's leases do not provide a readily stated discount rate, the Company must estimate our incremental borrowing rate to discount lease payments. The Company has established discount rates by geographic region ranging from 1.0% to 12.3%.

The components of lease expense are as follows:

<i>In millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease expense	\$ 14.3	\$ 14.1	\$ 28.5	\$ 28.8
Finance lease expense amortization of leased assets	0.2	0.3	0.2	0.6
Short-term and variable lease expense	0.2	—	0.3	0.1
Sublease income	(0.1)	(0.1)	(0.2)	(0.2)
<b>Total</b>	<b>\$ 14.6</b>	<b>\$ 14.3</b>	<b>\$ 28.8</b>	<b>\$ 29.3</b>

Scheduled payments of lease liabilities are as follows:

<i>In millions</i>	Operating Leases	Finance Leases	Total
Remaining 2021	\$ 29.1	\$ 0.4	\$ 29.5
2022	53.9	0.7	54.6
2023	47.6	0.5	48.1
2024	42.4	0.2	42.6
2025	36.8	0.2	37.0
Thereafter	117.4	0.1	117.5
<b>Total lease payments</b>	<b>327.2</b>	<b>2.1</b>	<b>329.3</b>
Less: Present value discount	(27.2)	—	(27.2)
<b>Present value of lease liabilities</b>	<b>\$ 300.0</b>	<b>\$ 2.1</b>	<b>\$ 302.1</b>

The following table summarizes the remaining lease term and discount rate assumptions used to develop the present value of lease liabilities:

	June 30, 2021		December 31, 2020	
Weighted-average remaining lease term (years)				
Operating leases		7.2		7.4
Finance leases		3.5		4.5
Weighted-average discount rate				
Operating leases	2.6	%	2.7	%
Finance leases	1.4	%	1.4	%

## 8. LONG-TERM DEBT

Long-term debt consisted of the following:

<i>In millions</i>	Effective Interest Rate	June 30, 2021		December 31, 2020	
		Book Value	Fair Value <sup>1</sup>	Book Value	Fair Value <sup>1</sup>
Facility <sup>2</sup> :					
Senior Credit and 364 Day					
U.S. dollar-denominated Term Loans <sup>3</sup> , net of unamortized debt issuance costs of \$— and \$0.9	— %	—	—	645.1	645.1
Multi-Currency Revolving loan facility <sup>4</sup> , net of unamortized debt issuance costs of \$0.4 and \$0.8	1.5 %	—	—	—	—
Senior Notes:					
4.375% Senior Notes, due 2023, net of unamortized discount and debt issuance costs of \$0.5 and \$0.7	4.5 %	249.5	265.5	249.3	267.0
4.15% Senior Notes, due 2024, net of unamortized debt issuance costs of \$3.6 and \$4.3	4.6 %	746.4	813.5	745.7	817.3
3.20% Senior Notes, due 2025, net of unamortized debt discount and debt issuance costs of \$3.9 and \$4.4	3.4 %	496.1	533.6	495.6	533.4
3.45% Senior Notes, due 2026, net of unamortized debt issuance costs of \$1.1 and \$1.3	3.5 %	748.9	807.4	748.7	819.5
1.25% Senior Notes (EUR), due 2027, net of unamortized discount and debt issuance costs of \$8.6 and \$—	1.3 %	584.8	601.1	—	—
4.70% Senior Notes, due 2028, net of unamortized debt issuance costs of \$7.7 and \$8.2	5.0 %	1,242.3	1,455.9	1,241.8	1,472.2
Other Borrowings		12.2	12.2	113.2	113.1
Total		4,080.2	4,489.2	4,239.4	4,667.6
Less - current portion		0.6	0.6	447.2	447.2
Long-term portion		\$ 4,079.6	\$ 4,488.6	\$ 3,792.2	\$ 4,220.4

1. See Note 14 for information on the fair value measurement of the Company's long-term debt.

2. During the second quarter of 2021, the Company repaid all outstanding term loan borrowings and related interest under the Senior Credit facility and the 364 Day facility.

3. U.S. dollar-denominated Term Loans includes the total outstanding balance of term loans denominated in U.S. dollars from the Senior Credit Facility and the 364 Day Facility.

4. Multi-Currency Revolving loan facility includes total outstanding amounts drawn against the Senior Credit Facility and the 364 Day Facility.

For those debt securities that have a premium or discount at the time of issuance, the Company amortizes the amount through interest expense based on the maturity date or the first date the holders may require the Company to repurchase the debt securities, if applicable. A premium would result in a decrease in interest expense, and a discount would result in an increase in interest expense in future periods. Additionally, the Company has debt issuance costs related to certain financing transactions which are also amortized through interest expense. As of June 30, 2021 and December 31, 2020, the Company had total combined unamortized discount and debt issuance costs of \$25.8 million and \$20.5 million, respectively.

### Credit Facilities

#### Senior Credit Facility

On June 8, 2018, the Company entered into a credit agreement ("Senior Credit Facility"), which replaced the Company's then-existing credit agreement. The Senior Credit Facility is with a syndicate of lenders and provides for borrowings consisting of (i) term loans denominated in euros and U.S. dollars ("Term Loans"); and (ii) a multi-currency revolving loan facility, providing for an equivalent in U.S. dollars of up to \$1,200.0 million in multi-currency revolving loans (inclusive of swingline loans of up to \$75.0 million and letters of credit of up to \$450.0 million (the "Revolving Credit Facility")). The Revolving Credit Facility will mature on June 8, 2023.

Under the Senior Credit Facility, we can elect to receive advances bearing interest based on either the Alternate Base Rate ("ABR") or the London Interbank Offered Rate ("LIBOR") (each as defined in the Senior Credit Facility) plus applicable margin that is determined based on our credit ratings or the Company's Leverage (as defined in the Senior Credit Facility). The agreement contains affirmative, negative and financial covenants, and events of default customary for facilities of this type. The obligations under the Senior Credit Facility are guaranteed by Wabtec and certain of Wabtec's U.S. subsidiaries, as guarantors.

The Company has agreed that, so long as any lender has any commitment under the Senior Credit Facility, any letter of credit is outstanding under the Senior Credit Facility, or any loan or other obligation is outstanding under the Senior Credit Facility, it will maintain the following as of the end of each fiscal quarter or the period of four quarters then ended:

Interest Coverage Ratio <sup>1</sup>	3.0x
Leverage Ratio <sup>2</sup>	3.25x

1. The interest coverage ratio is defined as EBITDA (earnings before interest, taxes, depreciation, and amortization), as defined in the Senior Credit Facility, to net interest expense for the four quarters then ended.

2. The leverage ratio is defined as net debt as of the last day of such fiscal quarter to EBITDA, as defined in the Senior Credit Facility, for the four quarters then ended.

The Senior Credit Facility was amended in the second quarter of 2021 so the Company may increase the maximum leverage ratio to (x) 3.75 to 1.00 at the end of the fiscal quarter in which the Nordco acquisition was 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 the Nordco acquisition upon the Company's request. The Company has not requested any increase in the leverage ratio at this time.

The Company was in compliance with all covenants in the Senior Credit Facility as of June 30, 2021.

The following table presents availability under the Revolving Credit Facility at June 30, 2021:

<i>(In millions)</i>	<b>Revolving Credit Facility</b>
Maximum Availability	\$ 1,200.0
Outstanding Borrowings	—
Letters of Credit Under Credit Agreement	(3.6)
Current Availability	\$ 1,196.4

#### 364 Day Facility

On April 10, 2020 the Company entered into a \$600 million 364 day credit facility ("364 Day Facility") initially scheduled to mature in April 2021 with a group of banks which includes a \$144.0 million revolving credit facility ("364 Day Revolver") and a \$456.0 million term loan ("364 Term Loan"). The agreement calls for interest at either a LIBOR-based rate, or a rate based on the prime lending rate of the agent bank, at the Company's option. The agreement contains affirmative, negative and financial covenants, and events of default customary for facilities of this type and substantially similar to our existing Senior Credit Facility. The obligations under the 364 Day Facility are guaranteed by certain of the Company's U.S. subsidiaries, as guarantors. On June 12, 2020 the Company amended the 364 Day Facility maturity to July 9, 2021.

On June 3, 2021, the Company repaid all outstanding borrowings and related interest, effectively retiring the facility.

#### Senior Notes

The Company or its subsidiaries may issue senior notes from time to time. These notes are comprised of our 4.375% Senior Notes due 2023 (the "2023 Notes"), 4.15% Senior Notes due 2024 (the "2024 Notes"), 3.20% Senior Notes due 2025 (the "2025 Notes"), 3.45% Senior Notes due 2026 (the "2026 Notes"), 1.25% Senior Notes (EUR) due 2027 (the "Euro Notes" discussed below), and 4.70% Senior Notes due 2028 (the "2028 Notes"). The 2023 Notes, 2024 Notes, 2025 Notes, 2026 Notes and 2028 Notes are the "US Notes", and collectively with the Euro Notes, the "Senior Notes". Interest on the US Notes is payable semi-annually and interest on the Euro Notes is paid annually. Each series of the Senior Notes may be redeemed any time in whole or from time to time in part in accordance with the provisions of the indenture, under which such series of notes was issued. Each of the Senior Notes may be redeemed at a redemption price of 100% of the principal amount plus a specified make-whole premium and accrued interest. The US Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt, and the Company's guarantee of the Euro Notes, and are senior to all existing and future subordinated indebtedness of the Company.

On June 3, 2021, Wabtec Transportation Netherlands B.V. ("Wabtec Netherlands") issued €500.0 million of 1.25% Senior Notes due in 2027, which are fully and unconditionally guaranteed by the Company. The Euro Notes were issued at 99.267% of face value. Interest on the Euro Notes accrues at a rate of 1.25% per annum and is payable annually beginning December 3, 2021. The Company incurred approximately \$4.3 million of deferred financing costs related to the issuance of the Euro Notes for total net proceeds of approximately \$598.7 million after consideration of the discount.

The indentures under which the Senior Notes were issued contain covenants and restrictions which limit, subject to certain exceptions, certain sale and leaseback transactions with respect to principal properties, the incurrence of secured debt without equally and ratably securing the Senior Notes, and certain merger and consolidation transactions. The covenants do not



require the Company to maintain any financial ratios or specified levels of net worth or liquidity. The US Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis by each of the Company's subsidiaries that is a guarantor under the Senior Credit Facility.

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

## 9. STOCK-BASED COMPENSATION

As of June 30, 2021, 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 15, 2030 and provides a maximum of 9.1 million shares for grants or awards, plus any shares which remain available under the 2000 Plan. The amendment and restatement of the 2011 Plan was approved by stockholders of Wabtec on May 15, 2020. The Company also maintains a 1995 Non-Employee Directors' Fee and Stock Option Plan as amended and restated ("the Directors Plan").

Stock-based compensation recognized was \$16.0 million of expense and \$1.6 million of income for the three months ended June 30, 2021 and 2020, respectively. Stock-based compensation expense was \$24.2 million and \$5.7 million for the six months ended June 30, 2021 and 2020, respectively. At June 30, 2021, unamortized compensation expense related to stock options, non-vested restricted shares and incentive stock units expected to vest totaled \$54.5 million.

**Stock Options** Stock options are granted to eligible employees at an exercise price equivalent to the stock's 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 granted prior to 2019 become exercisable over a four-year vesting period, while options granted in 2019 and after become exercisable over a three-year vesting period. Both vesting periods 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 the Directors Plan for the six months ended June 30, 2021:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic value (in millions)
Outstanding at December 31, 2020	552,669	\$ 69.82	6.1	\$ 4.2
Granted	126,794	\$ 81.21		
Exercised	(33,680)	\$ 52.43		
Canceled	(21,349)	\$ 75.01		
Outstanding at June 30, 2021	624,434	\$ 72.62	6.5	\$ 6.2
Exercisable at June 30, 2021	379,897	\$ 58.63	5.8	\$ 5.3

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:

	Six Months Ended June 30, 2021
Dividend yield	0.60 %
Risk-free interest rate	0.81 %
Stock price volatility	36.1 %
Expected life (years)	5.0

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 U.S. Treasury bond rates for the expected life of the option.

**Restricted Stock, Restricted Units and Incentive Stock** Beginning in 2006, the Company adopted a restricted stock program. As provided for under the 2011 Plan and 2000 Plan, eligible employees are granted restricted stock that generally vests over three or four years from the date of grant. Under the Directors Plan, restricted stock awards 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, with underlying shares of common stock being awarded in an amount ranging from 0% to 200% of the amount of initial incentive stock units granted. The incentive stock units included in the table below represent the number of incentive stock units that are expected to vest based on the Company's estimate for meeting those established performance targets. As of June 30, 2021, the Company estimates that it will achieve 33%, 113% and 100% for the incentive stock awards expected to vest based on performance for the three-year periods ending December 31, 2021, 2022, and 2023, respectively, and has recorded incentive compensation expense accordingly. If the estimate of the number of these incentive stock units expected to vest changes in a future accounting period, cumulative compensation expense could increase or decrease resulting in recognition 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 average of the high and low Wabtec stock price on the date of grant and recognized over the applicable vesting period.

The following table summarizes the restricted stock activity and incentive stock units activity for the six months ended June 30, 2021:

	Restricted Stock and Units	Incentive Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2020	656,006	270,645	\$ 73.80
Granted	201,126	241,467	\$ 81.10
Vested	(297,461)	(37,672)	\$ 71.55
Adjustment for incentive stock awards expected to vest	—	119,657	\$ 74.39
Canceled	(22,187)	(23,723)	\$ 74.91
Outstanding at June 30, 2021	<u>537,484</u>	<u>570,374</u>	\$ 77.41

## 10. INCOME TAXES

The overall effective tax rate was 25.8% and 26.6% for the three and six months ended June 30, 2021, respectively, and 24.9% and 25.2% for the three and six months ended June 30, 2020, respectively.

The increase in the effective tax rate is primarily the result of withholding tax expense on intercompany dividends incurred during the six months ended June 30, 2021.

As of June 30, 2021, the liability for income taxes associated with uncertain tax positions was \$15.7 million, of which \$14.1 million, if recognized, would favorably affect the Company's effective income tax rate. As of December 31, 2020, the liability for income taxes associated with unrecognized tax benefits was \$16.4 million, of which \$14.8 million, if recognized, would favorably affect the Company's effective tax rate.

At this time, the Company believes it is reasonably possible that unrecognized tax benefits of approximately \$7.5 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 basic and diluted earnings per share for Net income attributable to Wabtec shareholders is as follows:

<i>In millions, except per share data</i>	Three Months Ended June 30,	
	2021	2020
<b>Numerator</b>		
Numerator for basic and diluted earnings per common share - net income attributable to Wabtec shareholders	\$ 124.8	\$ 86.8
Less: dividends declared - common shares and non-vested restricted stock	(22.5)	(22.8)
Undistributed earnings	102.3	64.0
Percentage allocated to common shareholders (1)	99.8 %	99.7 %
	102.1	63.8
Add: dividends declared - common shares	22.4	22.8
Numerator for basic earnings per common share	\$ 124.5	\$ 86.6
Numerator for diluted earnings per common share	\$ 124.5	\$ 86.6
<b>Denominator</b>		
Denominator for basic earnings per common share - weighted average shares	188.6	189.8
Effect of dilutive securities:		
Assumed conversion of dilutive stock-based compensation plans	0.3	0.4
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversion	188.9	190.2
<b>Net income attributable to Wabtec shareholders per common share</b>		
Basic	\$ 0.66	\$ 0.46
Diluted	\$ 0.66	\$ 0.46
(1) Basic weighted-average common shares outstanding	188.6	189.8
Basic weighted-average common shares outstanding and non-vested restricted stock expected to vest	189.0	190.3
Percentage allocated to common shareholders	99.8 %	99.7 %

<i>In millions, except per share data</i>	Six Months Ended June 30,	
	2021	2020
<b>Numerator</b>		
Numerator for basic and diluted earnings per common share - net income attributable to Wabtec shareholders	\$ 237.2	\$ 198.4
Less: dividends declared - common shares and non-vested restricted stock	(45.4)	(45.8)
Undistributed earnings	191.8	152.6
Percentage allocated to common shareholders (1)	99.7 %	99.7 %
	191.2	152.1
Add: dividends declared - common shares	45.3	45.7
Numerator for basic earnings per common share	\$ 236.5	\$ 197.8
Numerator for diluted earnings per common share	\$ 236.5	\$ 197.8
<b>Denominator</b>		
Denominator for basic earnings per common share - weighted average shares	188.5	190.3
Effect of dilutive securities:		
Assumed conversion of dilutive stock-based compensation plans	0.4	0.5
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversion	188.9	190.8
<b>Net income attributable to Wabtec shareholders per common share</b>		
Basic	\$ 1.25	\$ 1.04
Diluted	\$ 1.25	\$ 1.04
(1) Basic weighted-average common shares outstanding	188.5	190.3
Basic weighted-average common shares outstanding and non-vested restricted stock expected to vest	189.0	190.8
Percentage allocated to common shareholders	99.7 %	99.7 %

The Company's non-vested restricted stock contains rights to receive nonforfeitable dividends, and thus are participating securities requiring the two-class method of computing earnings per share. The calculation of earnings per share for common stock shown above excludes the income attributable to the non-vested restricted stock from the numerator and excludes the dilutive impact of those shares from the denominator. Approximately 0.2 million outstanding shares of Common Stock for the three and six month period of 2021 were not included in the computation of quarterly or year-to-date diluted earnings per share because their exercise price exceeded the average market price of the Company's common stock.

## 12. WARRANTIES

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

<i>In millions</i>	2021	2020
Balance at beginning of year	\$ 278.5	\$ 267.7
Acquisitions	1.7	4.3
Warranty expense	58.8	54.7
Warranty claim payments	(51.2)	(66.1)
Foreign currency impact and other	(6.0)	(2.1)
Balance at June 30	\$ 281.8	\$ 258.5

## 13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

**Hedging Activities** In the normal course of business, we are exposed to interest rate, commodity price and foreign currency exchange rate fluctuations. At times, we mitigate these risk exposures through the use of derivatives such as cross-currency swaps, foreign currency forward contracts, interest rate swaps, commodity forwards and futures. In accordance with our policy, derivatives are only used for hedging purposes. We do not use derivatives for trading or speculative purposes.

### Foreign Currency Exchange Risk

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 loss and is recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item. These contracts typically mature within two years. For the three and six months ended June 30, 2021 and 2020, the amounts reclassified into income were not material.

The Company has established revenue hedging, balance sheet risk management and net investment hedging programs to protect against volatility of future foreign currency cash flows and changes in fair value caused by volatility in foreign exchange rates. We conduct our business worldwide in U.S. dollars and the functional currencies of our foreign subsidiaries, including euro, Indian rupee, British pound sterling, Australian dollars and several other foreign currencies. Changes in foreign currency exchange rates could have a material adverse impact on our financial results that are reported in U.S. dollars. We are also exposed to foreign currency exchange rate risk related to our foreign subsidiaries, including intercompany loans denominated in non-functional currencies and net purchases and sales in non-functional currencies. We have certain foreign currency exchange rate risk management programs that use foreign currency forward contracts and cross-currency swaps. These forward contracts and cross-currency swaps are generally used to offset the potential income statement effects from intercompany loans denominated in non-functional currencies. These programs mitigate but do not entirely eliminate foreign currency exchange rate risk.

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 income (expense), net. The net loss related to these contracts was \$1.5 million and \$3.1 million for the three and six months ended June 30, 2021, respectively, and a net loss of \$1.6 million and \$0.4 million for the three and six months ended June 30, 2020, respectively. These contracts typically mature within one year.

The following table summarizes the gross notional amounts and fair values of the designated and non-designated hedges discussed in the above sections as of June 30, 2021:

<i>In millions</i>	Fair Value		Gross Notional Amount	
	Designated	Non-Designated	Designated	Non-Designated
Foreign Exchange Contracts				
Other current assets	\$ 8.0	\$ 0.1	\$ 865.9	\$ 324.5
Cross-currency Swaps				
Other current liabilities	(8.4)	—	593.3	—
Total	\$ (0.4)	\$ 0.1	\$ 1,459.2	\$ 324.5

The following table summarizes the gross notional amounts and fair values of the designated and non-designated hedged discussed in the above sections as of December 31, 2020:

<i>In millions</i>	Fair Value		Gross Notional Amount	
	Designated	Non-Designated	Designated	Non-Designated
Foreign Exchange Contracts				
Other current assets	\$ 9.2	\$ 0.5	\$ 793.6	\$ 1.3
Other current liabilities	(3.9)	(1.5)	928.0	319.6
Cross-currency Swaps				
Other current liabilities	(26.0)	—	613.2	—
Total	\$ (20.7)	\$ (1.0)	\$ 2,334.8	\$ 320.9

### Interest Rate Risk

The Company may use interest rate swap contracts on certain investing and borrowing transactions to manage its net exposure to interest rate changes and to reduce its overall cost of borrowing. The Company does not use leveraged swaps and, in general, does not leverage any of its investment activities that would put principal capital at risk. For the six months ended June 30, 2021 and 2020 the amounts reclassified into income were not material.

## Commodity Price Risk

The Company may use commodity forward contracts and futures to mitigate its exposure to commodity price changes and to reduce its overall cost of manufacturing. For the six months ended June 30, 2021 and 2020 the amounts recognized as income or expense were not material.

## 14. 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 assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2021 which are included in other current assets and liabilities on the consolidated balance sheet:

<i>In millions</i>	Total Carrying Value at June 30, 2021	Fair Value Measurements at June 30, 2021 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign Exchange Contracts				
Other current assets	\$ 8.1	\$ —	\$ 8.1	\$ —
Other current liabilities	—	—	—	—
Cross-Currency Swap Agreement				
Other current liabilities	(8.4)	—	(8.4)	—

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 mitigates 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 June 30, 2021 and December 31, 2020. 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 Senior Notes are considered Level 2 based on the fair value valuation hierarchy. Contingent consideration related to the GE Transportation acquisition is considered Level 3 based on the fair value valuation hierarchy and includes \$130.0 million classified as "Other accrued liabilities" on the Company's consolidated balance sheet and \$219.2 million in long-term liabilities classified as "Contingent consideration" on the Company's consolidated balance sheet. The fair value approximates the carrying value at June 30, 2021.

## 15. COMMITMENTS AND CONTINGENCIES

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. Additionally, from time to time, the Company is involved in litigation related to claims arising out of the Company's operations in the ordinary course of business,

including claims based on product liability, contracts, intellectual property or other causes of action. Further information and detail on these claims are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. During the first six months of 2021, there were no material changes to the information described in the Form 10-K related to claims arising from asbestos exposure or the Company's ordinary operations.

Xorail, Inc., a wholly owned subsidiary of the Company ("Xorail"), has received notices from Denver Transit Constructors ("DTC") 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 no formal claim has been filed; Xorail has successfully completed a remediation plan concerning the TMDS issues. With regard to the wireless crossing issue, as of September 8, 2017, DTC alleged that total damages were \$36.8 million through July 31, 2017 and are continuing to accumulate. The majority of the damages stems from a delay in approval of the wireless crossing system by the Federal Railway Administration ("FRA") and the Public Utility Commission ("PUC"), resulting in the use of flaggers at all of the crossings pending approval of the wireless crossing system and certification of the crossings. DTC has alleged that the delay is due to Xorail's failure to achieve constant warning times for the crossings in accordance with the approval requirements imposed by the FRA and PUC. Xorail has denied DTC's assertions, stating that its system satisfied the contractual requirements. Xorail has worked with DTC to modify its system and implement the FRA's and PUC's previously undefined approval requirements; the FRA and PUC have both approved modified wireless crossing system, and as of August 2018, DTC completed the process of certifying the crossings and eliminated the use of flaggers. DTC has not updated its notices against Xorail, nor have they filed any formal claim against Xorail. On September 21, 2018, DTC filed a complaint against RTD in Colorado state court for breach of contract related to non-payments and the costs for the flaggers, asserting a change-in-law arising from the FRA/PUC's new certification requirements. DTC's complaint generally supports Xorail's position and does not name or implicate Xorail. DTC's claim against RTD proceeded to trial on September 21, 2020; the trial has been completed, included post-trial submission. A decision is expected by the end of 2021.

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.

## 16. 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 Company's business segments are:

**Freight Segment** primarily builds new locomotives, manufactures and services components for new and existing freight cars and 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 subway cars. 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 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 the three months ended June 30, 2021 is as follows:

<i>In millions</i>	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	\$ 1,335.9	\$ 676.4	\$ —	\$ 2,012.3
Intersegment sales/(elimination)	11.8	7.0	(18.8)	—
Total sales	\$ 1,347.7	\$ 683.4	\$ (18.8)	\$ 2,012.3
Income (loss) from operations	\$ 173.2	\$ 45.3	\$ (15.2)	\$ 203.3
Interest expense and other, net	—	—	(34.6)	(34.6)
Income (loss) before income taxes	\$ 173.2	\$ 45.3	\$ (49.8)	\$ 168.7

Segment financial information for the three months ended June 30, 2020 is as follows:

<i>In millions</i>	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	\$ 1,204.7	\$ 532.7	\$ —	\$ 1,737.4
Intersegment sales/(elimination)	12.9	6.1	(19.0)	—
Total sales	\$ 1,217.6	\$ 538.8	\$ (19.0)	\$ 1,737.4
Income (loss) from operations	\$ 141.5	\$ 40.2	\$ (22.3)	\$ 159.4
Interest expense and other, net	—	—	(45.1)	(45.1)
Income (loss) before income taxes	\$ 141.5	\$ 40.2	\$ (67.4)	\$ 114.3

Segment financial information for the six months ended June 30, 2021 is as follows:

<i>In millions</i>	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	\$ 2,519.2	\$ 1,323.3	\$ 0.0	\$ 3,842.5
Intersegment sales/(elimination)	24.2	16.7	(40.9)	0.0
Total sales	\$ 2,543.4	\$ 1,340.0	\$ (40.9)	\$ 3,842.5
Income (loss) from operations	\$ 315.0	\$ 115.4	\$ (35.5)	\$ 394.9
Interest expense and other, net	—	—	(68.0)	(68.0)
Income (loss) before income taxes	\$ 315.0	\$ 115.4	\$ (103.5)	\$ 326.9

Segment financial information for the six months ended June 30, 2020 is as follows:

<i>In millions</i>	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	\$ 2,505.7	\$ 1,161.6	\$ 0.0	\$ 3,667.3
Intersegment sales/(elimination)	25.4	15.2	(40.6)	0.0
Total sales	\$ 2,531.1	\$ 1,176.8	\$ (40.6)	\$ 3,667.3
Income (loss) from operations	\$ 303.2	\$ 108.8	\$ (35.3)	\$ 376.7
Interest expense and other, net	—	—	(113.2)	(113.2)
Income (loss) before income taxes	\$ 303.2	\$ 108.8	\$ (148.5)	\$ 263.5



Sales to external customers by product line are as follows:

<i>In millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Freight Segment</b>				
Equipment	\$ 327.8	\$ 334.9	\$ 589.6	\$ 742.9
Components	224.3	195.5	426.8	415.9
Digital Electronics	161.8	165.5	318.3	339.1
Services	622.0	508.8	1,184.5	1,007.8
Total Freight Segment	\$ 1,335.9	\$ 1,204.7	\$ 2,519.2	\$ 2,505.7
<b>Transit Segment</b>				
Original Equipment Manufacturer	\$ 320.4	\$ 227.3	\$ 607.2	\$ 514.3
Aftermarket	356.0	305.4	716.1	647.3
Total Transit Segment	\$ 676.4	\$ 532.7	\$ 1,323.3	\$ 1,161.6

#### 17. OTHER INCOME (EXPENSE), NET

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

<i>In millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Foreign currency gain (loss)	\$ 2.3	\$ (0.3)	\$ 10.9	\$ (14.1)
Equity income	4.6	2.0	7.3	1.1
Expected return on pension assets/amortization	2.7	2.3	5.4	4.7
Other miscellaneous income (expense)	0.7	2.3	0.9	(0.2)
Total other income (expense), net	\$ 10.3	\$ 6.3	\$ 24.5	\$ (8.5)

## Item 2. 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 Technologies Corporation's Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on February 19, 2021.*

### OVERVIEW

Wabtec is one of the world's largest providers of locomotives, value-added, technology-based equipment, systems and services for the global freight rail and passenger transit 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, 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 over 50 countries and our products can be found in more than 100 countries throughout the world. In the first six months of 2021, approximately 59% of the Company's revenues came from customers outside the United States.

#### *COVID-19 Update*

The COVID-19 pandemic has continued to impact our sales channels, supply chain, manufacturing operations, workforce and other key aspects of our operations. The Company continues to monitor the situation and guidance from international and domestic authorities, including federal, state, and local public health authorities; however, there are numerous uncertainties, including the duration and severity of the pandemic, availability and effectiveness of vaccines, impact of variants of the disease, actions that may be taken by governmental authorities and private industry, including preventing or curtailing the operations of our plants, the potential impact on global economic activity, global supply chain operations, our employees, our customers, suppliers and end-markets and other consequences that could negatively impact our business. We also face the possibility that government policies may become more restrictive especially if COVID-19 transmission rates increase in certain areas. As a result of these numerous uncertainties, we are unable to specifically predict the extent and length of time the COVID-19 pandemic will negatively impact our business.

The U.S. and other international governments have deemed rail transportation as "critical infrastructure" providing essential services during the COVID-19 pandemic. As a supplier and service provider for the global freight rail and passenger transit industries, Wabtec has an obligation to continue operations to support the safe and efficient operation of these industries; however, the COVID-19 pandemic had a materially adverse impact on our operations and business results for the six months ended June 30, 2021 and 2020 which is discussed in the Results of Operations section below. We continue to work with our employees, customers, and suppliers to navigate the impacts of COVID-19. We also continue to assess possible implications to our business, customers, supply chain and end-markets and to take actions in an effort to mitigate adverse consequences.

#### *Management Review and Future Outlook*

Wabtec's long-term financial goals are to drive strong cash flow conversion, maintain a strong credit profile while minimizing our overall cost of capital, increase margins through strict attention to cost controls, drive improved efficiencies across the business 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 carloads 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 decarbonization, an aging equipment fleet and growth in global trade flows 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 2020 bi-annual edition of a market study by UNIFE, the Association of the European Rail Industry, the accessible global market for railway products and services is more than \$120 billion and is expected to grow at a compounded annual growth rate of 2.3% through 2025. As the long-term effects of COVID-19 are still uncertain, UNIFE included a second, less likely scenario in which the recovery is more moderate. This alternative scenario shows a compounded annual growth rate

of 0.9% through 2025 for the total accessible market. The three largest geographic markets, which represented about 85% of the total accessible market, were Europe, North America and Asia Pacific. UNIFE projected above-average growth rates in Latin America, Eastern Europe, North America and Africa-Middle East, with the more mature markets of Western Europe, North America and Asia Pacific accounting for the largest share of absolute growth. UNIFE said trends such as urbanization, digitalization, legislative action and government support and an increased focus on energy and environmental issues continue to drive investment. The largest product segments of the market were rolling stock, services and infrastructure, which represent almost 90% of the accessible market. UNIFE projected spending growth in all product segments, with turnkey management projects, rolling stock and infrastructure to grow the fastest. UNIFE estimated that the global installed base of diesel and electric locomotives was about 118,200 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 3,000 new locomotives were delivered worldwide in 2020. UNIFE estimated the global installed base of freight cars was about 5.2 million, with about 35% in North America, about 24% in Russia-CIS and about 24% in Asia Pacific. Wabtec estimates that about 155,000 new freight cars were delivered worldwide in 2020. UNIFE estimated the global installed base of passenger transit vehicles to be about 620,000 units, with about 45% in Asia Pacific, about 31% in Europe and about 10% in Russia-CIS. Wabtec estimates that about 32,000 new passenger transit vehicles were ordered worldwide in 2020.

In Europe, the majority of the rail system serves the passenger transit market, which is expected to continue growing as energy and environmental policies encourage continued investment in public mass transit and modal shift from car to rail, albeit this growth may be stunted in the near-term as a result of the COVID-19 pandemic. According to UNIFE, Germany, France and the United Kingdom were the largest Western European transit markets, representing about two-thirds of industry spending in the European Union. UNIFE projected the accessible Western European rail market to grow at about 2.0% annually, led by investments in new rolling stock in France and Germany. About 75% of freight traffic in Europe is hauled by truck, while rail accounts for about 19%. 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 600 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 carloads, 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. Demand for both our freight and passenger transit products and services in North America has been negatively impacted by the COVID-19 pandemic.

Growth in the Asia Pacific market has been driven mainly by the continued urbanization of China and India, and by continued 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, Wabtec is delivering on a 1,000-locomotive contract over 10-years with Indian Railways.

Other key geographic markets include Russia-CIS and Africa-Middle East. With about 1.3 million freight cars and about 21,000 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. It is currently uncertain as to how the COVID-19 pandemic will impact the expected growth in these emerging markets especially in the near-term. 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 digitalization, automation, and predictive maintenance through artificial intelligence, all of which would improve efficiency in the global rail industry. UNIFE said these trends will increase the overall attractiveness of the rail sector as these trends will lead to significant cost savings, allowing rail to be more

competitive in comparison to other modes of transportation. Wabtec offers products and services to help customers make ongoing investments in these initiatives.

In 2021 and beyond, general global economic and market conditions will have an impact on our sales and operations. The COVID-19 pandemic has increased the uncertainty around global economic and market conditions. 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 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 address changes in market conditions and risks.

## RESULTS OF OPERATIONS

### Consolidated Results

#### SECOND QUARTER 2021 COMPARED TO SECOND QUARTER 2020

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

<i>In millions</i>	Three Months Ended June 30,	
	2021	2020
Net sales:		
Sales of goods	\$ 1,588.0	\$ 1,406.1
Sales of services	424.3	331.3
Total net sales	2,012.3	1,737.4
Cost of sales:		
Cost of goods	(1,185.0)	(1,061.3)
Cost of services	(247.2)	(189.4)
Total cost of sales	(1,432.2)	(1,250.7)
Gross profit	580.1	486.7
Operating expenses:		
Selling, general and administrative expenses	(262.1)	(216.8)
Engineering expenses	(42.0)	(38.2)
Amortization expense	(72.7)	(72.3)
Total operating expenses	(376.8)	(327.3)
Income from operations	203.3	159.4
Other income and expenses:		
Interest expense, net	(44.9)	(51.4)
Other income, net	10.3	6.3
Income before income taxes	168.7	114.3
Income tax expense	(43.5)	(28.5)
Net income	125.2	85.8
Less: Net (income) loss attributable to noncontrolling interest	(0.4)	1.0
Net income attributable to Wabtec shareholders	\$ 124.8	\$ 86.8

The following table shows the major components of the change in sales in the three months ended June 30, 2021 from the three months ended June 30, 2020:

<i>In millions</i>	Freight Segment	Transit Segment	Total
Second Quarter 2020 Net Sales	\$ 1,204.7	\$ 532.7	\$ 1,737.4
Acquisitions	37.9	—	37.9
Foreign Exchange	20.7	62.9	83.6
Organic	72.6	80.8	153.4
Second Quarter 2021 Net Sales	\$ 1,335.9	\$ 676.4	\$ 2,012.3

#### Net sales

Net sales for the three months ended June 30, 2021 increased by \$275 million, or 15.8%, to \$2.0 billion compared to the same period in 2020. The increase is primarily due to an organic increase of \$81 million in the Transit Segment, due to higher

demand for original equipment door, HVAC, and brakes systems. Additionally, organic sales in the Freight Segment increased \$73 million due to an increase in Services and Components, partially offset by lower Equipment sales.

#### **Cost of sales**

Cost of sales for the three months ended June 30, 2021 increased by \$182 million, or 14.5%, to \$1.4 billion compared to the same period in 2020. The increase is primarily due to the sales increases discussed above. Cost of sales for the three months ended June 30, 2021 includes \$21 million of restructuring costs, primarily for footprint rationalization in the UK and as part of the ongoing integration actions related to the GE Transportation acquisition. Cost of sales in the three months ended June 30, 2020 included \$17 million of restructuring costs, primarily for the exit of certain product lines, footprint rationalization, and related headcount actions as part of the GE Transportation acquisition integration. Excluding these charges in both years, cost of sales as a percentage of sales was 70.1% in 2021 and 71.0% in 2020, representing a 0.9 percentage point decrease. The decrease can be attributed to improved absorption of overhead costs, product mix in Freight towards higher margin Services sales and by lessening disruption caused by the COVID-19 pandemic in the current year.

#### **Operating expenses**

Total operating expenses increased \$50 million, or 15.1%, for the three months ended June 30, 2021 to 18.7% of sales. Restructuring and transaction costs included in selling, general, and administrative expense ("SG&A") were \$9 million and \$13 million for the three months ended June 30, 2021 and 2020, respectively, and were primarily for footprint rationalization and related headcount actions as part of the ongoing integration actions related to the GE Transportation acquisition. Excluding restructuring and transaction costs, SG&A increased \$50 million primarily to support the increased sales volumes and higher employee benefit costs and includes \$4 million of incremental expense from the acquisition of Nordco. Engineering expense increased \$4 million and amortization expense remained flat.

#### **Interest expense, net**

Interest expense, net, decreased \$7 million for the three months ended June 30, 2021 compared to the same period in 2020 attributable to lower overall average debt balances and lower interest rates.

#### **Other income (expense), net**

Other income (expense), net, was \$10 million of income for the three months ended June 30, 2021 compared to \$6 million of income in the same period of 2020. The variance is primarily driven by foreign exchange gains in the current year and an increase in income from equity method investments.

#### **Income taxes**

The effective income tax rate was 25.8% and 24.9% for the three months ended June 30, 2021 and 2020, respectively. The increase in the effective tax rate is primarily the result of withholding tax expense on intercompany dividends incurred in 2021.

## Freight Segment

The following table shows our Consolidated Statements of Operations for our Freight Segment for the periods indicated:

<i>In millions</i>	Three Months Ended June 30,	
	2021	2020
Net sales:		
Sales of goods	\$ 917.9	\$ 880.7
Sales of services	418.0	324.0
Total net sales	1,335.9	1,204.7
Cost of sales:		
Cost of goods	(680.2)	(668.5)
Cost of services	(242.2)	(183.5)
Total cost of sales	(922.4)	(852.0)
Gross profit	413.5	352.7
Operating expenses	(240.3)	(211.2)
Income from operations (\$)	\$ 173.2	\$ 141.5
Income from operations (%)	13.0 %	11.7 %

The following table shows the major components of the change in net sales for the Freight Segment in the second quarter of 2021 from the second quarter of 2020:

<i>In millions</i>	
Second Quarter 2020 Net Sales	\$ 1,204.7
Acquisitions	37.9
Foreign Exchange	20.7
Changes in Sales by Product Line:	
Equipment	(10.9)
Components	20.3
Digital Electronics	(9.0)
Services	72.2
Second Quarter 2021 Net Sales	\$ 1,335.9

### Net sales

Freight Segment sales for the three months ended June 30, 2021 increased by \$131 million, or 10.9%, to \$1.3 billion, compared to the same period in 2020. Organic sales increased \$72 million primarily in Services due to higher locomotive modernizations and lower locomotive parkings and in Components due to a higher freight car build partially offset by lower equipment sales. Sales from acquisitions contributed \$38 million and favorable foreign currency exchange rates increased net sales by \$21 million.

### Cost of sales

Freight Segment cost of sales for the three months ended June 30, 2021 increased by \$70 million, or 8.3%, to \$922 million, compared to the same period in 2020. The increase is attributable to the organic sales increase discussed above. Cost of sales for the three months ended June 30, 2021 includes a \$3 million charge related to purchase price accounting for the step-up of Nordco inventory. The second quarter of 2020 included \$13 million of restructuring costs, primarily for the exit of certain product lines, footprint rationalization, and related headcount actions as part of the integration of the GE Transportation acquisition and in response to the COVID-19 pandemic. Excluding these charges, cost of sales as a percentage of sales was 68.8% in 2021 and 69.7% in 2020, representing a 0.9 percentage point decrease. The decrease can be attributed to the mix of sales and improved absorption of fixed costs as the prior year was particularly affected by the COVID-19 pandemic.

**Operating expenses**

Freight Segment operating expenses increased \$29 million, or 13.8%, in 2021 to \$240 million, or 18.0% of sales. Restructuring and transaction costs included in SG&A were \$2 million and \$7 million for the three months ended June 30, 2021 and 2020, respectively, and were primarily for headcount actions as part of the ongoing integration of GE Transportation. Excluding restructuring and transaction costs, SG&A increased \$35 million primarily to support the higher sales volumes and higher employee benefit costs. Additionally, engineering and amortization expenses remained consistent year over year.



## Transit Segment

The following table shows our Consolidated Statements of Operations for our Transit Segment for the periods indicated:

<i>In millions</i>	Three Months Ended June 30,	
	2021	2020
Net sales	\$ 676.4	\$ 532.7
Cost of sales	(509.8)	(398.7)
Gross profit	166.6	134.0
Operating expenses	(121.3)	(93.8)
Income from operations (\$)	\$ 45.3	\$ 40.2
Income from operations (%)	6.7 %	7.5 %

The following table shows the major components of the change in net sales for the Transit Segment in the second quarter of 2021 from the second quarter of 2020:

<i>In millions</i>	
Second Quarter 2020 Net Sales	\$ 532.7
Foreign Exchange	62.9
Changes in Sales by Product Line:	
Original Equipment Manufacturing	64.9
Aftermarket	15.9
Second Quarter 2021 Net Sales	\$ 676.4

### Net sales

Transit Segment sales for the three months ended June 30, 2021 increased by \$144 million, or 27.0%, to \$676 million compared to the same period in 2020. The increase is primarily attributed to higher demand for Original Equipment and Aftermarket products driven by the recovery from the COVID-19 pandemic and increased global infrastructure investment. Favorable foreign currency exchange rate changes increased net sales by \$63 million.

### Cost of sales

Transit Segment cost of sales for the three months ended June 30, 2021 increased by \$111 million, or 27.9%, to \$510 million compared to the same period in 2020. The increase is primarily attributable to the organic sales increase discussed above and higher warranty expense in the current year. Cost of sales for the three months ended June 30, 2021 and 2020 includes \$18 million and \$4 million of restructuring costs, respectively, primarily due to footprint rationalization in the UK. Excluding these charges, cost of sales as a percentage of sales was 72.8% in 2021 and 74.0% in 2020, representing a 1.2 percentage point decrease. The decrease can be attributed to lessening disruptions caused by the COVID-19 pandemic in the current year as well as favorable product mix towards more higher margin products.

### Operating expenses

Transit Segment operating expenses increased \$27.5 million, or 29.3%, in 2021 to \$121.3 million or 17.9% of sales. Restructuring and transaction costs included in SG&A were \$5 million and \$2 million for the three months ended June 30, 2021 and 2020, respectively, and were primarily for footprint rationalization and related headcount actions. Excluding restructuring and transaction costs, SG&A increased \$19 million primarily to support the increase in sales volumes and due to increased employee benefit costs. Additionally, engineering expense increased \$5 million and amortization expensed remained consistent year over year.

## FIRST SIX MONTHS OF 2021 COMPARED TO FIRST SIX MONTHS OF 2020

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

<i>In millions</i>	Six Months Ended June 30,	
	2021	2020
Net sales:		
Sales of goods	\$ 3,073.1	\$ 2,996.9
Sales of services	769.4	670.4
Total net sales	3,842.5	3,667.3
Cost of sales:		
Cost of goods	(2,292.7)	(2,217.2)
Cost of services	(435.5)	(384.7)
Total cost of sales	(2,728.2)	(2,601.9)
Gross profit	1,114.3	1,065.4
Operating expenses:		
Selling, general and administrative expenses	(497.5)	(460.2)
Engineering expenses	(79.7)	(87.2)
Amortization expense	(142.2)	(141.3)
Total operating expenses	(719.4)	(688.7)
Income from operations	394.9	376.7
Other income and expenses:		
Interest expense, net	(92.5)	(104.7)
Other income (expense), net	24.5	(8.5)
Income before income taxes	326.9	263.5
Income tax expense	(87.0)	(66.5)
Net income	239.9	197.0
Less: Net (income) loss attributable to noncontrolling interest	(2.7)	1.4
Net income attributable to Wabtec shareholders	\$ 237.2	\$ 198.4

The following table shows the major components of the change in sales in the six months ended June 30, 2021 from the six months ended June 30, 2020:

<i>In millions</i>	Freight Segment	Transit Segment	Total
First Six Months of 2020 Net Sales	\$ 2,505.7	\$ 1,161.6	\$ 3,667.3
Acquisitions	38.4	—	38.4
Foreign Exchange	17.7	111.5	129.2
Organic	(42.6)	50.2	7.6
First Six Months of 2021 Net Sales	\$ 2,519.2	\$ 1,323.3	\$ 3,842.5

### Net sales

Net sales for the six months ended June 30, 2021 increased by \$175 million, or 4.8%, to \$3.8 billion compared to the same period in 2020 with foreign exchange rates being the primary driver of the increase. Transit segment organic sales increased \$50 million due to improved demand for original equipment door, HVAC, and brakes systems. This increase is partially offset by an organic decrease in the Freight segment of \$43 million due to lower locomotive Equipment sales, particularly in North America partially offset by an increase in Services sales from higher locomotive modernizations and a decrease in locomotive parkings. Sales from acquisitions contributed \$38 million.

### Cost of sales

Cost of sales for the six months ended June 30, 2021 increased by \$126 million, or 4.9%, to \$2.7 billion compared to the same period in 2020. The increase is primarily due to the sales increases discussed above. Cost of sales for the six months

ended June 30, 2021 includes \$25 million of restructuring costs, primarily for footprint rationalization and headcount actions in the UK and the ongoing integration actions related to the GE Transportation acquisition. Cost of sales in the first six months of 2020 included \$19 million of restructuring costs, primarily for the exit of certain product lines, footprint rationalization and related headcount actions as part of the integration of the GE Transportation acquisition and in response to the COVID-19 pandemic. Excluding these charges in both years, cost of sales as a percentage of sales was 70.3% in 2021 and 70.4% in 2020, representing a 0.1 percentage point decrease. The decrease can be attributed to synergy savings and the structural cost actions taken in the prior year.

#### **Operating expenses**

Total operating expenses increased \$31 million, or 4.5%, in the first six months of 2021 compared to the same period in 2020. Operating expenses as a percentage of sales was 18.7% and 18.8% for the six months ended June 30, 2021 and 2020, respectively. Restructuring and transaction costs included in selling, general, and administrative expense ("SG&A") were \$20 million and \$29 million for the six months ended June 30, 2021 and 2020, respectively and were primarily for headcount actions and footprint rationalization in the UK and as part of the integration of GE Transportation. Excluding restructuring and transaction costs, SG&A increased \$46 million primarily due to costs incurred to support the higher sales volumes and higher employee benefit costs. Incremental expense from acquisitions in SG&A was \$4 million related to the acquisition of Nordco. Engineering expense increased \$8 million and amortization expense remained flat.

#### **Interest expense, net**

Interest expense, net, decreased \$12 million in the first six months of 2021 compared to the same period in 2020 attributable to lower overall average debt balances and lower interest rates.

#### **Other income (expense), net**

Other income (expense), net, was \$25 million of income in the first six months of 2021 compared to \$9 million of expense in the same period of 2020. The variance is primarily driven by foreign exchange gains in the current year and an increase in income from equity method investments.

#### **Income taxes**

The effective income tax rate was 26.6% and 25.2% for the six months ended June 30, 2021 and 2020, respectively. The increase in the effective tax rate is primarily the result of withholding tax expense on intercompany dividends incurred in 2021.

## Freight Segment

The following table shows our Consolidated Statements of Operations for our Freight Segment for the periods indicated:

<i>In millions</i>	Six Months Ended June 30,	
	2021	2020
Net sales:		
Sales of goods	\$ 1,762.6	\$ 1,851.3
Sales of services	756.6	654.4
Total net sales	2,519.2	2,505.7
Cost of sales:		
Cost of goods	(1,324.0)	(1,379.4)
Cost of services	(425.5)	(372.0)
Total cost of sales	(1,749.5)	(1,751.4)
Gross profit	769.7	754.3
Operating expenses	(454.7)	(451.1)
Income from operations (\$)	\$ 315.0	\$ 303.2
Income from operations (%)	12.5%	12.1%

The following table shows the major components of the change in net sales for the Freight Segment in the first six months of 2021 from the first six months of 2020:

<i>In millions</i>	
First Six Months of 2020 Net Sales	\$ 2,505.7
Acquisitions	38.4
Foreign Exchange	17.7
Changes in Sales by Product Line:	
Equipment	(152.7)
Components	(2.9)
Digital Electronics	(29.3)
Services	142.3
First Six Months of 2021 Net Sales	\$ 2,519.2

### Net sales

Freight Segment sales for the six months ended June 30, 2021 increased by \$14 million, or 0.5%, to \$2.5 billion, compared to the same period in 2020. Organic sales decreased by \$43 million primarily due to lower locomotive Equipment sales, particularly in North America, partially offset by an increase in Services sales due to higher locomotive modernizations and overhauls and a decrease in parking of locomotives. The organic sales decrease was more than offset by sales from acquisitions of \$38 million and the effects of favorable foreign exchange rates of \$18 million.

### Cost of sales

Freight Segment cost of sales for the six months ended June 30, 2021 decreased by \$2 million to \$1.7 billion, compared to the same period in 2020. Cost of sales for the six months ended June 30, 2021 includes \$5 million of restructuring and transaction costs, primarily for a charge related to purchase price accounting for the step-up of Nordco inventory and headcount actions as part of the ongoing integration actions related to the GE Transportation acquisition. Cost of sales in the first six months of 2020 included \$14 million of restructuring costs, primarily for the exit of certain product lines, costs for site closures, and related headcount actions as part of the integration of the GE Transportation acquisition and in response to the COVID-19 pandemic. Excluding these charges in both years, cost of sales as a percentage of sales was 69.3% in for both the six months ended June 30, 2021 and 2020, respectively.

## Operating expenses

Freight Segment operating expenses for the six months ended June 30, 2021 decreased \$4 million compared to the same period in 2020. Operating expenses as a percentage of sales was 18.0% in both periods. Restructuring and transaction costs included in selling, general, and administrative expense ("SG&A") were \$9 million and \$21 million for the six months ended June 30, 2021 and 2020, respectively and were primarily for headcount actions and footprint rationalization as part of the integration of GE Transportation. Excluding restructuring and transaction costs, SG&A increased \$25 million primarily due to costs incurred to support the higher sales volumes and higher employee benefit costs. Additionally, incremental expense from acquisitions in SG&A was \$4 million related to the acquisition of Nordco. Engineering expense decreased \$10 million due to cost control measures on research and development projects and amortization expense remained consistent year over year.

## Transit Segment

The following table shows our Consolidated Statements of Operations for our Transit Segment for the periods indicated:

<i>In millions</i>	Six Months Ended June 30,	
	2021	2020
Net sales	\$ 1,323.3	\$ 1,161.6
Cost of sales	(978.7)	(850.5)
Gross profit	344.6	311.1
Operating expenses	(229.2)	(202.3)
Income from operations (\$)	\$ 115.4	\$ 108.8
Income from operations (%)	8.7 %	9.4 %

The following table shows the major components of the change in net sales for the Transit Segment in the first six months of 2021 from the first six months of 2020:

<i>In millions</i>	
First Six Months of 2020 Net Sales	\$ 1,161.6
Foreign Exchange	111.5
Changes in Sales by Product Line:	
Original Equipment Manufacturing	43.6
Aftermarket	6.6
First Six Months of 2021 Net Sales	\$ 1,323.3

### Net sales

Transit Segment sales for the six months ended June 30, 2021 increased by \$162 million, or 13.9%, to \$1,323 million compared to the same period in 2020, with foreign exchange rates being the primary driver of the increase. Transit segment organic sales increased \$50 million due to improved demand for original equipment door, HVAC, and brakes systems.

### Cost of sales

Transit Segment cost of sales for the six months ended June 30, 2021 increased by \$128 million, or 15.1%, to \$979 million compared to the same period in 2020. The increase is in line with the sales increase discussed above. Cost of sales for the six months ended June 30, 2021 and 2020 includes \$20 million and \$5 million of restructuring and transactions costs, respectively, primarily for footprint rationalization in the UK. Excluding these costs, cost of sales as a percentage of sales was 72.4% in 2021 and 72.8% in 2020, a 0.4 percentage point decrease over the comparable period in 2020, attributable to a higher mix of Aftermarket products and larger impacts that the COVID-19 pandemic had on margins in 2020.

### Operating expenses

Transit Segment operating expenses increased \$27 million, or 13.3%, in 2021 to 17.3% of sales. Restructuring and transaction costs included within SG&A were \$6 million and \$3 million for the six months ended June 30, 2021 and 2020, respectively, and were primarily for headcount actions and footprint rationalization in the UK. Excluding restructuring and transaction costs, SG&A increased \$21 million primarily to support the increase in sales volumes and higher employee benefit costs. Engineering expense and amortization expense remained consistent year over year.

## Liquidity and Capital Resources

Liquidity is provided primarily by operating cash flow and borrowings under the Company's Senior Notes and Senior Credit Facility with a consortium of commercial banks. The following is a summary of selected cash flow information and other relevant data:

<i>In millions</i>	Six Months Ended June 30,	
	2021	2020
Cash provided by (used for):		
Operating activities	\$ 515.4	\$ 228.6
Investing activities	\$ (452.4)	\$ (98.2)
Financing activities	\$ (212.5)	\$ (123.5)

**Operating activities** In the first six months of 2021, cash provided by operations was \$515 million compared to cash provided by operations of \$229 million in the first six months of 2020. Significant changes to the sources and (uses) of cash for the six month periods include the following:

- \$6 million from net changes in working capital driven by: (\$275) million related to changes in receivables due to timing and volume of sales and the net change in the Revolving Receivables Program; \$38 million improvement in inventory from higher sales volume; \$231 million improvement from accounts payable, primarily due to the timing of payments to suppliers;
- and approximately \$130 million related to cash payments made during 2020 for costs related to the GE Transportation acquisition and settlement of litigation that did not recur;

The remaining change in cash from operating activities is primarily attributable to higher Net income and other changes in the related statement of income and other changes in the consolidated balance sheet.

**Investing activities** In the first six months of 2021 and 2020, cash used for investing activities was \$452 million and \$98 million, respectively. The major components of the cash outflow in 2021 were \$56 million in additions to property, plant and equipment for investments in our facilities and manufacturing processes, and \$405 million in net cash paid for the acquisition of Nordco. This compares to \$68 million in property, plant, and equipment for additions in the first six months of 2020 and \$40 million in net cash paid for acquisitions. Additional information with respect to acquisitions is included in Note 3 of the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this report.

**Financing activities** In the first six months of 2021, cash used for financing activities was \$213 million which included \$3.0 billion in proceeds from debt, \$3.2 billion in repayments of debt, \$1 million in stock repurchases and \$46 million of dividend payments. In the first six months of 2020, cash used for financing activities was \$124 million, which included \$2.1 billion in proceeds from debt, \$2.1 billion in repayments of debt, \$105 million in stock repurchases and \$46 million of dividend payments.

As of June 30, 2021, the Company held approximately \$454 million of cash and cash equivalents. Of this amount, approximately \$56 million was held within the United States and approximately \$398 million was held outside of the United States, primarily in Europe, India and China. While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States.

Additional information with respect to credit facilities and long-term debt is included in Note 8 of the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this report.

### *Revolving Receivables Program*

In May 2020, the Company entered into a revolving agreement to transfer up to \$150 million of certain receivables of the Originators through our bankruptcy-remote subsidiary to a financial institution on a recurring basis in exchange for cash equal to the gross receivables transferred. During the first quarter of 2021, the Company amended its revolving agreement to increase the amount of certain receivables that can be transferred from \$150 million to \$200 million. As customers pay their balances, we transfer additional receivables into the program, resulting in our gross receivables sold exceeding net cash flow impacts (e.g., collect and reinvest). The sold receivables are fully guaranteed by our bankruptcy-remote subsidiary which held additional receivables of \$332.7 million at June 30, 2021 that are pledged as collateral under this agreement. The transfers are recorded at the fair value of the proceeds received and obligations assumed less derecognized receivables. No obligation was recorded at June 30, 2021 as the estimated expected credit losses on receivables sold is insignificant. Our maximum exposure to loss related to these receivables transferred is limited to the amount outstanding. The Company has agreed to guarantee the performance of the Originators respective obligations under the revolving agreement. None of the Company (except for the bankruptcy-remote

consolidated subsidiary referenced above) nor the Originators guarantees the collectability of the receivables under the revolving agreements.

#### *Supply Chain Financing Program*

The Company has entered into supply chain financing arrangements with third-party financial institutions to provide our vendors with enhanced payment options while providing the Company with added working capital flexibility. The Company does not provide any guarantees under these arrangements, does not have an economic interest in our supplier's voluntary participation and does not receive an economic benefit from the financial institutions. The arrangements do not change the payable terms negotiated by the Company and our vendors and does not result in a change in the classification of amounts due as accounts payable in the consolidated balance sheet.

#### *Guarantor Summarized Financial Information*

The obligations under the Company's US Notes, Senior Credit Facility, and 364 Day Facility have been fully and unconditionally guaranteed by certain of the Company's U.S. subsidiaries. Each guarantor is 100% owned by the parent company, with the exception of GE Transportation, a Wabtec Company, which has 15,000 shares outstanding of Class A Non-Voting Preferred Stock held by General Electric Company. The Euro Notes are issued by Wabtec Netherlands and are fully and unconditionally guaranteed by the Company.

The following tables present summarized financial information of the parent and the guarantor subsidiaries on a combined basis for the Company's US Notes, Senior Credit Facility, and 364 Day Facility. The combined summarized financial information eliminates intercompany balances and transactions among the parent and guarantor subsidiaries and equity in earnings and investments in any guarantor subsidiaries or non-guarantor subsidiaries. The summarized financial information is provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and guarantor subsidiaries.

#### *Summarized Statement of Income*

<i>In millions</i>	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries	
	Six Months Ended June 30, 2021	
Net sales	\$	1,864.8
Gross profit	\$	402.9
Net income attributable to Wabtec shareholders	\$	43.6

#### *Summarized Balance Sheet*

<i>In millions</i>	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries			
	June 30, 2021		December 31, 2020	
Current assets	\$	887.0	\$	1,092.3
Noncurrent assets	\$	1,933.2	\$	1,835.7
Current liabilities	\$	1,098.5	\$	1,408.8
Long-term debt	\$	3,480.9	\$	3,779.6
Other non-current liabilities	\$	573.5	\$	373.9



The following is a description of the transactions between the combined Westinghouse Air Brake Technologies Corp. and guarantor subsidiaries with non-guarantor subsidiaries.

<u>In millions</u>	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries Six Months Ended June 30, 2021	
Net sales to non-guarantor subsidiaries	\$	349.4
Purchases from non-guarantor subsidiaries	\$	67.1

<u>In millions</u>	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries June 30, 2021	
Amount due from/(to) non-guarantor subsidiaries	\$	(2,323.1)

#### Summarized Financial Information—Euro Notes

The obligations under Wabtec Netherlands' Euro Notes are fully and unconditionally guaranteed by the Company. Wabtec Netherlands is a wholly-owned, indirect subsidiary of the Company. Wabtec Netherlands is a holding company and does not have any independent operations. Its assets consist of its investments in subsidiaries, which are separate and distinct legal entities that are not guarantors of the Euro Notes and have no obligations to pay amounts due under Wabtec Netherlands' obligations.

The following tables present summarized financial information of Wabtec Netherlands, as the issuer of the Euro Notes, and the Company, as the parent guarantor, on a combined basis. The combined summarized financial information eliminates all intercompany balances and transactions among Wabtec Netherlands and the Company as well as all equity in earnings from and investments in any subsidiary of the Company, other than Wabtec Netherlands, which we refer to below as the Non-Issuer and Non-Guarantor Subsidiaries. The summarized financial information is provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and parent guarantor.

#### Summarized Statement of Income

<u>In millions</u>	Unaudited Issuer and Guarantor Six Months Ended June 30, 2021	
Net sales	\$	274.5
Gross profit	\$	47.7
Net income attributable to Wabtec shareholders	\$	(193.2)

#### Summarized Balance Sheet

<u>In millions</u>	Unaudited Issuer and Guarantor	
	June 30, 2021	December 31, 2020
Current assets	\$ 216.6	\$ 407.9
Noncurrent assets	\$ 703.6	\$ 709.8
Current liabilities	\$ 428.1	\$ 824.1
Long-term debt	\$ 4,067.5	\$ 3,779.6
Other non-current liabilities	\$ 308.6	\$ 314.1

The following is a description of the transactions between the combined Westinghouse Air Brake Technologies Corp. and Wabtec Netherlands, with the subsidiaries of Westinghouse Air Brake Technologies Corp., other than Wabtec Netherlands,

none of which are guarantors of the Euro Notes.

<u>In millions</u>	<b>Unaudited</b> <b>Wabtec and Wabtec Netherlands</b> <b>Six Months Ended June 30, 2021</b>
Net sales to non-guarantor subsidiaries	\$ 36.1
Purchases from non-guarantor subsidiaries	\$ 55.2

<u>In millions</u>	<b>Unaudited</b> <b>Wabtec and Wabtec Netherlands</b> <b>June 30, 2021</b>
Amount due from/(to) non-guarantor subsidiaries	\$ (4,882.1)

#### *Company Stock Repurchase Plan*

On February 11, 2021, the Board of Directors increased its stock repurchase authorization to increase the amount available for stock repurchases to \$500 million of the Company's outstanding shares. This new stock repurchase authorization supersedes the previous authorization of \$500 million of which about \$292.2 million remained. No time limit was set for the completion of the program which conforms to the requirements under the Senior Credit Facility, the 364 Day Facility and the Senior Notes currently outstanding. The Company may repurchase shares in the future at any time, depending upon market conditions, our capital needs and other factors. Purchases of shares may be made by open market purchases or privately negotiated purchases and may be made pursuant to Rule 10b5-1 plan or otherwise.

#### **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 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 and the GE Transportation Business; 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
- tax law, regulation and policy; or
- the outcome of negotiations with governments.

#### **COVID-19 factors**

- the severity and duration of the pandemic;
- deterioration of general economic conditions;
- shutdown of one or more of our operating facilities;
- supply chain and sourcing disruptions;
- ability of our customers to pay timely for goods and services delivered;
- health of our employees;
- ability to retain and recruit talented employees; or
- difficulty in obtaining debt or equity financing.

Statements in this Quarterly Report on Form 10-Q 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. Reference is also made to the risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

#### **Critical Accounting Policies**

A summary of critical accounting policies is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. In particular, judgment is used in areas such as accounts receivable and the allowance for doubtful accounts, inventories, goodwill and indefinite-lived intangibles, business combinations, warranty reserves, stock-based compensation, income taxes and revenue recognition. There have been no significant changes in accounting policies since December 31, 2020.

#### **Contractual Obligations**

On June 3, 2021, Wabtec Netherlands completed a public offering and sale of €500.0 million aggregate principal amount of Euro Notes. The Euro Notes will bear interest from June 3, 2021, at a rate equal to 1.250% per year, with payments made annually commencing on December 3, 2021. Additionally, during the second quarter of 2021, all U.S. dollar-denominated Term Loans were repaid. As a result of these collective changes, interest payment obligations related to total debt as of June 30, 2021 are expected to be \$161.9 million for 2021, \$311.3 million for 2022-2023, \$230.9 million for 2024-2025, and \$226.3 million thereafter for a combined total of \$930.4 million. Further, as of June 30, 2021, contractual obligations related to the repayment of Long-term debt are expected to be \$0.6 million for 2021, \$250.0 million for 2022-2023, \$1,261.6 million for 2024-2025, and \$2,593.3 million thereafter for a combined total of \$4,105.5 million.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the year ended December 31, 2020. Our exposure to market risk has not changed materially since December 31, 2020. Refer to Note 13 - Derivative Financial Instruments and Hedging of "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this report for additional information regarding interest rate and foreign currency exchange risk.

**Item 4. CONTROLS AND PROCEDURES**

Wabtec's principal executive officer and its principal financial officer have evaluated the effectiveness of Wabtec's "disclosure controls and procedures," (as defined in Exchange Act Rule 13a-15(e)) as of June 30, 2021. Based upon their evaluation, the principal executive officer and principal financial officer concluded that Wabtec's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by Wabtec in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by Wabtec in such reports is accumulated and communicated to Wabtec's Management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There was no change in Wabtec's "internal control over financial reporting" (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2021, that has materially affected, or is reasonably likely to materially affect, Wabtec's internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

Additional information with respect to legal proceedings is included in Note 15 of “Notes to Condensed Consolidated Financial Statements” included in Part I, Item 1 of this report.

### Item 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes the Company's stock repurchase activity for the three months ended June 30, 2021:

	Issuer Purchases of Common Stock			
<i>In millions, except shares and price per share</i>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Programs (1)
April 2021	—	\$ —	—	\$ 499.4
May 2021	—	\$ —	—	\$ 499.4
June 2021	—	\$ —	—	\$ 499.4
Total quarter ended June 30, 2021	—	\$ —	—	\$ 499.4

(1) On February 11, 2021, the Board of Directors increased its stock repurchase authorization such that the Company has \$500 million available for stock repurchases of the Company's outstanding shares. This new stock repurchase authorization supersedes the previous authorization of \$500 million of which about \$292.2 million remained. No time limit was set for the completion of the program which conforms to the requirements under the Senior Credit Facility, the 364 Day Facility (which has since been retired) and the Senior Notes currently outstanding. The Company may repurchase shares in the future at any time, depending upon market conditions, our capital needs and other factors. Purchases of shares may be made by open market purchases or privately negotiated purchases and may be made pursuant to Rule 10b5-1 plan or otherwise.

### Item 4. MINE SAFETY DISCLOSURES

Not Applicable

## Item 6. EXHIBITS

The following exhibits are being filed with this report:

- 4.1 [Base Indenture, dated as of June 3, 2021, among Wabtec Transportation Netherlands B.V. as issuer, Westinghouse Air Brake Technologies Corporation, as guarantor, and U.S. Bank National Association, as trustee. \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on June 3, 2021\)](#)
- 4.2 [First Supplemental Indenture, dated as of June 3, 2021, among Wabtec Transportation Netherlands B.V. as issuer, Westinghouse Air Brake Technologies Corporation, as guarantor, and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on June 3, 2021\)](#)
- 4.3 [Form of 1.250% Notes due 2027 \(included in Exhibit 4.2 hereof\)](#)
- 10.1 [Second Amendment to Credit Agreement, dated as of April 22, 2021, among Westinghouse Air Brake Technologies Corporation, Wabtec Netherlands B.V. and the other borrowing subsidiaries party thereto, the lenders party thereto and PNC Bank, National Association, as Administrative Agent \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 28, 2021\)](#)
- 22.1 [List of Subsidiary Guarantors](#)
- 31.1 [Rule 13a-14\(a\) Certification of Chief Executive Officer.](#)
- 31.2 [Rule 13a-14\(a\) Certification of Chief Financial Officer.](#)
- 32.1 [Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.](#)
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

## SIGNATURES

Pursuant to the requirements 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 TECHNOLOGIES  
CORPORATION

By: \_\_\_\_\_ /s/ PATRICK D. DUGAN

**Patrick D. Dugan,**  
Executive Vice President and  
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

DATE: July 29, 2021

**Guarantor Subsidiaries of Westinghouse Air Brake Technologies**

The obligations under the Company's US Notes, Senior Credit Facility, and 364 Day Facility have been fully and unconditionally guaranteed by certain of the Company's U.S. subsidiaries. Each guarantor is 100% owned by the parent company, with the exception of GE Transportation, a Wabtec Company, which has 15,000 shares outstanding of Class A Non-Voting Preferred Stock held by General Electric Company. The Euro Notes are issued by Wabtec Netherlands and are fully and unconditionally guaranteed by the Company.

As of June 30, 2021:

**The US Notes and Senior Credit Facility**

Issuer: Westinghouse Air Brake Technologies Corporation

Guarantors: GE Transportation, a Wabtec Company  
RFPC Holding Corp.  
Schaefer Equipment, Inc.  
Standard Car Truck Company  
Transportation IP Holdings, LLC  
Transportation Systems Services Operations Inc.  
Wabtec Holding Corp.  
Wabtec Railway Electronics Holdings, LLC  
Wabtec Transportation Systems, LLC  
Workhorse Rail, LLC

**The Euro Notes**

Issuer: Wabtec Transportation Netherlands B.V.

Guarantor: Westinghouse Air Brake Technologies Corporation



## CERTIFICATION

I, Rafael Santana, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Westinghouse Air Brake Technologies Corporation.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

(d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Date:** July 29, 2021

**By:** /s/ RAFAEL SANTANA

**Name:** Rafael Santana

**Title:** President and Chief Executive Officer

## CERTIFICATION

I, Patrick D. Dugan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Westinghouse Air Brake Technologies Corporation.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

(d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Date:** July 29, 2021

**By:** /s/ PATRICK D. DUGAN

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**Name:** Patrick D. Dugan

**Title:** Executive Vice President and Chief Financial Officer

## CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officers of Westinghouse Air Brake Technologies Corporation (the “*Company*”), hereby certify, to the best of their knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the “*Report*”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ RAFAEL SANTANA

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**Rafael Santana**  
President and Chief Executive Officer

**Date:** July 29, 2021

By: /s/ PATRICK D. DUGAN

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**Patrick D. Dugan,**  
Executive Vice President and Chief Financial Officer

**Date:** July 29, 2021