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

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FORM 10-Q

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

For the quarterly period ended March 31, 2005

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 1-13782

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**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**25-1615902**  
(IRS Employer  
Identification No.)

**(412) 825-1000**  
(Registrant's telephone number)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No .

As of May 5, 2005, 46,845,502 shares of Common Stock of the registrant were issued and outstanding.

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**WESTINGHOUSE AIR BRAKE  
TECHNOLOGIES CORPORATION**  
**March 31, 2005 FORM 10-Q**  
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**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>In thousands, except shares and par value</i>	<b>Unaudited March 31, 2005</b>	<b>December 31, 2004</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 68,150	\$ 95,257
Accounts receivable	160,025	139,843
Inventories	108,268	96,992
Deferred income taxes	15,251	16,122
Other current assets	12,015	11,359
Total current assets	363,709	359,573
Property, plant and equipment	357,699	340,948
Accumulated depreciation	(193,000)	(189,987)
Property, plant and equipment, net	164,699	150,961
<b>Other Assets</b>		
Goodwill	119,365	113,466
Other intangibles, net	47,702	39,880
Deferred income taxes	34,740	35,476
Other noncurrent assets	15,896	14,040
Total other assets	217,703	202,862
Total Assets	<b>\$ 746,111</b>	<b>\$ 713,396</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 111,286	\$ 92,189
Accrued income taxes	5,045	3,299
Customer deposits	26,183	27,693
Accrued compensation	22,244	18,944
Accrued warranty	16,802	17,413
Other accrued liabilities	17,494	21,334
Total current liabilities	199,054	180,872
Long-term debt	150,409	150,107
Reserve for postretirement and pension benefits	44,012	43,112
Deferred income taxes	14,806	14,523
Other long-term liabilities	14,460	12,356
Total liabilities	422,741	400,970
<b>Shareholders' Equity</b>		
Preferred stock, 1,000,000 shares authorized, no shares issued	—	—
Common stock, \$.01 par value; 100,000,000 shares authorized: 66,174,767 shares issued and 46,602,874 and 46,192,223 outstanding at March 31, 2005 and December 31, 2004, respectively.	662	662
Additional paid-in capital	286,614	286,694
Treasury stock, at cost, 19,571,893 and 19,982,544 shares, at March 31, 2005 and December 31, 2004, respectively	(242,912)	(248,021)
Retained earnings	291,650	282,868
Accumulated other comprehensive loss	(12,644)	(9,777)
Total shareholders' equity	323,370	312,426
Total Liabilities and Shareholders' Equity	<b>\$ 746,111</b>	<b>\$ 713,396</b>

The accompanying notes are an integral part of these statements.

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

	<b>Unaudited Three Months Ended March 31</b>	
<i>In thousands, except per share data</i>	<b>2005</b>	<b>2004</b>
Net sales	\$ 244,884	\$ 188,228
Cost of sales	(187,354)	(140,710)
Gross profit	57,530	47,518
Selling, general and administrative expenses	(29,672)	(26,440)
Engineering expenses	(8,670)	(8,812)
Amortization expense	(971)	(783)
Total operating expenses	(39,313)	(36,035)
Income from operations	18,217	11,483
Other income and expenses		
Interest expense, net	(2,484)	(3,003)
Other expense, net	(1,131)	(910)
Income before income taxes	14,602	7,570
Income tax expense	(5,354)	(2,763)
Net income	<u>\$ 9,248</u>	<u>\$ 4,807</u>
<b>Earnings Per Common Share</b>		
Basic		
Net income	\$ 0.20	\$ 0.11
Diluted		
Net income	\$ 0.20	\$ 0.11
Weighted average shares outstanding		
Basic	46,259	44,661
Diluted	<u>46,985</u>	<u>45,336</u>

The accompanying notes are an integral part of these statements.

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

<i>In thousands</i>	Unaudited Three Months Ended March 31,	
	2005	2004
<b>Operating Activities</b>		
Net income	\$ 9,248	\$ 4,807
Adjustments to reconcile net income to net cash provided by/(used for) operations:		
Depreciation and amortization	6,731	6,253
Changes in operating assets and liabilities		
Accounts receivable	(13,083)	(990)
Inventories	(6,987)	(6,833)
Accounts payable	14,647	(28)
Accrued income taxes	3,663	(956)
Accrued liabilities and customer deposits	(7,924)	(5,422)
Other assets and liabilities	6,014	(5,578)
	12,309	(8,747)
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(5,998)	(4,213)
Disposals of property, plant and equipment	975	—
Acquisition of business, net of cash received	(35,579)	—
	(40,602)	(4,213)
<b>Financing Activities</b>		
Other repayments	(17)	(10)
Proceeds from the issuance of treasury stock for stock options and other benefit plans	5,029	693
Cash dividends (\$0.01 per share for the three months ended March 31, 2005 and 2004)	(466)	(449)
	4,546	234
Effect of changes in currency exchange rates	(3,360)	463
	(27,107)	(12,263)
Cash, beginning of year	95,257	70,328
	\$ 68,150	\$ 58,065

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 MARCH 31, 2005 (UNAUDITED)**

**1. BUSINESS**

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in certain markets throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles.

Wabtec is a global company with operations in eleven countries. In the first three months of 2005, about 76 percent of the Company's revenues came from its North American operations, but Wabtec also sold products or services in 57 countries around the world.

**2. ACCOUNTING POLICIES**

**Basis of Presentation** The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission and include the accounts of Wabtec and its majority owned subsidiaries. These condensed interim financial statements do not include all of the information and footnotes required for complete financial statements. In management's opinion, these financial statements reflect all adjustments 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.

The Company operates on a four-four-five week accounting quarter, and accordingly, 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, 2004. The December 31, 2004 information has been derived from the Company's December 31, 2004 Annual Report on Form 10-K.

**Revenue Recognition** Revenue is recognized in accordance with Staff Accounting Bulletins (SABs) 101, "Revenue Recognition in Financial Statements" and 104, "Revision of Topic 13". Revenue is recognized when products have been shipped to the respective customer and title has passed.

The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined. Provisions are made currently for estimated losses on uncompleted contracts.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted 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.

**Stock-Based Compensation** Effective January 1, 2003, the Company adopted SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternate methods of transition to SFAS No. 123's fair value method

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

of accounting for stock-based compensation. The statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting for compensation cost associated with employee stock option plans, as well as the effect of the method used on reported results. The Company adopted the disclosure requirements of SFAS No. 148 and has not changed its method for measuring the compensation cost of stock options.

The Company continues to use the intrinsic value based method and does not recognize compensation expense for the issuance of options with an exercise price equal to or greater than the market price of the stock at the time of grant. As a result, the adoption of SFAS No. 148 had no impact on our results of operations or financial position.

Had compensation expense for these plans been determined based on the fair value at the grant dates for awards, the Company's net income and earnings per share would be as set forth in the following table. For purposes of pro forma disclosures, the estimated fair value is amortized to expense over the options' vesting period.

<i>In thousands, except per share</i>	Three months ended March 31,	
	2005	2004
Net income as reported	\$ 9,248	\$ 4,807
Stock based compensation expense under FAS123, net of tax of \$206 and \$249	355	433
<b>Pro forma</b>	<b>\$ 8,893</b>	<b>\$ 4,374</b>
Basic earnings per share		
As reported	\$ 0.20	\$ 0.11
Pro forma	0.19	0.10
Diluted earnings per share		
As reported	\$ 0.20	\$ 0.11
Pro forma	0.19	0.10

For purposes of presenting pro forma results, 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:

	Three months ended March 31,	
	2005	2004
Dividend yield	.3%	.3%
Risk-free interest rate	4.8%	5.1%
Stock price volatility	45.8	45.9
Expected life (years)	5.0	5.0

**Financial Derivatives and Hedging Activities** The Company periodically enters into interest rate swap agreements to reduce the impact of interest rate changes on its variable rate borrowings. Interest rate swaps are agreements with a counterparty to exchange periodic interest payments (such as pay fixed, receive variable) calculated on a notional principal amount. The interest rate differential to be paid or received is recognized as interest expense.

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 133, and as amended by SFAS 138, "Accounting for Derivative Instruments and Hedging Activities" effective January 1,

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

2001. In the application, the Company has concluded its interest rate swap contracts qualify for “special cash flow hedge accounting” which permit recording the fair value of the swap and corresponding adjustment to other comprehensive income (loss) on the balance sheet. The interest rate swaps were terminated in 2004.

The Company also entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date the Company can either take delivery of the currency or settle on a net basis. All outstanding forward contracts are for the sale of U.S. Dollars (USD) and the purchase of Canadian Dollars (CAD). As of March 31, 2005, the Company had forward contracts with a notional value of \$64.5 million CAD (or \$49 million U.S.), with an average exchange rate of \$0.76 USD per \$1 CAD, resulting in the recording of a current asset and an increase in comprehensive income of \$2.8 million, net of tax.

**Foreign Currency Translation** Assets and liabilities of foreign subsidiaries, except for the Company’s Mexican operations whose functional currency is the U.S. Dollar, are translated at the rate of exchange in effect on the balance sheet date while income and expenses are translated at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from transactions, and the translation of financial statements are recorded in the Company’s consolidated financial statements based upon the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 52, “Foreign Currency Translation.” The effects of currency exchange rate changes on intercompany transactions and balances of a long-term investment nature are accumulated and carried as a component of shareholders’ equity. The effects of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts are charged or credited to earnings. Foreign exchange loss was \$976,000 and \$756,000 for the three months ended March 31, 2005, and 2004, respectively.

**Other Comprehensive Income (Loss)** Comprehensive income (loss) is defined as net income and all other non-owner changes in shareholders’ equity. The Company’s accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, foreign currency hedges and pension related adjustments. Total comprehensive income was:

<i>In thousands</i>	Three Months Ended March 31,	
	2005	2004
Net income	\$ 9,248	\$ 4,807
Foreign currency translation adjustment	(2,078)	(789)
Unrealized loss on derivatives designated and qualified as cash flow hedges, net of tax	—	(179)
Unrealized (loss) gain on foreign exchange contracts, net of tax	(789)	391
Additional minimum pension liability, net of tax	—	(810)
<b>Total comprehensive income</b>	<b>\$ 6,381</b>	<b>\$ 3,420</b>

The components of accumulated other comprehensive income (loss) consisted of the following:

<i>In thousands</i>	March 31, 2005	December 31, 2004
Foreign currency translation adjustment	\$ 4,743	\$ 6,821
Unrealized gains on foreign exchange contracts, net of tax	2,796	3,585
Additional minimum pension liability, net of tax	(20,183)	(20,183)
<b>Total accumulated comprehensive loss</b>	<b>\$(12,644)</b>	<b>\$ (9,777)</b>



**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

**Recent Accounting Pronouncements** In November 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 151, “Inventory Costs—An Amendment of ARB No. 43, Chapter 4.” This standard provides clarification that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be recognized as current period charges. Additionally, this standard requires that allocation of fixed production overheads to costs of conversion be based on the normal capacity of the production facilities. The provisions of this standard are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the effect of this standard on the Company’s financial statements and results of operations.

SFAS No. 123 (revised 2004) “Share-Based Payment” was issued in December 2004. This standard requires companies to measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. The effective date is the first interim reporting period beginning after December 31, 2005. Wabtec is currently evaluating pricing models and the transition provisions of this standard and will begin expensing stock options in the first quarter of 2006.

In December 2004, the FASB issued FSP No. 109-2, “Accounting and Disclosures Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004.” FSP 109-2 provides guidance under SFAS No 109 “Accounting for Income Taxes” with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the “Jobs Act”) on enterprises’ income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the impact of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for the purposes of applying SFAS No. 109. The Company has not yet completed evaluating the impact of the repatriation provisions. Accordingly, as provided in for in FSP 109-2, the Company has not adjusted its tax expense or deferred tax liability to reflect the repatriation provisions of the Job Act.

In March 2005, the FASB issued FASB Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations.” This statement requires companies to recognize a liability for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated. The provisions of this statement are effective for years ending after December 15, 2005. The Company is currently evaluating the effect of this standard on the Company’s financial statements and results of operations.

### **3. ACQUISITIONS**

On February 1, 2005, the Company completed the acquisition of the assets of Rütgers Rail S.p.A., a business with operations in Italy, Germany, France and Spain. The acquisition was accounted for as a purchase and accordingly, the purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. Operating results were included in the consolidated statement of operations from the acquisition date forward. The new company formed to hold the newly purchased assets of Rütgers Rail S.p.A. is named CoFren S.r.l. (“CoFren”). CoFren has become the leading manufacturer of brake shoes, disc pads and interior trim components for rail applications in Europe. The purchase price was \$36.3 million in cash, resulting in additional goodwill of \$6.1 million, subject to final adjustment based on a calculation of net worth as defined in the Sale and Purchase agreement.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The Company is in the process of finalizing third-party valuations of property, plant and equipment and certain intangible assets, thus the allocation of the purchase price is subject to adjustment:

<i>In thousands</i>	<b>February 1, 2005</b>
Current assets	\$ 11,200
Property, plant & equipment	16,100
Intangible assets	8,400
Goodwill	6,100
Assets held for sale	3,800
<b>Total Assets Acquired</b>	<b>45,600</b>
Current liabilities	(4,100)
Other liabilities	(4,900)
Long term borrowings	(300)
<b>Total Liabilities Assumed</b>	<b>(9,300)</b>
<b>Net Assets Acquired</b>	<b>\$ 36,300</b>

Of the \$8.4 million of acquired intangible assets, \$3 million was assigned to trademarks, \$2.2 million to trade secret technology and \$3.2 million to customer relationships.

The following Unaudited pro forma financial information presents income statement results as if the acquisition had occurred January 1, 2004:

<i>In thousands, except per share</i>	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
Sales	\$ 247,536	\$ 197,058
Gross profit	58,577	51,289
Net income	9,358	6,151
Diluted earnings per share:		
As reported	\$ 0.20	\$ 0.11
Pro forma	0.20	0.14

#### 4. INVENTORIES

The components of inventory, net of reserves, were:

<i>In thousands</i>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Raw materials	\$ 38,372	\$ 34,280
Work-in-process	51,190	45,628
Finished goods	18,706	17,084
<b>Total inventory</b>	<b>\$ 108,268</b>	<b>\$ 96,992</b>

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

**5. RESTRUCTURING AND IMPAIRMENT CHARGES**

In the first quarter of 2005, the Company recorded restructuring and asset impairment charges related to consolidating two U.K. facilities into one, relocating a product line from Canada to the U.S., and completion of a data center migration. \$1.6 million of costs were expensed, consisting of severance costs of \$250,000 for 13 employees, relocation and other costs of \$210,000 and asset writeoffs of \$1.1 million. These costs were incurred and paid for in the first quarter.

**6. INTANGIBLES**

The Company has adopted SFAS No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002. Under its provisions, all goodwill and other intangible assets with indefinite lives are no longer amortized under a straight-line basis over the assets' estimated useful life. Instead, they are subject to periodic assessments for impairment by applying a fair-value-based test. The Company performed the required impairment test in 2004 which resulted in no additional impairment charge. Goodwill still remaining on the balance sheet is \$119.4 million at March 31, 2005 and \$113.5 million at December 31, 2004.

As of March 31, 2005 and December 31, 2004, the Company's trademarks had a net carrying amount of \$27.9 million and \$19.6 million, respectively, and the Company believes these intangibles have an indefinite life. Intangible assets of the Company, other than goodwill and trademarks, consist of the following:

<u><i>In thousands</i></u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Patents and other, net of accumulated amortization of \$23,006 and \$22,459	\$ 10,723	\$ 11,269
Covenants not to compete, net of accumulated amortization of \$8,273 and \$8,263	51	61
Intangible pension asset	8,987	8,987
<b>Total</b>	<b>\$ 19,761</b>	<b>\$ 20,317</b>

In connection with the adoption of SFAS No. 142, the Company reassessed the useful lives and the classification of its intangible assets and determined that they continue to be appropriate. The weighted average useful lives of patents was 13 years and covenants not to compete was five years.

Amortization expense for intangible assets was \$752,000 and \$558,000 for the three months ended March 31, 2005 and 2004, respectively.

The change in the carrying amount of goodwill by segment for the three months ended March 31, 2005 is as follows:

<u><i>In thousands</i></u>	<u>Freight Group</u>	<u>Transit Group</u>	<u>Total</u>
Balance at December 31, 2004	\$ 94,934	\$ 18,532	\$ 113,466
Addition of CoFren	6,094	—	6,094
Foreign currency impact	64	(259)	(195)
<b>Balance at March 31, 2005</b>	<b>\$ 101,092</b>	<b>\$ 18,273</b>	<b>\$ 119,365</b>

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

**7. LONG-TERM DEBT**

Long-term debt consisted of the following:

<u><i>In thousands</i></u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
6.875% Senior notes	\$ 150,000	\$ 150,000
Other	409	107
<b>Total</b>	<b>\$ 150,409</b>	<b>\$ 150,107</b>
Less—current portion	—	—
<b>Long-term portion</b>	<b>\$ 150,409</b>	<b>\$ 150,107</b>

*Refinancing Credit Agreement*

In January 2004, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This “Refinancing Credit Agreement” provides a \$175 million five-year revolving credit facility expiring in January 2009. At March 31, 2005, the Company had available borrowing capacity, net of letters of credit, of approximately \$157.8 million, subject to certain financial covenant restrictions.

Under the Refinancing Credit Agreement, the Company may elect a base rate or an interest rate based on the London Interbank Offered Rates of Interest (“LIBOR”). The base rate is the greater of LaSalle Bank National Association’s prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is based on LIBOR plus a margin that ranges from 100 to 200 basis points depending on the Company’s consolidated total indebtedness to cash flow ratios. The current margin is 100 basis points.

The Refinancing Credit Agreement limits the Company’s ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations and sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; capital expenditures; and imposes a minimum interest expense coverage ratio and a maximum debt to cash flow ratio.

The Refinancing Credit Agreement contains customary events of default, including payment defaults, failure of representations or warranties to be true in any material respect, covenant defaults, defaults with respect to other indebtedness of the Company, bankruptcy, certain judgments against the Company, ERISA defaults and “change of control” of the Company.

*6<sup>7</sup>/<sub>8</sub>% Senior Notes Due August 2013*

In August 2003, the Company issued \$150 million of Senior Notes due in 2013 (the “Notes”). The Notes were issued at par. Interest on the Notes will accrue at a rate of 6.875% per annum and is payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company’s existing credit agreement, and for general corporate purposes.

The Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all our existing and future subordinated indebtedness of the Company. The indenture

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

under which the Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

**8. EMPLOYEE BENEFIT PLANS**

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

<i>In thousands, except percentages</i>	Pension Plans		Postretirement Plan	
	Three months ended March 31,		Three months ended March 31,	
	2005	2004	2005	2004
<b>Net periodic benefit cost</b>				
Service cost	\$ 944	\$ 735	\$ 197	\$ 96
Interest cost	1,964	1,694	663	437
Expected return on plan assets	(2,004)	(1,660)	—	—
Net amortization/deferrals	1,016	470	850	196
Net periodic benefit cost	\$ 1,920	\$ 1,239	\$ 1,710	\$ 729
<b>Assumptions</b>				
Discount rate	5.94%	6.25%	6.20%	6.25%
Expected long-term rate of return	7.20%	7.75%	NA	NA
Rate of compensation increase	4.10%	3.75%	NA	NA

The Company's funding methods are based on governmental requirements and differ from those methods used to recognize pension expense. The Company expects to contribute \$9.7 million to the pension plans during 2005 but expects that this level of funding will decrease in future periods. Rebalancing of the asset allocation occurs on a quarterly basis.

In addition to providing pension benefits, the Company has provided certain unfunded postretirement health care and life insurance benefits for a portion of North American employees. In January 1995 the postretirement health care and life insurance benefits for U.S. salaried employees was modified to discontinue benefits for employees who had not attained the age of 50 by March 31, 1995. The Company is not obligated to pay health care and life insurance benefits to individuals who had retired prior to 1990.

In May 2004, the FASB issued FSP 106-2 "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP FAS 106-2). This Act was signed into law by the President on December 8, 2003 and introduces a prescription drug benefit plan under Medicare Part D as well as a federal subsidy to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP 106-2 provides guidance on how companies should account for the impact of the Act on their postretirement health plans. To encourage employers to retain or provide postretirement drug benefits, beginning in 2006 the federal government will provide non-taxable subsidy payments to employers that sponsor prescription drug benefits to retirees that are actuarially equivalent to the Medicare benefit. FSP 106-2 became effective for interim or annual financial statements beginning after June 15, 2004. The adoption of FSP 106-2 did not have a significant impact on the Company's financial position or results of operations.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

**9. INCOME TAXES**

The overall effective income tax rate was 36.7% and 36.5% for the three months ended March 31, 2005 and 2004, respectively.

In the fourth quarter of 2004, the American Jobs Creation Act of 2004 was passed. The Company is in the process of evaluating the impact of this legislation on the consolidated financial statements.

**10. EARNINGS PER SHARE**

The computation of earnings per share is as follows:

<i>In thousands, except per share</i>	Three Months Ended March 31,	
	2005	2004
<b>Basic earnings per share</b>		
Net income applicable to common shareholders	\$ 9,248	\$ 4,807
Divided by		
Weighted average shares outstanding	46,259	44,661
Basic earnings per share	\$ 0.20	\$ 0.11
<b>Diluted earnings per share</b>		
Net income applicable to common shareholders	\$ 9,248	\$ 4,807
Divided by sum of the		
Weighted average shares outstanding	46,259	44,661
Conversion of dilutive stock options	726	675
Diluted shares outstanding	46,985	45,336
Diluted earnings per share	\$ 0.20	\$ 0.11

**11. WARRANTIES**

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

<i>In thousands</i>	Three Months Ended March 31, 2005	
Balance at December 31, 2004	\$	17,413
Warranty provision		1,458
Warranty claim payments		(2,069)
Balance at March 31, 2005	\$	16,802

**12. COMMITMENTS AND CONTINGENCIES**

In 2001, the Company sold the operating assets and liabilities of a non-core business unit to that business unit's management team. As part of the sale, Wabtec has guaranteed approximately \$1.3 million of bank debt of the buyer, which assists the buyer with certain working capital financing arrangements. The Company has no reason to believe that this debt will not be repaid or refinanced.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

Actions 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. Since 2000, the number of such claims has increased. Most of these claims have been made against our wholly owned subsidiary, Railroad Friction Products Corporation (RFPC), and are based on a product sold by RFPC before we acquired American Standard, Inc.'s (ASI) 50% interest in RFPC in 1990. We acquired the remaining interest in RFPC in 1992. These claims include a suit against RFPC and its insurers seeking coverage under RFPC's insurance policies. On April 17, 2005, the claim against the Company contending that the Company assumed ASI's liability for asbestos claims arising from exposure to RFPC's products was resolved in the Company's favor.

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

The Company recorded a loss provision of \$1.6 million in the first quarter of 2005 related to a contract to assemble locomotive modules in our Boise, Idaho facility. This provision is based upon firm customer purchase orders for units expected to be delivered in the second quarter. In recording the loss provision, management has estimated and expects certain improvements in both pricing and cost to be realized in the second quarter. However, these improvements are estimates and based on currently available information.

On November 3, 2000, the Company settled a suit brought against it in 1999 by GE-Harris Railway Electronics, L.L.C. and GE-Harris Railway Electronics Services, L.L.C. (collectively "GE-Harris"). On September 20, 2002, a motion in that lawsuit was filed by the successor to GE-Harris, GE Transportation Services Global Signaling, L.L.C. ("GETS-GS"). The motion by GETS-GS contended that the Company is acting beyond authority granted in the parties' November 2000 settlement and license agreement and in contempt of the consent order that concluded the suit at that time.

In support of its motion, GETS-GS pointed principally to sales and offers to sell certain railway brake equipment, including distributed power equipment to Australian customers. In August 2004, the United States District Court for the District of Delaware ruled partially in the favor of GETS-GS ordering the Company to pay compensatory damages for lost licensing profits relating to the above mentioned distributed power equipment contracts and reimbursement for reasonable attorneys' fees and expenses. While the Company disagrees with the ruling and intends to continue to contest this ruling, this liability of \$3.2 million was recognized in 2004 as a component of selling, general and administrative expense. Should certain options be exercised by the Company's Australian customers for additional shipments of products under the same distributed power contract, an additional \$2.7 million of compensatory damages could be owed to GETS-GS. The additional liability will not be recognized by the Company until and if such options are exercised.

The Company is subject to a RCRA Part B Closure Permit ("the Permit") issued by the Environmental Protection Agency (EPA) and the Idaho Department of Health and Welfare, Division of Environmental Quality relating to the monitoring and treatment of groundwater contamination on, and adjacent to, the MotivePower Industries (Boise, Idaho) facility. In compliance with the Permit, the Company has completed the first phase of an accelerated plan for the treatment of contaminated groundwater, and continues onsite and offsite monitoring for hazardous constituents. An additional \$970,000 was accrued during the third quarter of 2004 based on our refined estimates of ongoing monitoring costs. The Company was in compliance with the Permit at March 31, 2005.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

The Company is subject to a number of other commitments and contingencies as described in its Annual Report on Form 10-K for the Year Ended December 31, 2004, filed on March 16, 2005. During the first three months of 2005, there were no material changes other than what is discussed above to the information described in Note 18 therein.

### 13. SEGMENT INFORMATION

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

**Freight Group** manufactures products and provides services geared to the production and operation of freight cars and locomotives, including braking control equipment, on-board electronic components and train coupler equipment. Revenues are derived from OEM sales, aftermarket sales and freight car repairs and services.

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

The Company evaluates its business segments' operating results based on income from operations. Corporate activities include general corporate expenses, elimination of intersegment transactions, interest income and expense and other unallocated charges. Since certain administrative and other operating expenses and other items have not been allocated to business segments, the results in the 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 March 31, 2005 is as follows:

<i>In thousands</i>	<b>Freight Group</b>	<b>Transit Group</b>	<b>Corporate Activities</b>	<b>Total</b>
Sales to external customers	\$186,015	\$58,869	\$ —	\$244,884
Intersegment sales/(elimination)	2,454	58	(2,512)	—
<b>Total sales</b>	<b>\$188,469</b>	<b>\$58,927</b>	<b>\$ (2,512)</b>	<b>\$244,884</b>
Income (loss) from operations	\$ 21,607	\$ 2,469	\$ (5,859)	\$ 18,217
Interest expense and other	—	—	(3,615)	(3,615)
<b>Income (loss) before income taxes</b>	<b>\$ 21,607</b>	<b>\$ 2,469</b>	<b>\$ (9,474)</b>	<b>\$ 14,602</b>

Segment assets for the Freight Group, Transit Group and Corporate were \$557.1 million, \$151.5 million and \$37.5 million, respectively at March 31, 2005.



**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

Segment financial information for the three months ended March 31, 2004 is as follows:

<i>In thousands</i>	Freight Group	Transit Group	Corporate Activities	Total
Sales to external customers	\$ 134,000	\$ 54,228	\$ —	\$ 188,228
Intersegment sales/(elimination)	2,956	46	(3,002)	—
<b>Total sales</b>	<b>\$ 136,956</b>	<b>\$ 54,274</b>	<b>\$ (3,002)</b>	<b>\$ 188,228</b>
Income (loss) from operations	\$ 16,591	\$ 1,778	\$ (6,886)	\$ 11,483
Interest expense and other	—	—	(3,913)	(3,913)
<b>Income (loss) before income taxes</b>	<b>\$ 16,591</b>	<b>\$ 1,778</b>	<b>\$ (10,799)</b>	<b>\$ 7,570</b>

**14. GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION**

Effective August 2003, the Company issued \$150 million of Senior Notes due in 2013 (“The Notes”). The obligations under the Notes are fully and unconditionally guaranteed by all U.S subsidiaries as guarantors. In accordance with positions established by the Securities and Exchange Commission, the following shows separate financial information with respect to the parent, the guarantor subsidiaries and the non-guarantor subsidiaries. The principal elimination entries eliminate investment in subsidiaries and certain intercompany balances and transactions.

Balance Sheet as of March 31, 2005:

<i>In thousands</i>	Parent	Guarantors	Non- Guarantors	Elimination	Consolidated
Cash and Cash Equivalents	\$ 38,764	\$ (1,861)	\$ 31,247	\$ —	\$ 68,150
Accounts Receivable	361	92,825	66,839	—	160,025
Inventories	—	66,965	41,303	—	108,268
Other Current Assets	19,158	2,725	5,383	—	27,266
<b>Total Current Assets</b>	<b>58,283</b>	<b>160,654</b>	<b>144,772</b>	<b>—</b>	<b>363,709</b>
Net Property, Plant and Equipment	5,875	92,671	66,153	—	164,699
Goodwill	8,176	76,670	34,519	—	119,365
Investment in Subsidiaries	693,088	107,081	11,450	(811,619)	—
Intangibles	12,619	26,013	9,070	—	47,702
Other Long Term Assets	32,887	8,548	9,201	—	50,636
<b>Total Assets</b>	<b>\$ 810,928</b>	<b>\$ 471,637</b>	<b>\$ 275,165</b>	<b>\$ (811,619)</b>	<b>\$ 746,111</b>
Current Liabilities	\$ 12,928	\$ 115,795	\$ 70,331	\$ —	\$ 199,054
Intercompany	262,910	(290,252)	27,342	—	—
Long-Term Debt	150,000	47	362	—	150,409
Other Long Term Liabilities	61,720	3,563	7,995	—	73,278
<b>Total Liabilities</b>	<b>487,558</b>	<b>(170,847)</b>	<b>106,030</b>	<b>—</b>	<b>422,741</b>
Stockholders’ Equity	323,370	642,484	169,135	(811,619)	323,370
<b>Total Liabilities and Stockholders’ Equity</b>	<b>\$ 810,928</b>	<b>\$ 471,637</b>	<b>\$ 275,165</b>	<b>\$ (811,619)</b>	<b>\$ 746,111</b>

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

Balance Sheet as of December 31, 2004:

<i>In thousands</i>	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash and Cash Equivalents	\$ 41,117	\$ 24,849	\$ 29,291	\$ —	\$ 95,257
Accounts Receivable	464	78,448	60,931	—	139,843
Inventories	—	60,097	36,895	—	96,992
Other Current Assets	20,103	2,099	5,279	—	27,481
<b>Total Current Assets</b>	<b>61,684</b>	<b>165,493</b>	<b>132,396</b>	<b>—</b>	<b>359,573</b>
Net Property, Plant and Equipment	7,193	92,709	51,059	—	150,961
Goodwill	8,176	76,467	28,823	—	113,466
Investment in Subsidiaries	673,469	59,128	8,018	(740,615)	—
Intangibles	12,817	26,343	720	—	39,880
Other Long Term Assets	33,618	5,754	10,144	—	49,516
<b>Total Assets</b>	<b>\$ 796,957</b>	<b>\$ 425,894</b>	<b>\$ 231,160</b>	<b>\$ (740,615)</b>	<b>\$ 713,396</b>
Current Liabilities	\$ 8,034	\$ 107,727	\$ 65,111	\$ —	\$ 180,872
Intercompany	265,172	(302,853)	37,681	—	—
Long-Term Debt	150,000	48	59	—	150,107
Other Long Term Liabilities	61,325	3,800	4,866	—	69,991
<b>Total Liabilities</b>	<b>484,531</b>	<b>(191,278)</b>	<b>107,717</b>	<b>—</b>	<b>400,970</b>
Stockholders' Equity	312,426	617,172	123,443	(740,615)	312,426
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 796,957</b>	<b>\$ 425,894</b>	<b>\$ 231,160</b>	<b>\$ (740,615)</b>	<b>\$ 713,396</b>

Income Statement for the Three Months Ended March 31, 2005:

<i>In thousands</i>	Parent	Guarantors	Non-Guarantors	Elimination(1)	Consolidated
Net Sales	\$ —	\$ 178,684	\$ 100,212	\$ (34,012)	\$ 244,884
Cost of Sales	1,257	(135,668)	(82,201)	29,258	(187,354)
<b>Gross Profit (Loss)</b>	<b>1,257</b>	<b>43,016</b>	<b>18,011</b>	<b>(4,754)</b>	<b>57,530</b>
Operating Expenses	(10,299)	(19,932)	(9,082)	—	(39,313)
<b>Operating Profit (Loss)</b>	<b>(9,042)</b>	<b>23,084</b>	<b>8,929</b>	<b>(4,754)</b>	<b>18,217</b>
Interest (Expense) Income	(4,111)	1,725	(98)	—	(2,484)
Other (Expense) Income	(368)	718	(1,481)	—	(1,131)
Equity Earnings	21,425	2,258	(4,495)	(19,188)	—
<b>Pretax Income (Loss)</b>	<b>7,904</b>	<b>27,785</b>	<b>2,855</b>	<b>(23,942)</b>	<b>14,602</b>
Income Tax Benefit (Expense)	1,344	(3,825)	(2,873)	—	(5,354)
<b>Net Income (Loss)</b>	<b>\$ 9,248</b>	<b>\$ 23,960</b>	<b>\$ (18)</b>	<b>\$ (23,942)</b>	<b>\$ 9,248</b>

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

Income Statement for the Three Months Ended March 31, 2004:

<u><i>In thousands</i></u>	<u>Parent</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Elimination(1)</u>	<u>Consolidated</u>
Net Sales	\$ —	\$ 141,598	\$ 78,427	\$ (31,797)	\$ 188,228
Cost of Sales	368	(98,709)	(69,348)	26,979	(140,710)
Gross Profit (Loss)	368	42,889	9,079	(4,818)	47,518
Operating Expenses	(8,931)	(20,133)	(6,971)	—	(36,035)
Operating Profit (Loss)	(8,563)	22,756	2,108	(4,818)	11,483
Interest (Expense) Income	(4,521)	1,789	(271)	—	(3,003)
Other (Expense) Income	(491)	564	(983)	—	(910)
Equity Earnings	16,950	1,386	447	(18,783)	—
Pretax Income (Loss)	3,375	26,495	1,301	(23,601)	7,570
Income Tax Benefit (Expense)	1,432	(2,874)	(1,321)	—	(2,763)
Net Income (Loss)	\$ 4,807	\$ 23,621	\$ (20)	\$ (23,601)	\$ 4,807

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non- Guarantor subsidiaries.

Condensed Statement of Cash Flows for the Three Months Ended March 31, 2005:

<u><i>In thousands</i></u>	<u>Parent</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash Provided by (Used in) Operating Activities	\$ (6,359)	\$ 35,720	\$ 6,890	\$ (23,942)	\$ 12,309
Net Cash Used in Investing Activities	(557)	(38,470)	(1,575)	—	(40,602)
Net Cash Provided by (Used in) Financing Activities	4,563	(23,960)	1	23,942	4,546
Effect of Changes in Currency Exchange Rates	—	—	(3,360)	—	(3,360)
Increase (Decrease) in Cash	(2,353)	(26,710)	1,956	—	(27,107)
Cash at Beginning of Period	41,117	24,849	29,291	—	95,257
Cash at End of Period	\$38,764	\$ (1,861)	\$ 31,247	\$ —	\$ 68,150

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005 (UNAUDITED)**

Condensed Statement of Cash Flows for the Three Months Ended March 31, 2004:

<u><i>In thousands</i></u>	<u>Parent</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash Provided by (Used in) Operating Activities	\$ (6,140)	\$ 21,467	\$ (473)	\$ (23,601)	\$ (8,747)
Net Cash Used in Investing Activities	(567)	(2,212)	(1,434)	—	(4,213)
Net Cash Provided by (Used in) Financing Activities	244	(23,613)	2	23,601	234
Effect of Changes in Currency Exchange Rates	—	—	463	—	463
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Decrease in Cash	(6,463)	(4,358)	(1,442)	—	(12,263)
Cash at Beginning of Period	48,475	3,054	18,799	—	70,328
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash at End of Period	\$42,012	\$ (1,304)	\$ 17,357	\$ —	\$ 58,065

#### 15. OTHER EXPENSE

The components of other expense are as follows:

<u><i>In thousands</i></u>	<u>Three Months Ended March 31,</u>	
	<u>2005</u>	<u>2004</u>
Foreign currency loss	\$ 976	\$ 756
Other miscellaneous expense	155	154
	<u>          </u>	<u>          </u>
Total other expense	\$ 1,131	\$ 910

**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 2004 Annual Report on Form 10-K, filed March 16, 2005.

**OVERVIEW**

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all locomotives, freight cars and passenger transit vehicles in the U.S., as well as in certain markets throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles.

Wabtec is a global company with operations in eleven countries. In the first three months of 2005, about 76 percent of the Company's revenues came from its North American operations, but Wabtec also sold products or services in 57 countries around the world.

*Management Review and Outlook*

Wabtec's long-term financial goals are to generate free cash flow in excess of net income, maintain a strong credit profile while minimizing our overall cost of capital, increase margins through strict attention to cost controls, and increase revenues through a focused growth strategy. In addition, management monitors the Company's short-term operational performance through measures such as quality and on-time delivery.

In the first three months of 2005, Wabtec's sales increased 30.1% compared to the same period of 2004, and net income increased 92.4%.

Freight rail industry statistics, such as carloadings and deliveries of new freight cars, improved in the first quarter of 2005. For example, in the first three months of 2005, carloadings grew 2.5% compared to the prior year quarter, as the freight railroads continue to benefit from the economic growth in the U.S. As shown below, deliveries of new freight cars increased to 15,781 in the first three months of 2005, and the backlog of freight cars ordered was 59,416. Sales in our freight segment have demonstrated that trend. Following are quarterly freight car statistics for the past three years:

	<u>Orders</u>	<u>Deliveries</u>	<u>Backlog</u>
1Q03	11,767	6,614	24,055
2Q03	16,693	7,365	33,383
3Q03	6,726	8,251	31,858
4Q03	12,063	9,170	33,967
	<u>47,249</u>	<u>31,400</u>	
1Q04	17,962	10,012	42,242
2Q04	19,770	10,071	51,446
3Q04	20,315	11,790	61,052
4Q04	12,244	14,419	58,677
	<u>70,291</u>	<u>46,292</u>	
1Q05	17,563	15,781	59,416

Source: Railway Supply Institute

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The following are recent and forecasted deliveries of freight cars, locomotives and transit cars:

	Actual		Forecast
	2003	2004	2005
Freight car	31,400	46,292	55,000
Transit	811	819	725
Locomotive	759	1,235	1,100

*Based on company estimates*

Carloadings and Intermodal Units Originated have grown proportionally over the past three years reflecting higher rail traffic and ultimately better opportunities for maintenance and aftermarket sales for the Company:

### **Carloadings Originated (in thousands):**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2005	4,403	N/A	N/A	N/A
2004	4,298	4,422	4,363	4,340
2003	4,167	4,219	4,249	4,579

### **Intermodal Units Originated (in thousands):**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2005	2,781	N/A	N/A	N/A
2004	2,585	2,750	2,810	2,849
2003	2,409	2,457	2,489	2,728

*Source: Association of American Railroads—Weekly Rail Traffic*

In addition to this cyclical rebound in orders and rail traffic, we expect to generate future increases in sales and earnings from executing our four-point growth strategy:

- Expand aftermarket sales;
- Accelerate new product and service development;
- Expand globally;
- Continuous improvement through lean principles.

In 2005 and beyond, we will continue to face many challenges, including possible increases in costs for raw materials, especially metals; performance under material long term contracts; and foreign currency fluctuations. In addition, we face general economic risks, as well as the risk that our customers could curtail spending on new and existing equipment. Risks associated with our four-point growth strategy include the level of investment that customers are willing to make in new technologies developed by the industry and the Company, and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to reflect changes in market conditions and risks.

Amtrak recently decided to suspend its Acela Express train service due to cracks in the spokes of some of the cars' brake discs. Wabtec did not design or supply the braking system for the Acela cars. Wabtec did provide and machine approximately one-third of the brake discs for the cars and is assisting Amtrak in its evaluation as requested. Wabtec does not believe that it has any material liability with respect to its work.

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**RESULTS OF OPERATIONS**

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

<i>In millions</i>	Three Months Ended March 31,	
	2005	2004
Net sales	\$ 244.9	\$ 188.2
Cost of sales	(187.4)	(140.7)
Gross profit	57.5	47.5
Selling, general and administrative expenses	(29.7)	(26.4)
Engineering expenses	(8.6)	(8.8)
Amortization expense	(1.0)	(0.8)
Total operating expenses	(39.3)	(36.0)
Income from operations	18.2	11.5
Interest expense, net	(2.5)	(3.0)
Other expense, net	(1.1)	(0.9)
Income before income taxes	14.6	7.6
Income tax expense	(5.4)	(2.8)
Net income	\$ 9.2	\$ 4.8

**FIRST QUARTER 2005 COMPARED TO FIRST QUARTER 2004**

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

<i>In thousands</i>	Three months ended March 31,		
	2005	2004	Percent Change
Net sales	\$244,884	\$188,228	30.1%
Income from operations	18,217	11,483	58.6%
Net income	9,248	4,807	92.4%

Net sales increased by 30.1% from \$188.2 million in the first quarter of 2004 to \$244.9 million in the same period in 2005, primarily as a result of volume increases in freight car deliveries, the acquisition of Rütgers Rail S.p.A. and the ramp-up of a locomotive module contract in the first quarter that resulted in about \$16 million of additional revenue. Aftermarket parts sales also increased because of carloadings and intermodal units originated. The Company did not realize any significant net sales improvement because of price increases or foreign exchange. Net income for the first quarter of 2005 was \$9.2 million or \$0.20 per diluted share. Net income for the first quarter of 2004 was \$4.8 million or \$0.11 per diluted share. This increase in net income was primarily due to increased sales, offset by about \$4.1 million of losses realized on the locomotive module contract, and \$1.1 million of fixed asset writeoffs.

**Net sales** The following table shows the Company's net sales by business segment:

<i>In thousands</i>	Three months ended March 31,	
	2005	2004
Freight Group	\$ 186,015	\$ 134,000
Transit Group	58,869	54,228
Net sales	\$ 244,884	\$ 188,228

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Net sales for the first quarter of 2005 increased \$56.7 million, or 30.1%, as compared to the same period of 2004. Sales increased in both the Freight Group and the Transit Group. The Freight Group's increased sales reflected higher sales of certain components to international markets; higher demand for pneumatic air brake components related to increased deliveries of freight cars; the acquisition of the assets of Rütgers Rail S.p.A. by CoFren S.r.l., a newly formed Wabtec subsidiary, in the first quarter of 2005; and the ramp-up of a locomotive module contract. Industry deliveries of new freight cars for the first quarter of 2005 increased to 15,781 units as compared to 10,012 in the same period of 2004. The Transit Group's increased sales were due to increased deliveries under existing contracts and higher aftermarket sales.

**Gross profit** Gross profit increased to \$57.5 million in the first quarter of 2005 compared to \$47.5 million in the same period of 2004. Gross profit is dependent on a number of factors including pricing, sales volume and product mix. In the first quarter of 2005, gross profit, as a percentage of sales, was 23.5% compared to 25.2% in 2004. The decrease in gross profit percentage is primarily due to the ramp-up of the locomotive module contract, which had a loss of \$4.1 million in the quarter. Also during the first quarter, Wabtec took actions to improve margins in future quarters, such as consolidating two U.K. facilities into one and relocating a product line from Canada to the U.S., which resulted in restructuring costs of \$460,000. In addition, the provision for warranty expense was \$1.2 million lower than the prior-year quarter, which positively impacted gross profit. The provision for warranty expense is lower due to lower charges for certain specific products. Overall, our warranty reserve decreased in the first quarter of 2005 by \$611,000 as warranty claims were greater than warranty expense. The Company is taking action to improve margins in future quarters, including price increases and ongoing initiatives to increase productivity and efficiency.

**Operating expenses** The following table shows our operating expenses:

<u>In thousands</u>	<u>Three months ended March 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>Percent Change</u>
Selling, general and administrative expenses	\$29,672	\$26,440	12.2%
Engineering expenses	8,670	8,812	(1.6)%
Amortization expense	971	783	24.0%
<b>Total operating expenses</b>	<b>\$39,313</b>	<b>\$36,035</b>	<b>9.1%</b>

Operating expenses increased \$3.2 million in the first quarter of 2005 as compared to the same period of 2004 due to information technology asset writeoffs of \$1.1 million, the addition of CoFren and overall higher costs from inflation and sales activity.

**Income from operations** Income from operations totaled \$18.2 million (or 7.4% of sales) in the first quarter of 2005 compared with \$11.5 million (or 6.1% of sales) in the same period of 2004. Higher operating income resulted from higher sales in 2005, partially offset by higher operating expenses.

**Interest expense** Interest expense decreased 17.3% in the first quarter of 2005 as compared to the same period of 2004 primarily due to the Company's lower debt level during the 2005 quarter and higher interest income.

**Other expense** The Company recorded foreign exchange losses of \$976,000 and \$756,000, respectively, in the first quarter of 2005 and 2004, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts and charged or credited to earnings.

**Income taxes** The effective income tax rate was 36.7% and 36.5% for the first quarter of 2005 and 2004, respectively. In the fourth quarter of 2004, the American Jobs Creation Act of 2004 was passed. The Company is in the process of evaluating the impact to the Company and its subsidiaries.



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**Net income** Net income for the first quarter of 2005 increased \$4.4 million, compared with the same period of 2004. The increase was due to higher sales, partially offset by increased operating expenses.

### Liquidity and Capital Resources

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

<i>In thousands</i>	Three months ended March 31,	
	2005	2004
Cash provided (used) by:		
Operating activities	\$ 12,309	\$ (8,747)
Investing activities	(40,602)	(4,213)
Financing activities	4,546	234
Earnings before interest, taxes, depreciation and amortization (EBITDA)	23,817	16,826

Management utilizes EBITDA as a measure of liquidity. The following is a reconciliation of EBITDA to net cash provided by (used for) operating activities:

<i>In thousands</i>	Three months ended March 31,	
	2005	2004
Net cash provided by (used for) operating activities	\$12,309	\$ (8,747)
Change in operating assets and liabilities	3,670	19,807
Interest expense	2,484	3,003
Income tax expense	5,354	2,763
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$23,817	\$16,826

EBITDA is defined as earnings before deducting interest expense, income taxes and depreciation and amortization. Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles, management believes that it is useful to an investor in evaluating Wabtec because it is widely used as a measure to evaluate a company's operating performance and ability to service debt. Financial covenants in our credit facility include ratios based on EBITDA. EBITDA does not purport to represent cash generated by operating activities and should not be considered in isolation or as substitute for measures of performance in accordance with generally accepted accounting principles. In addition, because EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by EBITDA may be limited by working capital, debt service and capital expenditure requirements, and by restrictions related to legal requirements, commitments and uncertainties.

**Operating activities** Cash provided by operations in the first three months of 2005 was \$12.3 million as compared to cash used by operations of \$8.7 million in the same period of 2004. The cash provided in 2005 consisted mainly of net income of \$9.2 million and depreciation and amortization of \$6.7 million. Working capital, excluding the impact of currency exchange rates and the acquisition of the assets of Rütgers Rail S.p.A, increased \$5.3 million, as inventory increased \$7.8 million, accounts payable and accruals increased \$12.4 million, and accounts receivable increased \$9.6 million. Accounts payable and accruals increased because of increased activity. Accounts receivable increased because of an increase in sales.

**Investing activities** In the first three months of 2005 and 2004, cash used in investing activities was \$40.6 million and \$4.2 million, respectively. In 2005, we acquired the assets of Rütgers Rail S.p.A. for \$35.6 million, net of cash received. Capital expenditures were \$6 million and \$4.2 million in the first three months of 2005 and 2004, respectively. The majority of capital expenditures for these periods relates to upgrades to and replacement of existing equipment.

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**Financing activities** In the first three months of 2005 and 2004, cash provided by financing activities was \$4.5 million and \$234,000, respectively. The cash provided in 2005 included \$5 million of proceeds from the issuance of treasury stock for stock options and other benefit plans, offset by \$466,000 of dividend payments. The cash provided in 2004 included \$693,000 of proceeds from the issuance of treasury stock for stock options and other benefit plans, offset by \$449,000 of dividend payments.

The following table shows our outstanding indebtedness at March 31, 2005 and December 31, 2004. The other term loan interest rates are variable and dependent on market conditions.

<i>In thousands</i>	March 31, 2005	December 31, 2004
6.875% Senior notes due 2013	\$ 150,000	\$ 150,000
Other	409	107
<b>Total</b>	<b>\$ 150,409</b>	<b>\$ 150,107</b>
Less-current portion	—	—
<b>Long-term portion</b>	<b>\$ 150,409</b>	<b>\$ 150,107</b>

Cash balance at March 31, 2005 and December 31, 2004 was \$68.2 million and \$95.3 million, respectively.

### *Credit Agreement*

In January 2004, we refinanced the credit agreement with a consortium of commercial banks. This “Credit Agreement” currently provides a \$175 million five-year revolving credit facility expiring in January 2009. At March 31, 2005, the Company had available borrowing capacity, net of letters of credit, of approximately \$157.8 million, subject to certain financial covenant restrictions.

Under the Credit Agreement, the Company may elect a base rate or an interest rate based on London Interbank Offered Rates of Interest (“LIBOR”). The base rate is the greater of LaSalle Bank National Association’s prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is based on LIBOR plus a margin that ranges from 100 to 200 basis points depending on the Company’s consolidated total indebtedness to cash flow ratios. The current margin is 100 basis points. The Credit Agreement includes the following covenants: a minimum interest expense coverage ratio of 3, a maximum debt to cash flow ratio of 3.5 and a minimum net worth of \$180 million plus 50% of consolidated net income since September 30, 2003.

### *6<sup>7</sup>/<sub>8</sub>% Senior Notes Due August 2013*

In August 2003, the Company issued \$150 million of Senior Notes due in 2013 (the “Notes”). The Notes were issued at par. Interest on the notes accrues at a rate of 6.875% per annum and is payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company’s existing credit agreement, and for general corporate purposes.

In 2001, we sold the operating assets and liabilities of a non-core business unit to its management team. As part of the sale, we guaranteed approximately \$1.3 million of bank debt of the buyer, which assists the buyer with certain working capital financing arrangements. We have no reason to believe that this debt will not be repaid or refinanced.

The Company believes, based on current levels of operations and forecasted earnings, cash flow and liquidity will be sufficient to fund its working capital and capital equipment needs as well as to meet its debt service requirements. If the Company’s sources of funds were to fail to satisfy the Company’s cash requirements,

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the Company may need to refinance its existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place.

### **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 you 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

- materially adverse changes in economic or industry conditions generally or in the markets served by us, including North America, South America, Europe, Australia and Asia;
- 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;
- continued recovery in our industry, and in particular, orders either being delayed, cancelled, 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; or
- fluctuations in interest rates and foreign currency exchange rates;

#### 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;
- completion and integration of additional acquisitions; or
- the development and use of new technology;

#### Competitive factors

- the actions of competitors;

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### 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; or
- the outcome of our existing or any future legal proceedings, including litigation involving our principal customers and any litigation with respect to environmental, asbestos-related matters and pension liabilities; and

### Transaction or commercial factors

- the outcome of negotiations with partners, governments, suppliers, customers or others.

Statements in this 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.

### **Critical Accounting Policies**

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include the accounting for derivatives, environmental matters, the testing of goodwill and other intangibles for impairment, proceeds on assets to be sold, pensions and other postretirement benefits, and tax matters. Management uses historical experience and all available information to make these judgments and estimates, and actual results will inevitably differ from those estimates and assumptions that are used to prepare the Company's financial statements at any given time. Despite these inherent limitations, management believes that Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the financial statements and related footnotes provide a meaningful and fair perspective of the Company. A discussion of the judgments and uncertainties associated with accounting for derivatives and environmental matters can be found in the "Notes to Consolidated Financial Statements" included elsewhere in this report.

A summary of the Company's significant accounting policies is included in Note 2 in the "Notes to Consolidated Financial Statements" included elsewhere in this report. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined. Provisions are made currently for estimated losses on uncompleted contracts. Certain pre-production costs relating to long-term production and supply contracts have been deferred and will be amortized over the life of the contract.

In 2002, we adopted the new standard of accounting for goodwill and intangible assets with indefinite lives. The cumulative effect adjustment recognized on January 1, 2002, upon adoption of the new standard, was a charge of \$61.7 million (after tax). Also in 2002, amortization ceased for goodwill and intangible assets with indefinite lives. Additionally, goodwill and indefinite-lived intangibles are required to be tested for impairment at least annually. The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill). We use a combination of a guideline public company market approach and a discounted cash flow model ("DCF model") to determine the current fair value of the business. A number of

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significant assumptions and estimates are involved in the application of the DCF model to forecasted operating cash flows, including markets and market share, sales volume and pricing, costs to produce and working capital changes. Management considers historical experience and all available information at the time the fair values of its businesses are estimated. However, actual fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill.

The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.

The Company provides warranty reserves to cover expected costs from repairing or replacing products with durability, quality or workmanship issues occurring during established warranty periods. In general, reserves are provided for as a percentage of sales, based on historic experience. In addition, specific reserves are established for known warranty issues and their estimable losses.

Inventory is reviewed to ensure that an adequate provision is recognized for excess, slow moving and obsolete inventories. The Company compares inventory components to prior year sales history and current backlog requirements. To the extent that inventory parts exceed estimated usage and demand, a reserve is recognized to reduce the carrying value of inventory. Also, specific reserves are established for known inventory obsolescence.

Other areas of significant judgments and estimates include the liabilities and expenses for pensions and other postretirement benefits. These amounts are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality). The rate used to discount future estimated liabilities is determined considering the rates available at year-end on debt instruments that could be used to settle the obligations of the plan. The long-term rate of return is estimated by considering historical returns and expected returns on current and projected asset allocations and is generally applied to a five-year average market value of assets.

As a global company, Wabtec records an estimated liability or benefit for income and other taxes based on what it determines will likely be paid in various tax jurisdictions in which it operates. Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters including the resolution of the tax audits in the various affected tax jurisdictions and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the recorded amount. Management does not believe that such a charge would be material.

### **Recent Accounting Pronouncements**

See Notes 2 and 6 of “Notes to Condensed Consolidated Financial Statements” included elsewhere in this report.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Risk**

In the ordinary course of business, Wabtec is exposed to risks that increases in interest rates may adversely affect funding costs associated with its variable-rate debt. There was no outstanding variable-rate debt at March 31, 2005.

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### **Foreign Currency Exchange Risk**

The Company occasionally enters into several types of financial instruments for the purpose of managing its exposure to foreign currency exchange rate fluctuations in countries in which the Company has significant operations. As of March 31, 2005, we had several such instruments outstanding to hedge currency rate fluctuation in 2005.

The Company entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date we can either take delivery of the currency or settle on a net basis. All outstanding forward contracts and option agreements are for the sale of U.S. Dollars (USD) and the purchase of Canadian Dollars (CAD). As of March 31, 2005, the Company has forward contracts with a notional value of \$64.5 million CAD (or \$49 million U.S.), with an average exchange rate of \$0.76 USD per \$1 CAD, resulting in the recording of a current asset and an increase in comprehensive income of \$2.8 million, net of tax.

Wabtec is also subject to certain risks associated with changes in foreign currency exchange rates to the extent its operations are conducted in currencies other than the U.S. dollar. For the first three months of 2005, approximately 66% of Wabtec's net sales are in the United States, 9% in Canada, 1% in Mexico, and 24% in other international locations, primarily Europe.

### **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 March 31, 2005. 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 March 31, 2005, that has materially affected, or is reasonably likely to materially affect, Wabtec's internal control over financial reporting.

### **LEGAL PROCEEDINGS AND COMMITMENTS AND CONTINGENCIES**

Except as disclosed in Note 12 of the Company's Notes to Condensed Consolidated Financial Statements for the Quarterly Period Ended March 31, 2005, there have been no other material changes to report regarding the Company's commitments and contingencies as described in Note 18 of the Company's Annual Report on Form 10-K for the Year Ended December 31, 2004.

### **EXHIBITS AND REPORTS ON FORM 8-K**

(a) The following exhibits are being filed with this report:

- 3.1 Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995, filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866), and incorporated herein by reference.
- 3.2 Restated By-Laws of the Company, effective November 19, 1999, filed as part of the Company's Registration Statement on Form S-4 (No. 333-88903), and incorporated herein by reference.

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- 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

(b) During the first quarter of 2005, the Company filed or furnished the following Current Reports on Form 8-K pertaining to the following items:

A Current Report on Form 8-K dated February 2, 2005, which included under Items 8.01 and 9.01, the press release announcing that it had completed the acquisition of the assets of Rütgers Rail, S.p.A. from Rütgers AG for \$36 million in cash.

A Current Report on Form 8-K dated February 22, 2005, which included under Items 2.02 and 9.01, the press release announcing Wabtec's fourth quarter and year ended 2004 earnings.

A Current Report on Form 8-K dated March 15, 2005, which included under Items 8.01 and 9.01, the press release announcing updated earnings guidance for fiscal year 2005.





**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description and Method of Filing</b>
3.1	Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995, filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866), and incorporated herein by reference
3.2	Restated By-Laws of the Company, effective November 19, 1999, filed as part of the Company's Registration Statement on Form S-4 (No. 333-88903), and incorporated by reference
31.1	Rule 13a-14(a) Certification of Chief Executive Officer, filed herewith
31.2	Rule 13a-14(a) Certification of Chief Financial Officer, filed herewith
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer, filed herewith

## CERTIFICATION

I, William E. Kassling, 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 officers 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: May 9, 2005

/s/ WILLIAM E. KASSLING

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Name: William E. Kassling  
Title: Chairman of the Board and Chief Executive Officer

## CERTIFICATION

I, Alvaro Garcia-Tunon, 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 officers 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: May 9, 2005

/s/ ALVARO GARCIA-TUNON

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Name: Alvaro Garcia-Tunon  
Title: Chief Financial Officer

