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

FORM 10-K
[ X ] Annual report pursuant to section 13 or 15(d) of the Securities Exchange
Act of 1934 For the fiscal year ended December 31, 2001

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

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

DELAWARE                                      25-1615902
(State or other jurisdiction of                         (IRS Employer
incorporation or organization)                      Identification No.)

1001 AIR BRAKE AVENUE                              (412) 825-1000
WILMERDING, PENNSYLVANIA 15148                (Registrant’s telephone number)
(Address of principal executive offices,
including zip code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

| TITLE OF |
| CLASS NAME |
| OF |
| EXCHANGE |
| ON WHICH |
| REGISTERED |

- COMMON
STOCK, PAR
VALUE $.01
PER SHARE
NEW YORK
STOCK
EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K _____.

As of March 27, 2002, 43,288,935 shares of Common Stock of the registrant were
issued and outstanding. The registrant estimates that as of this date, the
aggregate market value of the voting shares held by non-affiliates of the
registrant was approximately $488.4 million based on the closing price on the
New York Stock Exchange for such stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the registrant's Annual Meeting of
Stockholders to be held on May 22, 2002 are incorporated by reference into Part
III of this Form 10-K.
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PART I

ITEM 1. BUSINESS

GENERAL

Westinghouse Air Brake Technologies Corporation does business as Wabtec Corporation. All references to "we", "our", "us", the "Company" and "Wabtec" refer to Westinghouse Air Brake Technologies Corporation, a Delaware corporation, and its subsidiaries. The Company was formed from the November 1999 merger of Westinghouse Air Brake Company ("WABCO") and MotivePower Industries, Inc. ("MotivePower"). WABCO has its origin in a business founded by George Westinghouse in 1869. The 1999 merger was accounted for as a "pooling-of-interests." Accordingly, prior period consolidated financial statements have been restated giving effect to this transaction as if it had occurred as of the beginning of the earliest period presented. The discussions that follow are based on the combined companies for each year.

In November 2001, Wabtec sold certain assets to GE Transportation Systems (GETS) for $240 million in cash. The assets sold primarily included locomotive aftermarket products and services for which Wabtec is not the original equipment manufacturer. All of these assets had been part of MotivePower. The results for these businesses, along with other businesses that the Company has decided to exit, are classified as discontinued operations throughout this report. Prior period results were restated for the discontinued operations.

Wabtec is one of North America's largest providers of value-added, technology-based equipment and services for the rail industry. The Company's products can be found on virtually all U.S. locomotives, freight cars and passenger transit vehicles. The Company is based in Wilmerding, Pa., and has 4,436 full time employees at facilities throughout North America and around the world.

The Company believes that it maintains a market share of 50% or more in North America for its primary braking-related equipment, and significant market shares in North America for its other principal products. Wabtec also sells products in Europe, Africa, Australia, South America and Asia. The Company's products, which are intended to enhance safety, improve productivity and reduce maintenance costs for customers, include the following: air brakes, electronic controls and monitors, cooling equipment, switcher and commuter locomotives, couplers, door controls and draft gears. The Company aggressively pursues technological advances for both new product development and product enhancements.

Management and insiders of the Company own approximately 23% of Wabtec's outstanding shares, with the remaining shares held by investment companies and individuals. Executive management incentives are designed to align management interests with those of outside shareholders by focusing on cash flow generation and working capital reduction.

INDUSTRY OVERVIEW

The Company provides products and services primarily for the global freight rail and passenger transit industries, with about 50 percent of its sales to the aftermarket. About 85 percent of the Company's sales are in North America. The Company's customers are freight and passenger railroads, and manufacturers of transportation vehicles such as locomotives, freight cars, subway cars and buses. As such, the Company's operating results are strongly influenced by the level of activity, financial condition and capital spending plans of the global railroad industry. Rail traffic, in terms of both freight and passenger, is a key factor underlying the demand for the Company's products, particularly in the aftermarket. Government investment in public rail transportation also plays a significant role. Additionally, railroads continuously seek to increase the efficiency and productivity of their rail operations to improve profitability, which has resulted in the purchase of new, more-efficient equipment.

In 2001, U.S. freight railroads faced difficult market conditions due to the slowdown in the U.S. economy. Revenue ton-miles (a main indicator of rail activity; defined as weight times distance traveled by Class I railroads), increased only about 1 percent and car loadings decreased about 1 percent compared to 2000. The average capacity per car continues to increase, so that more weight can be carried in each car. In response to these difficult market conditions, railroads reduced purchases of new locomotives and freight cars, and continued low maintenance spending on their existing fleets. These actions reduced demand for the Company's products and services, particularly in its higher-margin businesses. The Company expects that railroads will return to a more typical pattern of maintenance spending when the level of activity in the industry begins to show consistent increases, as the U.S. economy strengthens.
Currently, the active locomotive fleet in the North American market numbers approximately 33,000 units, including heavy-haul freight locomotives, commuter locomotives and lower-horsepower, short-haul and terminal locomotives. The average number of new locomotives delivered in each of the past 10 years was about 1,000 annually, but railroads have exceeded this figure in recent years, as the introduction of new technologies has enabled the railroads to purchase more-efficient and more-powerful locomotives to increase productivity. Many of the Company's products help to provide this greater productivity. In 2001, deliveries of new, heavy-haul locomotives were 1,085, down from 1,397 in 2000. In 2002, the Company expects the industry to deliver about 700 new locomotives, as railroads reduce capital spending. The Company expects new locomotive purchases to rise slowly above this level during the next several years.

Currently, the active freight car fleet in North America numbers approximately 1.3 million. The average number of new freight cars delivered in each of the past 10 years was about 50,000 annually. In 2001, new freight car deliveries were 34,247, compared to 55,821 in 2000. The Company expects the industry to deliver about 20,000 new freight cars in 2002, well below the average delivery rate of the past 10 years and below what the Company believes is normal replacement demand of about 40,000 units. The Company believes that the delivery rate for the next several years will increase, as railroads and leasing companies recognize the benefit of new technology and specialty cars designed to increase efficiency and productivity.

The Company believes that its products and services offer railroads the ability to reduce costs and increase productivity to meet their efficiency goals. However, the Company operates in a highly competitive environment, and there can be no assurance that increased rail traffic, higher fleet utilization, or other economically favorable industry conditions will benefit the Company.

Demand for passenger transit original equipment and aftermarket products is driven by the replacement, building and/or expansion programs of transit authorities. These programs are funded in part by federal and state government programs, such as TEA-21 (Intermodal Surface Transportation and Efficiency Act), which is expected to provide up to $42 billion nationally, subject to appropriations for transit-related infrastructure through 2003. Increased funding by federal and state governments under TEA-21 has resulted in strong demand for new passenger transit vehicles. The average delivery rate for new transit vehicles in the past 10 years was about 500 units annually. In 2001, the industry delivered 1,072 new rail transit vehicles, compared to 679 in 2000. In 2002, the Company expects deliveries to be about 1,230 units. These high delivery rates primarily reflect increased orders placed by the Metropolitan Transportation Authority of New York City. The primary New York City contract will be completed by 2003, but a follow-on order is expected to be placed in 2002. As such, the Company expects the transit delivery rate to be in the range of 600-800 units for the next several years.

BUSINESS SEGMENTS AND PRODUCTS

Approximately 50% of net sales in 2001 were directly to Original Equipment Manufacturers (OEMs) of locomotives, railway freight cars and passenger transit vehicles. We believe that our substantial installed base of OEM products is a significant competitive advantage for providing products and services to the aftermarket because end-users often look to purchase safety and performance-related replacement parts from the OEM. The balance of the sales were derived from the sale of aftermarket replacement parts, repair services and overhaul work purchased by operators of rail vehicles such as railroads, transit authorities, utilities and leasing companies (collectively, "end users" or the "aftermarket").

We provide products and services through two principal business segments, the Freight Group and the Transit Group.

FREIGHT GROUP -- Includes components for new and existing freight cars and locomotives. Revenues are derived principally from OEM and aftermarket sales, including repairs and services. Revenues from these products, as a percentage of total net sales, were 63%, 66%, and 72% in 2001, 2000 and 1999, respectively. All of the assets sold to GETS were part of the Freight Group.

Specific product lines within the Freight Group are:

- FREIGHT CAR PRODUCTS AND SERVICES -- We manufacture, sell and service air brake equipment, draft gears, hand brakes and slack adjusters, and composite brake shoes, blocks and pads, for the OEM freight car market and for the aftermarket in the form of parts and repair services. Net sales per
typical freight car can vary considerably based upon the type and purpose of
the freight platform, with articulated or intermodal cars generally having the
highest Wabtec product content. The Company's traditional freight products
include the ABDX Freight Brake Valve, the Mark Series draft gears, hand brakes
and slack adjusters, and SAC-1(TM) Articulated Coupler.

- - LOCOMOTIVE PRODUCTS AND SERVICES -- We manufacture, sell and service air brake
equipment, cooling equipment, gearing, compressors, air dryers, slack
adjusters, brake cylinders, and monitoring and control equipment for the
locomotive OEM and aftermarket.

We also manufacture switcher and commuter locomotives and provide maintenance
support for these locomotives. The Locomotive product line also includes
manufacturing and distribution of replacement, new and remanufactured components
and parts for regional railroads. As a supplier of proprietary OEM components
for locomotives manufactured by the Electro-Motive Division of General Motors
Corporation ("EMD") and the GE Transportation Systems unit of General Electric
Company, Wabtec also provides these components in the aftermarket directly to
railroad customers.

Demand for aftermarket components is influenced by rail traffic activity and the
maintenance requirements of the railroads.

- - ELECTRONICS -- We manufacture, sell and service high-quality electronics for
the railroads in the form of on-board systems and braking for locomotives and
freight cars. We are an industry leader in insulating or "hardening"
electronic components to protect them from severe conditions, including
extreme temperatures and high/shock vibration environments. Our new product
development effort has focused on electronic technology for brakes and
controls, and over the past several years, we introduced a number of
significant new products including the EPIC(R) Electronic Brake,
Electronically Controlled Pneumatic (ECP) Freight brake, Positive Train
Control equipment that encompasses onboard digital data and global positioning
communication protocols, PowerLink(TM), compressor aftercoolers, Train
Trax(TM), TrainLink(TM), Train Sentry III(R), Fuellink(TM) and Armadillo(TM).

TRANSIT GROUP -- Includes products and services for passenger transit vehicles
(typically subway cars and buses). Revenues are derived primarily from OEM and
aftermarket component parts sales. Revenues from these products, as a percentage
of total net sales, were 37%, 34% and 28% in 2001, 2000 and 1999, respectively.

We manufacture, sell and service electronic brake equipment, pneumatic control
equipment, air compressors, tread brakes and disc brakes, couplers, collection
equipment, monitoring systems, wheels, climate control and door equipment and
other components for passenger transit vehicles. In 1997 we received contracts
valued at $150 million to provide equipment for 1,080 passenger transit cars for
the Metropolitan Transportation Authority/New York City Transit (the "MTA”).
Deliveries of equipment began in late 1999 and are expected to decrease in late
2002.

Substantially all of our principal passenger transit products are engineered to
customer specifications. Consequently, there is less standardization among these
products than with the Freight Group products. We believe the OEM market
presents an opportunity for improved growth during the next several years as
increased Federal funding becomes available.

For additional information on our business segments, see Note 19 of "Notes to
Consolidated Financial Statements" included in Part II, Item 8 of this report.

STRATEGY

The Company is committed to building shareholder value by executing the
following four-point plan:

Focus on increasing sales to manufacturers of original equipment -- The Company
currently serves as a Tier I supplier to OEMs in certain markets, but it desires
to increase business with these customers. To achieve this goal, the Company
plans to focus on integrating its electrical, pneumatic and mechanical
technologies across business units and packaging them as systems. In doing so,
the Company expects to strengthen its position against competitors that do not
have the breadth and depth of Wabtec’s product line.

Expand Globally -- We believe that international markets represent a significant
opportunity for future growth. Our net sales outside of the United States
comprised approximately 26%, 24% and 22% of total sales in 2001, 2000, and 1999,
respectively (see Note 19 of "Notes to Consolidated Financial Statements"
included in Part II, Item 8 of this report). We intend to increase our existing
international sales through acquisitions, direct sales of products through our
subsidiaries and licensees, and joint ventures with
railway suppliers having a strong presence in their local markets.

Accelerate New Product Development -- We will continue to emphasize research and development to create new and improved products to increase our market share and profitability. We are focusing on technological advances, especially in the areas of electronics, braking products and other on-board equipment, as a means of new product growth.

Implement Lean Principles to Improve Efficiency and Quality -- We intend to build on what we consider to be a leading position as a low-cost producer in the industry while maintaining world-class product quality, technology and customer responsiveness. Through the Wabtec Quality and Performance System ("QPS"), we are dedicated to "lean manufacturing" principles and continuous improvement across all phases of our business. Our QPS includes employee-directed initiatives through Kaizen, a Japanese-developed team concept used to continuously improve quality, lead time and productivity, and to reduce costs. These efforts enable us to streamline processes, improve product quality and customer satisfaction, reduce product cycle times and respond more rapidly to market developments.

BACKLOG
The backlog of customer orders as of December 31, 2001, and December 31, 2000, and the expected year of recognition is as follows. The 2000 backlog has been restated by reducing the amount for the discontinued operations.

<table>
<thead>
<tr>
<th></th>
<th>12/31/01</th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight</td>
<td>$284,754</td>
<td>$143,721</td>
<td>$141,033</td>
<td></td>
</tr>
<tr>
<td>Transit</td>
<td>228,278</td>
<td>152,808</td>
<td>75,470</td>
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<tr>
<td>Total</td>
<td>$513,032</td>
<td>$296,529</td>
<td>$216,503</td>
<td>$105,499</td>
</tr>
</tbody>
</table>

The Company's contracts are subject to standard industry cancellation provisions, including cancellations on short notice or upon completion of designated stages. Substantial scope-of-work adjustments are common. For these and other reasons, work in the Company's backlog may be delayed or cancelled and backlog should not be relied upon as an indicator of the Company's future performance. The railroad industry, in general, has historically been subject to fluctuations due to overall economic conditions and the level of use of alternate modes of transportation.

ENGINEERING AND DEVELOPMENT
Consistent with its strategy of using technology to develop new products, the Company is actively engaged in a variety of engineering and development activities. For the fiscal years ended December 31, 2001, 2000, and 1999, the Company incurred costs of approximately $33.2 million, $32.3 million and $34.4 million, respectively, on product development and improvement activities (exclusive of manufacturing support). Such expenditures represented approximately 4.2%, 4%, and 4.1% of net sales for the same periods, respectively. From time to time, the Company conducts specific research projects in conjunction with universities, customers and other railroad product suppliers.

The Company's engineering and development program is largely focused upon train control and new braking technologies, with an emphasis on the application of electronics to traditional pneumatic equipment. Electronic actuation of braking has long been a part of the Company's transit product line but interchangeability, connectivity and durability have presented problems to the industry in establishing electronics in freight railway applications. Efforts are proceeding in the enhancement of the major components for existing hard-wired braking equipment and development of new electronic technologies.

INTELLECTUAL PROPERTY
The Company has numerous U.S. patents, patent applications pending and trademarks as well as foreign patents and trademarks throughout the world. The Company also relies on a combination of trade secrets and other intellectual property laws, nondisclosure agreements and other protective measures to establish and protect its proprietary rights in its intellectual property.

Certain trademarks, among them the name WABCO(R), were acquired or licensed by the Company from American Standard Inc. in 1990 at the time of the Company's acquisition of the North
American operations of the Railway Products Group of American Standard (the "1990 Acquisition").

The Company is a party, as licensor and licensee, to a variety of license agreements. The Company does not believe that any single license agreement is of material importance to its business as a whole.

The Company and SAB WABCO Holdings B.V. ("SAB WABCO") entered into a license agreement (the "SAB License") on December 31, 1993, pursuant to which SAB WABCO granted the Company a license to the intellectual property and know-how related to the manufacturing and marketing of certain disc brakes, tread brakes and low noise and resilient wheel products. SAB WABCO is a Swedish corporation that was a former affiliate of the Company, both having been owned by the same parent in the early 1990s. The SAB license expires December 31, 2003, but may be renewed for additional one-year terms. The Company believes that the patents which are covered by this license will expire prior to or concurrently with the license expiration.

The Company has issued licenses to the two sole suppliers of railway air brakes and related products in Japan, NABCO and Mitsubishi Electric Company. The Company believes that each of these licensees has a Japanese market share of approximately 50%. Both licenses were renewed for additional five-year terms in 2000. NABCO has been a licensee for over 78 years. The licensees pay an annual license fee to the Company and also assist the Company by acting as liaisons with key Japanese passenger transit vehicle builders for projects in North America. The Company believes that its relationships with these licensees have been beneficial to the Company's core transit business and customer relationships in North America.

CUSTOMERS

A few customers within each business segment represent a significant portion of the Company's net sales. One customer represented 11% of consolidated sales in 2001. The loss of a few key customers within the Company's Freight and Transit Groups could have an adverse effect on the Company's financial condition, results of operations and liquidity.

COMPETITION

The Company operates in a competitive marketplace. Price competition is strong and the existence of cost-conscious purchasers of a limited number has historically limited Wabtec's ability to increase prices. In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery and customer service and support. The Company's principal competitors vary to some extent across its principal product lines. However, within North America, New York Air Brake Company, a subsidiary of the German air brake producer Knorr-Bremse AG (collectively, "NYAB/ Knorr"), is the Company's principal overall OEM competitor. The Company's competition for locomotive, freight and passenger transit service and repair business is primarily from the railroads' and passenger transit authorities' in-house operations, the in-house operations of EMD and GETS, and NYAB/ Knorr.

EMPLOYEES

At December 31, 2001, the Company had 4,426 full time employees, approximately 29% of whom are unionized. During 2001, the Company reduced employment by 13%, excluding asset sales. Almost all of the employees subject to collective bargaining agreements are within North America and these agreements are generally effective through 2002, 2003 and 2004.

The Company considers its relations with its employees and union representation to be good, but cannot assure that future contract negotiations will be favorable to the Company.

REGULATION

In the course of its operations, the Company is subject to various regulations, agencies and entities. In the United States, these include principally the Federal Railroad Administration ("FRA") and the Association of American Railroads ("AAR").

The FRA administers and enforces federal laws and regulations relating to railroad safety. These regulations govern equipment and safety standards for freight cars and other rail equipment used in interstate commerce.

The AAR promulgates a wide variety of rules and regulations governing safety and design of equipment, relationships among railroads with respect to railcars in interchange and other matters. The AAR also certifies railcar builders and component manufacturers that provide equipment for use on railroads in the United States. New products generally must undergo AAR testing and approval processes.
As a result of these regulations and regulations in other countries in which the Company derives its revenues, we must maintain certain certifications as a component manufacturer and for products we sell.

EFFECTS OF SEASONALITY

The Company's business is not typically seasonal, although the third quarter results may be impacted by vacation and plant shut-downs at several of its major customers during this period.

ENVIRONMENTAL MATTERS

Information with respect to environmental matters is included in Note 18 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.

We believe that all statements other than statements of historical fact included in this report, including certain statements here under "Business" may constitute forward looking statements. For a complete discussion of the risks associated with these forward-looking statements, see pg. 18 of this report.

ITEM 2. PROPERTIES

The following table provides certain summary information with respect to the principal facilities owned or leased by the company. The Company believes that its facilities and equipment are generally in good condition and that, together with scheduled capital improvements, they are adequate for its present and immediately projected needs. The Company's corporate headquarters are located at the Wilmerding, PA site.

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<tr>
<th>APPROXIMATE LOCATION</th>
<th>PRIMARY USE</th>
<th>PRIMARY SEGMENT</th>
<th>OWN/LEASE</th>
<th>SQUARE FEET</th>
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<td>Transit Group Lease</td>
<td>1,200</td>
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</table>
Approximate location
primary use primary
segment own/lease
square feet - -------

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- international
Doncaster, uk
manufacturing/service
freight group own
330,000 stoney
creek, ontario
manufacturing/service
freight group own
189,200 wallaceburg,
ontario foundry
freight group own
127,600 wetherill
park, australia
manufacturing
freight group lease
73,100 san luis
potosi, mexico
manufacturing
freight group own
48,600 calgary,
alberta
manufacturing
freight group own
38,000 Schweighouse,
France manufacturing
freight group lease
30,000 Burlington,
onario
manufacturing
freight group own
28,200 Tottenham,
australia
manufacturing
freight group lease
26,900 san luis
potosi, mexico
foundry freight
group own 24,500
Winnipeg, manitoba
Service center
freight group lease
20,000 calcutta,
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freight group lease
10,000 Sydney,
australia sales
Office freight group
lease 11,250 st-
Laurent, Quebec
Manufacturing
transit group own
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Italy manufacturing
transit group lease
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trembles, Quebec
manufacturing
transit group lease
20,000 Burton on
Trent, uk
manufacturing
transit group lease
10,000 Etobicoke,
ontario service
center transit group
lease 3,800 - -------

(1) Approximately 250,000 square feet are currently used in connection with the
Company's corporate and manufacturing operations. The remainder is leased to
third parties.
Leases on the above facilities are long-term and generally include options to
renew.
ITEM 3. LEGAL PROCEEDINGS

Information with respect to legal proceedings is included in Note 18 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information with respect to executive officers of the Company as of March 2002.

<table>
<thead>
<tr>
<th>NAME</th>
<th>AGE</th>
<th>OFFICE WITH THE COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>William E. Kassling</td>
<td>58</td>
<td>Director and Chairman of the Board</td>
</tr>
<tr>
<td>Gregory T. H. Davies</td>
<td>55</td>
<td>Director, President and Chief Executive Officer</td>
</tr>
<tr>
<td>Robert J. Brooks</td>
<td>57</td>
<td>Director, Executive Vice President and Chief Financial Officer, Secretary</td>
</tr>
<tr>
<td>John M. Meister</td>
<td>54</td>
<td>Executive Vice President, Transit</td>
</tr>
<tr>
<td>Alvaro Garcia-Tunon</td>
<td>49</td>
<td>Senior Vice President, Finance</td>
</tr>
<tr>
<td>Timothy J. Logan</td>
<td>49</td>
<td>Vice President, International</td>
</tr>
<tr>
<td>George A. Socher</td>
<td>53</td>
<td>Vice President, Internal Audit and Taxation</td>
</tr>
<tr>
<td>Timothy R. Wesley</td>
<td>40</td>
<td>Vice President, Investor Relations and Corporate Communications</td>
</tr>
<tr>
<td>Paul E. Golden</td>
<td>32</td>
<td>President, Freight Car Group</td>
</tr>
<tr>
<td>Scott E. Wahlstrom</td>
<td>38</td>
<td>President, Human Resources</td>
</tr>
</tbody>
</table>

WILLIAM E. KASSLING has been a director and Chairman of the Company since 1990, and served as Chief Executive Officer until February 2001. Mr. Kassling was also President of WABCO from 1990 through February 1998. From 1984 until 1990 he headed the Railway Products Group of American Standard Inc. Between 1980 and
1984 he headed American Standard's Building Specialties Group and between 1978
and 1980 he headed Business Planning for American Standard. Mr. Kassling is a
director of Aearo Corporation, Scientific Atlanta, Inc. and Parker Hannifin.

GREGORY T. H. DAVIES joined the Company in March 1998 as President and Chief
Operating Officer, in February 1999 became a director and in February 2001
became Chief Executive Officer. Prior to March 1998, Mr. Davies had been with
Danaher Corporation since 1988, where he was Vice President and Group Executive
responsible for its Jacobs Vehicle Systems, Delta Consolidated Industries and
A.L. Hyde Corporation operating units. Prior to that, he held executive
positions at Cummins Engine Company and Ford Motor Company.

ROBERT J. BROOKS has been a director, Executive Vice President and Chief
Financial Officer, Secretary of the Company since 1990. From 1986 until 1990 he
served as worldwide Vice President, Finance for the Railway Products Group of
American Standard. Mr. Brooks is a director of Crucible Materials Corp.

JOHN M. MEISTER has been Vice President and General Manager of the Company's
Passenger Unit since 1990. In 1997, he was appointed to the newly created
position of Executive Vice President, Transit Group. From 1985 until 1990 he was
General Manager of the passenger transit business unit for the Railway Products
Group of American Standard.

ALVARO GARCIA-TUNON has been Senior Vice President, Finance of the Company since
November 1999. Mr. Garcia-Tunon was Vice President and Treasurer of the Company
from August 1995 until November 1999. From 1990 until August 1995, Mr. Garcia-
Tunon was Vice President of Business Development of Pulse Electronics, Inc.

TIMOTHY J. LOGAN has been Vice President, International since August 1996. From
1987 until August 1996, Mr. Logan was Vice President, International Operations
for Ajax Magnethermic Corporation and from 1983 until 1987 he was President of
Ajax Magnethermic Canada, Ltd.

GEORGE A. SOCHER has been Vice President, Internal Audit and Taxation of the
Socher was Vice President and Corporate Controller of the Company.

TIMOTHY R. WESLEY has been Vice President, Investor Relations and Corporate
Communications since November 1999. Previously, Mr. Wesley was Vice President,
Investor and Public Relations of MotivePower Industries, Inc. from August 1996
until November 1999. From February 1995 until August 1996, he served as
Director, Investor and Public Relations of MotivePower Industries, Inc. From
1993 until Febru-

9
ary 1995, Mr. Wesley served as Director, Investor and Public Relations of Michael Baker Corporation.

PAUL E. GOLDEN has been President of the Company's Freight Car Group since February of 2001. Prior to that, he was President of the Company's Cardwell Westinghouse business unit from November 1999 until February of 2001. Previously, Mr. Golden served as Vice President and General Manager of the Cardwell Westinghouse business unit and as Director of WABCO Performance Systems from June 1998 until November 1999. Prior to 1998, Mr. Golden held management and operations positions with Danaher Corporation and Federal Mogul Corporation.

SCOTT E. WAHLSTROM has been Vice President, Human Resources since November 1999. Previously, Mr. Wahlstrom was Vice President, Human Resources & Administration from August 1996 until November 1999. From September of 1994 until August of 1996, Mr. Wahlstrom served as Director of Human Resources for MotivePower Industries.

The executive officers are affirmed annually by the Board of Directors of the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company is listed on the New York Stock Exchange. As of March 27, 2002, there were 43,288,935 shares of Common Stock outstanding held by 1,115 holders of record. The high and low sales price of the shares and dividends declared per share were as follows:

<table>
<thead>
<tr>
<th>QUARTER</th>
<th>HIGH</th>
<th>LOW</th>
<th>DIVIDEND</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth</td>
<td>$13.25</td>
<td>$10.80</td>
<td>$.01</td>
</tr>
<tr>
<td>Third</td>
<td>$15.24</td>
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</tr>
<tr>
<td>Second</td>
<td>$15.00</td>
<td>$12.50</td>
<td>$.01</td>
</tr>
<tr>
<td>First</td>
<td>$14.50</td>
<td>$10.75</td>
<td>$.01</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
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<tr>
<td>Fourth</td>
<td>$12.75</td>
<td>$ 8.31</td>
<td>$ .01</td>
</tr>
<tr>
<td>Third</td>
<td>$11.00</td>
<td>$ 9.57</td>
<td>$ .01</td>
</tr>
<tr>
<td>Second</td>
<td>$12.57</td>
<td>$ 9.50</td>
<td>$ .01</td>
</tr>
<tr>
<td>First</td>
<td>$17.19</td>
<td>$ 8.50</td>
<td>$ .01</td>
</tr>
</tbody>
</table>

The Company's credit agreement restricts the ability to make dividend payments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and see Note 9 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.
At the close of business on March 27, 2002, the Company's Common Stock traded at $14.94 per share.
ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected consolidated financial information of the Company and has been derived from restated audited financial statements. This financial information should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company and the Notes thereto included elsewhere in this Form 10-K.

(1) YEAR ENDED DECEMBER 31  
--- --- --- --- --- 
--- --- --- --- --- 
--- --- --- --- --- 
--- --- --- --- --- 

INCOME STATEMENT DATA Net sales ........................... $ 783,698 $ 811,178 $ 844,079 $ 796,672 $ 649,019 Gross profit .............................. 249,166 235,662 274,910 Operating expenses (3) .......................... (152,145) (139,669) (144,255) Income from continuing operations before extraordinary item .......................... 9,921 10,223 13,439 Income from discontinued operations (net of tax) .......................... 6,360 6,193 13,439 Merger and restructuring charge .......................... (1,181) (6,360) (11,223) Income before extraordinary item .......................... 73,859 81,516 57,539 Net income (5) .......................... $ 57,539 $ 54,058 $ 41,458  

BALANCE SHEET DATA Total assets .......................... $ 729,952 $ 984,047 $ 990,676 Total liabilities and shareholders' equity .......................... $ 245,271 $ 196,378 $ 181,878 

--- --- --- --- --- 

(1) Income statement results have been restated for the 2001 sale of the locomotive aftermarket business and related assets to GE and for other businesses Wabtec is exiting. These businesses are classified as discontinued operations. Balance sheet items have not been adjusted for discontinued operations.

(2) In 2000, includes charges for merger and restructuring plan of $2 million and legal settlement of $2 million. In 1999, includes charges for merger and restructuring plan of $5.2 million.

(3) In 2001, includes charges for write downs of $9.3 million consisting primarily of an asset impairment related to the locomotive lease fleet of $5.2 million, a writeoff of $1.8 million of an investment in Argentina and a $1.5 million writedown of a facility to its estimated realizable value, and severance costs of $1.7 million.

(4) In 2001, includes gain on asset sales of $685,000. In 2000, includes gain on asset sale of $4.4 million. In 1998, includes gain on asset sale of $8.4 million.

(5) Includes the items noted above, as well as the following: In 2001, a $2 million tax benefit for research and development tax credits. In 2000, a write-off of $5.1 million for a deferred tax asset relating to the termination of the Employee Stock Ownership Plan (ESOP). In 1999, a charge of $1.3 million for an extraordinary item related to an early extinguishment of debt. Excluding all of these items, earnings per diluted share from
continuing operations were $0.49 in 2001 and $0.82 in 2000.
ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

In November 2001, Wabtec sold certain assets to GE Transportation Systems for $240 million in cash. The assets sold primarily included locomotive aftermarket products and services for which Wabtec is not the original equipment manufacturer. The results for these businesses, along with several other small non-core businesses that the Company has decided to exit, are classified as discontinued operations throughout this report. Prior period results were restated for the discontinued operations format.

Net sales of ongoing operations decreased by 3.4% from $811.2 million in 2000 to $783.7 million in 2001. The major causes for the change and their effect on the Company’s 2001 results of operations and financial condition include decreases in component sales due to the continuation of the weak freight market, and a downturn in the locomotive overhaul market, offsetting improved sales in the transit business due to increased governmental spending for transit equipment.

Net income for 2001 was $61.8 million, or $1.43 per diluted share, as compared to $25.4 million, or $0.59 per diluted share in 2000. The results for 2001 include $47.8 million of income from discontinued operations (including a $41.5 million gain, net of tax, on the sale and writedown of certain businesses classified as discontinued operations), a $9.3 million charge for asset writedowns, a $3.7 million restructuring-related charge, a $685,000 gain on the disposition of excess facilities, a $2 million research and development tax credit and a $2 million legal settlement. Excluding these non-recurring and non-operating items, earnings from continuing operations per diluted share would have been $0.49 and $0.82 in 2001 and 2000, respectively.

MERGER AND RESTRUCTURING PLAN

In 2001, the Company completed a merger and restructuring plan with charges totaling $1 million pre-tax, with approximately $49 million of the charge expensed in 1999, $20 million in 2000 and $2 million in 2001. The plan involved the elimination of duplicate facilities and excess capacity, operational realignment and related workforce reductions, and the evaluation of certain assets as to their perceived ongoing benefit to the Company.

As of December 31, 2001, $3.2 million of the merger and restructuring charge still remained as accrued on the balance sheet. The accrual on the balance sheet is discussed in greater detail in Note 22 of “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this report.

The Company began and completed a new restructuring plan for the Transit rail business in 2001. The Company estimates synergies from the plan will yield approximately $3 million of pre-tax cost savings in 2002 and beyond, with such benefits realized through reduced cost of sales and reduced selling, general and administrative expenses. The restructuring plan involved operational realignment and related workforce reductions. The charges to complete the restructuring plan totaled $2 million pre-tax.

The $2 million charge included costs associated with relocating several production operations from Chicago to Montreal, including severance costs for approximately 103 employees.
RESULTS OF OPERATIONS

The following table sets forth Wabtec's Consolidated Statements of Operations for the years indicated. To enhance comparability with results of prior periods, the 2001 adjusted column represents the reported income statement excluding restructuring-related charges, asset writedowns, severance costs related to a 10 percent salary workforce reduction, research and development tax credits and the gain on the sale of excess facilities. The 2000 adjusted column represents the reported income statement excluding restructuring-related charges, a legal settlement charge, the write-off of a deferred tax asset and gain on the sale of a product line. The 1999 adjusted column represent the reported income statement excluding the effects of merger and restructuring related charges.

<table>
<thead>
<tr>
<th>YEAR ENDED DECEMBER 31,</th>
<th>---</th>
<th>ADJUSTED REPORTED</th>
<th>---</th>
<th>ADJUSTED REPORTED</th>
<th>---</th>
<th>ADJUSTED REPORTED IN MILLIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$ 783.7</td>
<td>$ 783.7</td>
<td>$ 811.2</td>
<td>$ 811.2</td>
<td>$ 844.1</td>
<td>$ 844.1</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(573.8)</td>
<td>(573.8)</td>
<td>(571.5)</td>
<td>(575.5)</td>
<td>(564.0)</td>
<td>(569.2)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>209.9</td>
<td>209.9</td>
<td>239.7</td>
<td>235.7</td>
<td>280.1</td>
<td>274.9</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(95.0)</td>
<td>(96.7)</td>
<td>(94.8)</td>
<td>(94.8)</td>
<td>(96.1)</td>
<td>(96.1)</td>
</tr>
<tr>
<td>Engineering expenses</td>
<td>(33.2)</td>
<td>(33.2)</td>
<td>(32.3)</td>
<td>(32.3)</td>
<td>(34.4)</td>
<td>(34.4)</td>
</tr>
<tr>
<td>Asset writedowns</td>
<td>(9.3)</td>
<td>(9.3)</td>
<td>(9.3)</td>
<td>(9.3)</td>
<td>(9.3)</td>
<td>(9.3)</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>(13.0)</td>
<td>(13.0)</td>
<td>(12.6)</td>
<td>(12.6)</td>
<td>(13.8)</td>
<td>(13.8)</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(141.2)</td>
<td>(141.2)</td>
<td>(155.9)</td>
<td>(155.9)</td>
<td>(155.9)</td>
<td>(155.9)</td>
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<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
<td>2014</td>
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<td>---------------------------</td>
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<td>----------</td>
<td>----------</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Income from operations</td>
<td>68.7</td>
<td>100.0</td>
<td>135.8</td>
<td>135.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(33.5)</td>
<td>(43.7)</td>
<td>(42.0)</td>
<td>(42.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (expense) income,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net</td>
<td>(2.8)</td>
<td>(2.1)</td>
<td>(.7)</td>
<td>.4</td>
<td></td>
<td></td>
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<tr>
<td></td>
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<td></td>
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</tr>
<tr>
<td>--- Income from</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>continuing operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>before income taxes and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>extraordinary item</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>item</td>
<td>32.4</td>
<td>55.6</td>
<td>94.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(11.3)</td>
<td>(4.4)</td>
<td>(18.7)</td>
<td>(21.7)</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td>--- Income from</td>
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<td></td>
</tr>
<tr>
<td>continuing operations</td>
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<td></td>
<td></td>
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<tr>
<td>before extraordinary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>item</td>
<td>21.1</td>
<td>35.6</td>
<td>60.8</td>
<td>24.5</td>
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</tr>
<tr>
<td>Discontinued operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from discontinued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations (net of tax)</td>
<td>6.4</td>
<td>6.4</td>
<td>6.2</td>
<td>6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>discontinued operations</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(net of tax)</td>
<td>41.4</td>
<td>41.4</td>
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<td></td>
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<td></td>
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<tr>
<td>Income before</td>
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</tr>
<tr>
<td>extraordinary item</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>item</td>
<td>68.9</td>
<td>61.8</td>
<td>41.8</td>
<td>25.4</td>
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<tr>
<td>Extraordinary loss on</td>
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<td>extinguishment of debt, net of tax</td>
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<td>(1.3)</td>
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<td></td>
</tr>
<tr>
<td>--- Net income</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>income $ 68.9</td>
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<td></td>
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<tr>
<td>$ 61.8 $ 41.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>$ 25.4 $ 73.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 36.6</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
### FOR THE YEAR ENDED DECEMBER 31, 2001

<table>
<thead>
<tr>
<th>IN THOUSANDS</th>
<th>2001</th>
<th>2000</th>
<th>Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight Group</td>
<td>$490,261</td>
<td>$532,889</td>
<td>$783,698</td>
</tr>
<tr>
<td>Transit Group</td>
<td>293,437</td>
<td>278,289</td>
<td></td>
</tr>
</tbody>
</table>

Net sales decreased $27.5 million or 3.4% to $783.7 million in 2001 from $811.2 million in 2000. This overall decrease was primarily attributable to decreased North American OEM freight car and locomotive component sales volumes and lower locomotive overhauls, all within the Freight Group. Sales volumes within the Freight Group reflected a softening OEM market for freight cars, with 34,247 freight cars delivered in 2001 compared to 55,821 in 2000. Partially offsetting these decreases were increases in Transit Group sales, due to increased shipments.
under the MTA contract. The Company estimates the OEM freight car and locomotive industries will deliver 20,000 freight cars and 700 locomotives, respectively, in 2002.

Gross profit decreased to $209.9 million in 2001 compared to $235.7 million in the same period of 2000. Gross margin, as a percentage of sales, was 26.8% compared to 29.1% in 2000. Gross margin is dependent on a number of factors including pricing, sales volume and product mix. The decrease in gross profit and margin is largely attributed to the effect of a decrease in sales volumes (approximately $11 million in gross profit). The balance is principally a result of changes to the sales mix primarily from a drop in the Freight Group of 8% offset by an increase in the Transit Group of 5% and overall pricing pressures in many product lines.

Total operating expenses as a percentage of net sales were 19.9% in 2001 and 19.5% in the same period a year ago. After excluding $9.3 million for asset writedowns, $3.7 million for merger and restructuring charges and $1.7 million for severance costs in 2001 and $18.2 million for 2000 merger and restructuring charges, operating expenses would have been 18% and 17.2% of net sales, respectively. Without the merger and restructuring charges in both periods and the asset writedowns and severance costs in 2001, operating expenses would have increased $1.5 million in 2001 as compared to 2000.

Income from operations totaled $54.1 million in 2001 compared with $77.8 million in 2000 with operating margins of 6.9% and 9.0% respectively. After excluding the merger and restructuring-related charges in both periods and the asset writedowns and severance costs in 2001 and a $2 million legal settlement in 2000, operating income would have been $68.7 million and $100 million in 2001 and 2000, respectively, and 2001 operating margins as a percentage of sales would have decreased to 8.8% from 12.3% in 2000. Lower adjusted operating income resulted from decreased sales volumes in the Freight Group and changes in product mix (see Note 19 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report).

Interest expense decreased 23.2% to $33.5 million in 2001 from $43.6 million in 2000. Debt, net of cash and equivalents, was $187.9 million at December 31, 2001 versus $534.1 million at the end of 2000. The decrease in interest expense is primarily due to the lower debt amount as a result of working capital management and the sale proceeds from GETS received in November 2001. The Company expects interest expense in 2002 to be about $22 million.

In 2001, the Company recorded foreign exchange losses of $1.7 million. In February 2000, the Company disposed of its transit electrification product line for $5.5 million in cash and recognized a gain of $4.4 million. These items were reported as other income (expense), net.

The effective income tax rate for 2001 was 24.2% as compared to 49.4% in 2000. The Company expects the ongoing rate to be approximately 35-36%. The 2001 rate includes the effect of research and development tax credits ($2 million). Excluding this tax credit, the rate would have been 35%. The 2000 rate includes the effect of the one-time, non-cash write-off of the deferred tax asset ($5.1 million) relating to the termination of the ESOP. Excluding this effect, the rate would be 36%.

2000 COMPARED TO 1999

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

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight</td>
<td>$532,889</td>
<td>$565,877</td>
</tr>
<tr>
<td>Transit</td>
<td>$278,289</td>
<td>$384,079</td>
</tr>
<tr>
<td>Net sales</td>
<td>$811,178</td>
<td>$949,956</td>
</tr>
</tbody>
</table>

2000 COMPARED TO 1999

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

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight</td>
<td>$532,889</td>
<td>$565,877</td>
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<tr>
<td>Transit</td>
<td>$278,289</td>
<td>$384,079</td>
</tr>
<tr>
<td>Net sales</td>
<td>$811,178</td>
<td>$949,956</td>
</tr>
</tbody>
</table>
Net sales decreased $32.9 million or 3.9% to $811.2 million in 2000 from $844.1 million in 1999. This overall decrease was primarily attributable to decreased North American OEM freight car and locomotive component sales volumes and lower locomotive overhauls, all within the Freight Group. Sales volumes within the Freight Group reflected a softening OEM market for freight cars, with 55,821 freight cars delivered in 2000 compared to 74,223 in 1999. Partially offsetting these decreases were increases in Transit Group sales, due to increased shipments under the MTA contract.

Gross profit decreased to $235.7 million in 2000 compared to $274.9 million in the same period of 1999. Gross margin, as a percentage of sales, was 29.1% compared to 32.6% in 1999. Gross margin is dependent on a number of factors including pricing, sales volume and product mix. The decrease in gross profit and margin is largely attributed to the effect of a decrease in sales volumes (approximately $13 million in gross profit). The balance is principally a
result of changes to the sales mix primarily from increased OEM component sales of Transit Group products at lower margins than the Company's overall historical results, pricing pressures, and manufacturing inefficiencies primarily related to merger integration efforts.

Total operating expenses as a percentage of net sales were 19.5% in 2000 and 22.2% in the same period a year ago. After excluding the merger and restructuring charges of $18.2 million in 2000 and $42.9 million in 1999, operating expenses would have been 17.2% and 17.1% of net sales, respectively. Without the merger and restructuring charges in both periods, operating expenses would have decreased $4.6 million in 2000 as compared to 1999. This reduction was primarily the result of continuing cost reduction programs.

Income from operations totaled $77.8 million in 2000 compared with $87.8 million in 1999 with operating margins of 9.6% and 10.4% respectively. After excluding the merger and restructuring related charges in both periods and a $2 million legal settlement in 2000, operating income would have been $500 million and $358.8 million in 2000 and 1999, respectively, and 2000 operating margins as a percentage of sales would have decreased to 12.3% from 16.1% in 1999. Lower adjusted operating income resulted from decreased sales volumes in the Freight Group and changes in product mix (see Note 19 of “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this report).

Interest expense increased 4% to $43.6 million in 2000 from $42 million in 1999. Debt, net of cash and equivalents, was $534.1 million at December 31, 2000 versus $561.5 million at the end of 1999. The increase in interest expense, even though the net debt balance decreased in the fourth quarter of 2000, is primarily due to higher interest rates.

In February 2000, the Company disposed its transit electrification product line for $5.5 million in cash and recognized a gain of $4.4 million, which is reported as other income.

The effective income tax rate for 2000 was 49.4% as compared to 46.9% in 1999. Excluding the effect of a one-time, non-cash write-off of the deferred tax asset ($5.1 million) relating to the termination of the ESOP, the rate would be 36%. In 1999, after excluding the assumed tax benefit component of the merger and restructuring charge, the effective tax rate would be 35.6%.

In 1999, a $469,000 extraordinary loss, net of tax, was incurred on the extinguishment of certain term debt as well as an $850,000 extraordinary loss, net of tax, for the write-off of deferred financing fees on the refinancing of the Company's principal credit facility in November 1999 in connection with the merger.

LIQUIDITY AND CAPITAL RESOURCES

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

YEAR ENDED DECEMBER 31,

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (used) by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>$119,097</td>
<td>$60,214</td>
<td>$77,389</td>
</tr>
<tr>
<td>Investing</td>
<td>$227,413</td>
<td>$(21,485)</td>
<td>$(66,371)</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt paydown</td>
<td>$(298,280)</td>
<td>$(28,390)</td>
<td>$(80,028)</td>
</tr>
<tr>
<td>Other</td>
<td>$1,093</td>
<td>$(9,619)</td>
<td>$68,295</td>
</tr>
<tr>
<td>Earnings before</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>interest, taxes,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>depreciation and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>amortization (EBITDA)</td>
<td>87,119</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Adjusted EBITDA (before restructuring -- related charges)
101,784  
132,422
169,156  --

Operating cash flow in 2001 was $119.1 million as compared to $60.2 million in the same period a year ago. Working capital decreased significantly during 2001 primarily due to a decrease in accounts receivable and inventory. During 2001 and 2000, cash outlays for merger and restructuring activities were approximately $6.8 million and $29 million, respectively, and are reported as a reduction to cash provided by operating activities. Excluding these cash outlays, cash provided by operating activities would have been approximately $125.9 and $89.2 million, respectively. This increase in operating cash flow in 2001 was primarily the result of improved working capital management.

Cash provided by investing activities increased in 2001 to $227.4 million versus cash used by investing activities of $21.5 million a year ago. The 2001 amount is primarily from the sale of businesses to GE for $240 million. In 2001, 2000 and 1999, the Com-
pany used $3.7 million, $650,000 and $14.5 million, respectively, for certain business acquisitions. Capital expenditures for continuing operations were $20.7 million, $23.2 million and $24.1 million in 2001, 2000 and 1999, respectively. The majority of capital expenditures for these periods relates to upgrades to existing equipment, replacement of existing equipment and purchases of new equipment due to expansion of Wabtec’s operations, where the Company believes overall cost savings can be achieved through increasing efficiencies. The Company expects 2002 capital expenditures for equipment purchased for similar purposes to approximate $21.5 million.

Cash used for financing activities was $297.2 million in 2001 versus $38 million in 2000. During 2001, the Company reduced long-term debt by $298.3 million. During 2000, the Company reduced long-term debt by $28.4 million. The Company issued $75 million of senior notes in the first quarter of 1999 to repay amounts outstanding on certain unsecured bank term debt and repaid a portion of the Company’s previous revolving credit facility. Historically, the Company has financed the purchase of significant businesses utilizing cash flow generated from operations and amounts available under its credit facilities. In addition, the issuance of the 1999 Notes increased the Company’s liquidity by reducing its outstanding revolving credit borrowings and thereby increasing its available borrowing capacity.

The following table sets forth the Company’s outstanding indebtedness at December 31, 2001 and 2000. The revolving credit note and other term loan interest rates are variable and dependent on market conditions.

<table>
<thead>
<tr>
<th>YEAR ENDED</th>
<th>DECEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Revolving credit agreement</td>
<td>$ 60,000</td>
</tr>
<tr>
<td></td>
<td>9.375%</td>
</tr>
<tr>
<td>Senior notes due 2005</td>
<td>175,000</td>
</tr>
<tr>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Industrial revenue bond due 2008</td>
<td>5,556</td>
</tr>
<tr>
<td>Other</td>
<td>1,314</td>
</tr>
<tr>
<td>Total</td>
<td>241,870</td>
</tr>
<tr>
<td>Less -- current portion</td>
<td>782 751</td>
</tr>
<tr>
<td>Total</td>
<td>241,088</td>
</tr>
</tbody>
</table>

Credit Agreement

In November 1999, in connection with the merger, WABCO terminated its then existing secured credit agreement and refinanced the then existing unsecured MotivePower credit agreement with a consortium of commercial banks. This unsecured credit agreement currently provides a $275 million five-year revolving credit facility expiring in 2004 and a 364-day $100 million convertible revolving credit facility maturing in November 2004, with annual renewals each November. In November 2000, the Company and the banks negotiated a reduction in the 364-day facility from $275 million to $213 million, primarily due to having credit availability in excess of current and forecasted needs in an effort to reduce commitment costs and other related fees. In November 2001, the Company negotiated a further reduction in the 364-day facility from $213 million to $100 million as a result of the $200 million, net of tax, cash proceeds from the sale of locomotive businesses to GE. At December 31, 2001, the Company had available
bank borrowing capacity, net of letters of credit, of approximately $288 million.

Under the credit agreement, the Company may elect a base rate, an interest rate based on the London Interbank Offered Rates of Interest ("LIBOR"), a cost of funds rate and a bid rate. The base rate is the greater of ABN AMRO Bank N.V.'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 87.5 to 200 basis points depending on the Company's consolidated total indebtedness to cash flow ratios. The cost of funds rate is a fluctuating interest rate based on ABN AMRO Bank N.V.'s then cost of funds. Under the bid rate option, any participating bank may propose the interest rate at which it will lend funds, which rate may either be a fixed rate or a floating rate based on LIBOR.

The 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 credit agreement contains various other covenants and restrictions including, without limitation, the following: a limitation on the incurrence of additional indebtedness; a limitation on mergers, consolidations and sales of assets and acquisitions; a limitation on liens; a limitation on sale and leasebacks; a limitation on investments, loans and advances; a limitation on certain debt payments; a limitation on capital expenditures; a minimum interest expense coverage ratio; and a maximum debt to cash flow ratio.

The credit agreement contains customary events of default, including payment defaults, failure of representations or warranties to be true in any material
Credit agreement borrowings bear variable interest rates indexed to common indexes such as LIBOR. The maximum credit agreement borrowings, average credit agreement borrowings and weighted-average contractual interest rate on credit agreement borrowings was $358 million, $272.7 million and 6.30%, respectively for 2001. To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company entered into interest rate swaps which effectively convert a portion of the debt from variable to fixed-rate borrowings during the term of the swap contracts. On December 31, 2001, the notional value of interest rate swaps outstanding totaled $60 million and effectively changed the Company's interest rate from a variable rate to a fixed rate of 8.70%. The interest rate swap agreements mature in 2003. The Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions and the Company does not anticipate nonperformance.

9 3/8% Senior Notes Due June 2005

In June 1995, the Company issued $100 million of 9.375% Senior Notes due in 2005 (the "1995 Notes"). In January 1999, the Company issued an additional $75 million of 9.375% Senior Notes which are due in 2005 (the "1999 Notes"); the 1995 Notes and the 1999 Notes are collectively, the "Notes"). The 1999 Notes were issued at a premium resulting in an effective rate of 8.5%. The terms of the 1995 Notes and the 1999 Notes are substantially the same, and the 1995 Notes and the 1999 Notes were issued pursuant to indentures that are substantially the same. The issuance of the 1999 Notes improved the Company's financial liquidity by i) using a portion of the proceeds to repay a short-term, $30 million loan associated with the Rockwell acquisition that bore interest at 9.56%; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility; and iii) repaying the remaining unpaid principal of a $10.2 million loan from a prior acquisition.

The Notes are senior unsecured obligations of the Company and rank pari passu in right of payment with all existing and future indebtedness under (i) capitalized lease obligations, (ii) the Credit Agreement, (iii) indebtedness of the Company for money borrowed and (iv) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company is responsible or liable unless, in the case of clause (iii) or (iv), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are subordinate in right of payment to the Notes.

The Notes are callable at par in June 2002. The Company will evaluate whether the Notes, or portions thereof, should be called at that time and replaced with borrowings under the credit agreement.

Industrial Revenue Bond

In July 1998, a subsidiary of the Company entered into a 10-year $7.5 million debt obligation that bears an interest rate of 5.5% and is payable in monthly principal and interest installments. The proceeds of the bond provided financing for the purchase of a building used in the Company's operations.

Principal repayments of outstanding loan balances are due at various intervals until maturity. See Note 9 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.

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 meeting the debt service requirements. If the Company's sources of funds were to fail to satisfy the Company's cash requirements, the Company may need to refinance its existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place.

EFFECTS OF INFLATION

General price inflation has not had a material impact on the Company's results of operations. Some of the Company's labor contracts contain negotiated salary and benefit increases and others contain cost of living adjustment clauses, which would cause the Company's cost to automatically increase if inflation were to become significant.
CONVERSION TO THE EURO CURRENCY

On January 1, 1999, certain members of the European Union established fixed conversion rates between their existing currencies and the European Union’s common currency (the “Euro”). The Company conducts business in member countries. The transition period for the introduction of the Euro is from January 1, 1999 through June 30, 2002. The transition to the Euro has not had a material impact on its operations or financial results.

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 services in the freight and passenger rail industry;
-- consolidations in the rail industry;
-- demand for our products and services;
-- continued outsourcing by our customers;
-- demand for freight cars, locomotives, passenger transit cars and buses;
-- industry demand for faster and more efficient braking equipment;
-- fluctuations in interest rates;

Operating Factors
-- supply disruptions;
-- technical difficulties;
-- changes in operating conditions and costs;
-- successful introduction of new products;
-- labor relations;
-- completion and integration of additional acquisitions;
-- the development and use of new technology;

Competitive Factors
-- the actions of competitors;

Political/Governmental Factors
-- political stability in relevant areas of the world;
-- future regulation/deregulation of our customers and/or the rail industry;
-- governmental funding for some of our customers;
-- political developments and laws and regulations, such as forced divestiture of assets, restrictions on production, imports or exports, price controls, tax increases and retroactive tax claims, expropriation of property, cancellation of contract rights, and environmental regulations; and

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

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. 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. After considering the effects of interest rate swaps, further described below, the Company’s variable rate debt represents 1% of total
long-term debt at December 31, 2001 and 51% in 2000. The variable portion is so low because management has entered into pay-fixed, receive-variable interest rate swap contracts that partially mitigate the impact of variable-rate debt interest rate increases (see Note 9 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report). At December 31, 2001, an instantaneous 100 basis point increase in interest rates would have minimal impact on the Company's annual earnings, assuming no additional intervention strategies by management.
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, 2001. In the application, the Company has concluded that its 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 on the balance sheet while creating some volatility in future earnings, due to market sensitivity and ineffectiveness in offsetting changes in interest rates of Wabtec's variable rate borrowings (see Note 20 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report). This fluctuation is not expected to have a material effect on the Company's financial condition, results of operations and liquidity.

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 December 31, 2001, the Company had no such instruments outstanding.

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 year ended December 31, 2001, approximately 74% of Wabtec's net sales are in the United States, 9% in Canada, 1% in Mexico, and 16% in other international locations, primarily Europe. (See Note 19 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report). At December 31, 2001, the Company does not believe changes in foreign currency exchange rates represent a material risk to results of operations, financial position, or liquidity.

Wabtec's market risk exposure is not substantially different from its exposure at December 31, 2000.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under its provisions, all goodwill and other intangible assets with indefinite lives will no longer be routinely amortized under a straight-line basis of estimated useful life. Instead, they will be subject to assessments for impairment by applying a fair-value-based test. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and upon adoption, the Company will cease to record approximately $8 million of goodwill amortization. The Company has not completed the process of evaluating whether any impairment will result from adopting it.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under its provisions, all tangible long-lived assets, whether to be held and used or to be disposed of by sale or other means, will be tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company early adopted SFAS 144 in the third quarter of 2001 (see Note 3 of "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data are set forth in Item 14, of Part IV hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10 THROUGH 13.

In accordance with the provisions of General Instruction G to Form 10-K, the information required by Item 10 (Directors and Executive Officers of the Registrant), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management) and Item 13 (Certain Relationships and Related Transactions) is incorporated herein by reference to the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 22, 2002. The definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2001. Information relating to the executive officers of the Company is set forth in Part I.
PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The financial statements, financial statement schedules and exhibits listed below are filed as part of this annual report:

PAGE ----
(a) (1)
FINANCIAL
STATEMENTS
Report of
Independent
Public
Accountants
25
Consolidated
Balance
Sheets as of
December 31,
2001 and
2000 26
Consolidated
Statements
of
Operations
for the
three years
ended
December 31,
2001, 2000
and 1999 27
Consolidated
Statements
of Cash
Flows for
the three
years ended
December 31,
2001, 2000
and 1999 28
Consolidated
Statements
of
Shareholders'
Equity for
the three
years ended
December 31,
2001, 2000
and 1999 29
Notes to
Consolidated
Financial
Statements
30 (2)
FINANCIAL
STATEMENT
SCHEDULES
Report of
Independent
Public
Accountants
51 Schedule
II --
Valuation
and
Qualifying
Accounts 52
(b) REPORTS
ON FORM 8-K
The Company
filed a
Current
Report on
Form 8-K on
the date
below
pertaining
to the
following
items:
Current
Report on
Form 8-K
filed
November 13,
2001
regarding
the November
1, 2001
disposition
of certain
locomotive
after market
assets to
General
Electric
Company Form
8-K(A) filed
December 28,
2001 which
provided the
pro forma
financial
information
for the Form
8-K filed on
November 13,
2001

FILING METHOD (C)
EXHIBITS -----------
2.1 Amended and
Restated Agreement
and Plan of Merger,
as amended
(originally included
as Annex A to the
Joint Proxy
Statement/Prospectus)
Restated Certificate
of Incorporation of
the Company dated
January 30, 1995,
as Filing Method 8
3.1 Restated
Certificate of
Incorporation of the
Company dated
January 30, 1995, as
amended March 30,
1995 2 3.3 Amended
and Restated By-Laws
of the Company,
effective November
19, 1999 8 4.1 Form
of Indenture between
the Company and The
Bank of New York
with respect to the
public offering of
$100,000,000 of 9
3/8% Senior Notes
due 2005 2 4.2 Form
of Note (included in
Exhibit 4.1) 2 4.3
First Supplemental
Indenture dated as
of March 21, 1997
between the Company
and The Bank of New
York 5 4.4 Indenture
dated as of January
12, 1999 by and
between the Company
and The Bank of New
York with respect to
the private offering of
$75,000,000 of 9
3/8% Senior Notes
due 2005, Series B 7
4.5 Form of Note
(included in Exhibit
4.4) 7 10.1
MotivePower Stock
Option Agreement
(originally included
as Annex B to the
Joint Proxy
Statement/Prospectus)
8 10.2 Westinghouse
Air Brake Stock
Option Agreement
(originally included
as Annex C to the
Joint Proxy
Statement/Prospectus)
FILING METHOD (C)

EXHIBITS ------------


10.5 Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust, effective January 31, 1995

10.6 ESOP Loan Agreement dated January 31, 1995 between Westinghouse Air Brake Company Employee Stock Ownership Trust ("ESOP") and the Company (Exhibits omitted)

10.7 Employee Stock Ownership Trust Agreement dated January 31, 1995 between the Company and U.S. Trust Company of California, N.A.

10.8 Pledge Agreement dated January 31, 1995 between ESOT and the Company

10.9 Amended and Restated Refinancing Credit Agreement dated as of November 19, 1999 among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York (Schedules and Exhibits omitted)

10.10 Amended and Restated Stockholders Agreement dated as of March 5, 1997 among the RAC Voting Trust ("Voting Trust"), Vestar Equity Partners, L.P. ("Vestar Equity"), Harvard Private Capital Holdings, Inc. ("Harvard"), American Industrial Partners Capital Fund II, L.P. ("AIP") and the Company

10.11 Common Stock Registration Rights Agreement dated as of January 31, 1995 among the Company, Scandinavian Incentive Holding B.V. ("SIM"), Voting Trust, Vestar Equity, Pulse Electronics, Inc., Pulse Embedded Computer Systems, Inc., the Pulse Shareholders and ESOT (Schedules and
Exhibits omitted) 2


10.23 Form of Indemnification Agreement between the Company and Authorized Representatives

10.24 Share Purchase Agreement between Futuris Corporation Limited and the Company (Exhibits omitted)

10.25 Purchase Agreement dated as of September 19, 1996 by and among Mark IV Industries, Inc., Mark IV PLC, and W&P Holding Corp. (Exhibits and Schedules omitted) (Originally filed as Exhibit No. 2.01)

10.26 Purchase Agreement dated as of September 19, 1996 by and among Mark IV Industries Limited and Westinghouse Railway Holdings (Canada) Inc. (Exhibits and Schedules omitted) (Originally filed as Exhibit No. 2.02)

10.27 Amendment No. 1 to Amended and Restated Stockholders Agreement dated as of March 5, 1997 among the Voting Trust, Vestar, Harvard, AIP and the Company

10.28 Common Stock Registration Rights Agreement dated as of March 5, 1997 among the Company, Harvard, AIP and the Voting Trust

10.29 1998 Employee Stock Purchase Plan

10.30 Sale Agreement dated as of August 7, 1998 by and between Rockwell Collins, Inc. and the Company (Schedules and Exhibits omitted)
Amendment No. 1 dated as of October 5, 1998 to Sale Agreement dated as of August 7, 1998 by and between Rockwell Collins, Inc. and the Company.

Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan Amendment No. 1, dated as of November 16, 2000, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and ABN AMRO Bank N.V. as bookrunner and co-syndication agent, The Bank of New York, as co-syndication agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A., (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999 among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted)

Amendment No. 2, dated as of March 30, 2001, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and
ABN AMRO Bank N.V. as bookrunner and co-syndication agent, The Chase Manhattan Bank as administrative agent, The Bank of New York, as co-syndication agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A., (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, as amended, among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted)
10.35 Amendment No. 3, dated as of July 18, 2001, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and LaSalle Bank National Association and ABN AMRO Bank N.V. as bookrunner and co-syndication agent, The Bank of New York, as co-syndication agent, The Chase Manhattan Bank as administrative agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A., (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, as amended, among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted).

10.36 Amendment No. 4, dated as of September 17, 2001, by and among the Company and the Guarantors
from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and LaSalle Bank National Association as bookrunner and co-syndication agent, The Chase Manhattan Bank as administrative agent, The Bank of New York, as co-syndication agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A., (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, as amended, among the Company, various financial institutions, LaSalle Bank National Association, The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company’s Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted) 10.37 Amendment No. 5, dated as of November 14, 2001, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and LaSalle Bank National Association as bookrunner and co-syndication agent, JP Morgan Chase Bank
(formerly known as The Chase Manhattan Bank) as administrative agent, The Bank of New York, as co-syndication agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A., (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, as amended, among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999.


List of subsidiaries of the Company

Consent of Arthur Andersen LLP

Filed herewith.

Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866).

Filed as an exhibit to the Company's Current Report on Form 8-K, dated October 3, 1996.

Filed as an exhibit to the Company's Registration Statement on Form S-8 (No. 333-39159).

Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1997.

Filed as an exhibit to the Company's Current Report on Form 8-K, dated October 5, 1998.

Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1998.

Filed as part of the Company's Registration Statement on Form S-4 (No. 333-88903).

Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1999.

Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the

11 Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION:

We have audited the accompanying consolidated balance sheets of Westinghouse Air Brake Technologies Corporation (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cashflows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westinghouse Air Brake Technologies Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania
February 18, 2002
<table>
<thead>
<tr>
<th>Assets Current Assets</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$53,949</td>
<td>$6,071</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>106,527</td>
<td>194,379</td>
</tr>
<tr>
<td>Inventories</td>
<td>104,930</td>
<td>202,828</td>
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<tr>
<td>Deferred income taxes</td>
<td>22,960</td>
<td>23,777</td>
</tr>
<tr>
<td>Income tax</td>
<td>6,479</td>
<td></td>
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<tr>
<td>Other</td>
<td>7,328</td>
<td>14,021</td>
</tr>
<tr>
<td>Total current assets</td>
<td>295,694</td>
<td>447,555</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>167,095</td>
<td>214,645</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(150,493)</td>
<td></td>
</tr>
<tr>
<td>(192,677)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>295,694</td>
<td>447,555</td>
</tr>
<tr>
<td>Liabilities and Shareholders' Equity</td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>$782</td>
<td>$751</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>75,150</td>
<td>86,316</td>
</tr>
<tr>
<td>Accrued merger and restructuring costs</td>
<td>3,152</td>
<td>6,257</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>43,741</td>
<td>8,758</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>10,314</td>
<td>25,125</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>17,465</td>
<td>17,013</td>
</tr>
<tr>
<td>Accrued warranty</td>
<td>15,373</td>
<td>23,482</td>
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<tr>
<td>Other accrued liabilities</td>
<td>20,244</td>
<td>26,244</td>
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<tr>
<td>Total current liabilities</td>
<td>186,221</td>
<td>190,656</td>
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<tr>
<td>Long-term debt</td>
<td>241,088</td>
<td>539,446</td>
</tr>
<tr>
<td>Reserve for postretirement and pension benefits</td>
<td>3,152</td>
<td>6,257</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>43,741</td>
<td>8,758</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td>10,314</td>
<td>25,125</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>10,162</td>
<td>8,225</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>484,681</td>
<td>787,676</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>10,162</td>
<td>8,225</td>
</tr>
<tr>
<td>Preferred stock, 1,000,000 shares authorized, no shares issued</td>
<td>484,681</td>
<td>787,676</td>
</tr>
<tr>
<td>Common stock: $0.01 par value: 100,000,000 shares authorized: 65,447,867 shares issued and 43,152,546 outstanding at December 31, 2001 and 42,841,985 outstanding at December 31, 2000</td>
<td>654</td>
<td>654</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>272,674</td>
<td>273,494</td>
</tr>
<tr>
<td>Treasury stock, at cost, 22,295,322 and 22,605,882 shares, respectively</td>
<td>278,569</td>
<td>278,569</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>231,478</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities and Shareholders' Equity</td>
<td>729,952</td>
<td>984,047</td>
</tr>
</tbody>
</table>
The accompanying notes are an integral part of these statements.
### Consolidated Statements of Operations

**Year Ended December 31,**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>$ 783,698</td>
<td>$ 811,178</td>
<td>$ 844,079</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>$ (573,772)</td>
<td>$ (575,516)</td>
<td>$ (569,169)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$ 209,926</td>
<td>$ 235,662</td>
<td>$ 274,910</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>$ (96,723)</td>
<td>$ (94,757)</td>
<td>$ (96,082)</td>
</tr>
<tr>
<td><strong>Merger and restructuring charges</strong></td>
<td>$ (3,723)</td>
<td>$ (18,202)</td>
<td>$ (42,903)</td>
</tr>
<tr>
<td><strong>Engineering expenses</strong></td>
<td>$ (33,156)</td>
<td>$ (32,297)</td>
<td>$ (34,414)</td>
</tr>
<tr>
<td><strong>Asset writedowns</strong></td>
<td>$ (9,253)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Amortization expense</strong></td>
<td>$ (13,013)</td>
<td>$ (12,615)</td>
<td>$ (13,759)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$ (155,868)</td>
<td>$ (157,871)</td>
<td>$ (187,158)</td>
</tr>
<tr>
<td><strong>Income from operations</strong></td>
<td>$ 54,058</td>
<td>$ 77,791</td>
<td>$ 87,752</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>$ (33,501)</td>
<td>$ (43,649)</td>
<td>$ (41,990)</td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td>$ (2,130)</td>
<td>$ 3,776</td>
<td>$ 428</td>
</tr>
<tr>
<td><strong>Income from continuing operations before income taxes and extraordinary item</strong></td>
<td>$ 18,427</td>
<td>$ 37,918</td>
<td>$ 46,190</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>$ (4,465)</td>
<td>$ (18,718)</td>
<td>$ (21,687)</td>
</tr>
<tr>
<td><strong>Income from continuing operations before extraordinary item</strong></td>
<td>$ 13,962</td>
<td>$ 19,200</td>
<td>$ 24,503</td>
</tr>
<tr>
<td><strong>Discontinued operations Income from discontinued operations (net of tax)</strong></td>
<td>$ 6,360</td>
<td>$ 6,193</td>
<td>$ 13,439</td>
</tr>
<tr>
<td><strong>Gain on sale of discontinued operations (net of tax)</strong></td>
<td>$ 41,458</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total discontinued operations</strong></td>
<td>$ 47,818</td>
<td>$ 6,193</td>
<td>$ 13,439</td>
</tr>
<tr>
<td><strong>Income before extraordinary item</strong></td>
<td>$ 61,780</td>
<td>$ 25,393</td>
<td>$ 37,942</td>
</tr>
<tr>
<td><strong>Extraordinary loss on extinguishment of debt, net of tax</strong></td>
<td>--</td>
<td>--</td>
<td>$ (1,319)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$ 61,780</td>
<td>$ 25,393</td>
<td>$ 36,623</td>
</tr>
</tbody>
</table>

**Earnings per Common Share**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from continuing operations before extraordinary item</td>
<td>$ 0.33</td>
<td>$ 0.32</td>
</tr>
<tr>
<td>Income from discontinued operations</td>
<td>$ 1.11</td>
<td>$ 1.11</td>
</tr>
<tr>
<td>Extraordinary item</td>
<td>$ 0.59</td>
<td>$ 0.55</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 1.44</td>
<td>$ 0.32</td>
</tr>
</tbody>
</table>

**Weighted average shares outstanding**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares outstanding</td>
<td>42,949</td>
<td>43,382</td>
</tr>
</tbody>
</table>

**2001**

**2000**

**1999**

The accompanying notes are an integral part of these statements.
### CONSOLIDATED STATEMENTS OF CASH FLOWS

**YEAR ENDED DECEMBER 31, $ IN THOUSANDS**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$61,780</td>
<td>$25,393</td>
<td>$36,623</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to cash provided by operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extraordinary loss on extinguishment of debt</td>
<td>--</td>
<td>--</td>
<td>$1,315</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$33,061</td>
<td>$32,416</td>
<td>$33,292</td>
</tr>
<tr>
<td>Provision for ESOP contribution</td>
<td>--</td>
<td>$1,315</td>
<td>$4,078</td>
</tr>
<tr>
<td>Loss/(gain) on sale of product line</td>
<td>$521</td>
<td>(4,375)</td>
<td>--</td>
</tr>
<tr>
<td>Deferred income</td>
<td>$9,253</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extraordinary loss on extinguishment of debt</td>
<td>--</td>
<td>(1,319)</td>
<td>--</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$33,061</td>
<td>$32,416</td>
<td>$33,292</td>
</tr>
<tr>
<td>Provision for ESOP contribution</td>
<td>--</td>
<td>$1,315</td>
<td>$4,078</td>
</tr>
<tr>
<td>Loss/(gain) on sale of product line</td>
<td>$521</td>
<td>(4,375)</td>
<td>--</td>
</tr>
<tr>
<td>Deferred income</td>
<td>$9,253</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DISCONTINUED OPERATIONS</strong></td>
<td>(1,213)</td>
<td>(5,136)</td>
<td>20,672</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, net of acquisitions Accounts receivable</td>
<td>49,772</td>
<td>(15,201)</td>
<td></td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td>160,310</td>
<td>3,106</td>
<td>8,907</td>
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<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment, net</td>
<td>(14,801)</td>
<td>(30,831)</td>
<td>(24,397)</td>
</tr>
<tr>
<td>Acquisitions of businesses, net of cash acquired</td>
<td>--</td>
<td>(650)</td>
<td>(14,472)</td>
</tr>
<tr>
<td>Cash received from disposition of discontinued operations</td>
<td>240,900</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Cash received from disposition of product line</td>
<td>4,120</td>
<td>5,500</td>
<td>--</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments of credit agreements</td>
<td>(298,000)</td>
<td>(10,000)</td>
<td>(38,555)</td>
</tr>
<tr>
<td>Proceeds from senior notes offering</td>
<td>--</td>
<td>75,000</td>
<td></td>
</tr>
<tr>
<td>Repayments of other borrowings</td>
<td>(288)</td>
<td>(41,473)</td>
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<tr>
<td>Purchase of treasury stock</td>
<td>(1,681)</td>
<td>(1,695)</td>
<td>(986)</td>
</tr>
<tr>
<td>Proceeds from treasury stock from stock based benefit plans</td>
<td>3,359</td>
<td>4,291</td>
<td>4,911</td>
</tr>
<tr>
<td><strong>DIVIDENDS</strong></td>
<td>(1,681)</td>
<td>(1,695)</td>
<td>(986)</td>
</tr>
<tr>
<td><strong>CASH, BEGINNING OF YEAR</strong></td>
<td>6,071</td>
<td>7,056</td>
<td>8,983</td>
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<tr>
<td><strong>CASH, END OF YEAR</strong></td>
<td>$53,949</td>
<td>$6,071</td>
<td>$7,056</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
## Westinghouse Air Brake Technologies Corporation

### Consolidated Statements of Shareholders' Equity

<table>
<thead>
<tr>
<th>In thousands</th>
<th>Comprehensive Income</th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Treasury Stock</th>
<th>Unearned ESOP Shares</th>
<th>Retained Earnings</th>
<th>Deferred Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE, DECEMBER 31, 1998</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>$652</td>
<td>$314,155</td>
<td>$(192,190)</td>
<td>$(128,472)</td>
<td>$159,135</td>
<td>$3,951</td>
<td></td>
</tr>
<tr>
<td>Cash dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensatory stock options granted through a Rabbi Trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation of ESOP shares, net of tax effect</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$36,623</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation adjustment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE, DECEMBER 31, 1999</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends</td>
<td>$654</td>
<td>$318,357</td>
<td>$(201,711)</td>
<td>$(125,491)</td>
<td>$194,770</td>
<td>$6,595</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax</td>
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<tr>
<td>Allocation of ESOP shares, net of tax effect</td>
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<tr>
<td>Compensatory stock options granted through a Rabbi Trust</td>
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</tr>
<tr>
<td>ESOP Termination</td>
<td>(40,732)</td>
<td>(83,010)</td>
<td>123,742</td>
<td>25,393</td>
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<td></td>
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<tr>
<td>Net income</td>
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<tr>
<td>Translation adjustment</td>
<td>(4,184)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE, DECEMBER 31, 2000</strong></td>
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<td>Cash dividends</td>
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<td>Purchase of treasury stock</td>
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<td>Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax</td>
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<tr>
<td>Compensation stock options granted through a Rabbi Trust</td>
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</tr>
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<td>(83,010)</td>
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<tr>
<td>Net income</td>
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<tr>
<td>Translation adjustment</td>
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<td></td>
</tr>
<tr>
<td><strong>BALANCE, DECEMBER 31, 2001</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Cash dividends</td>
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<tr>
<td>Purchase of treasury stock</td>
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<tr>
<td>Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax</td>
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<tr>
<td>Compensation stock options granted through a Rabbi Trust</td>
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</tr>
<tr>
<td>Net income</td>
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<td></td>
</tr>
<tr>
<td>Translation adjustment</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE, DECEMBER 31, 2002</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

### ACCUMULATED OTHER COMPREHENSIVE
<table>
<thead>
<tr>
<th>Description</th>
<th>Income (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCE, DECEMBER 31, 1998</td>
<td>$(13,155)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
</tr>
<tr>
<td>Compensatory stock options granted through a Rabbi Trust</td>
<td></td>
</tr>
<tr>
<td>Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax</td>
<td></td>
</tr>
<tr>
<td>Allocation of ESOP shares, net of tax effect</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
</tr>
<tr>
<td>Translation adjustment</td>
<td>1,857</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td>BALANCE, DECEMBER 31, 1999</td>
<td>$(11,298)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
</tr>
<tr>
<td>Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax</td>
<td></td>
</tr>
<tr>
<td>Allocation of ESOP shares, net of tax effect</td>
<td></td>
</tr>
<tr>
<td>Compensatory stock options granted through a Rabbi Trust</td>
<td></td>
</tr>
<tr>
<td>ESOP Termination</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
</tr>
<tr>
<td>Translation adjustment</td>
<td>(4,184)</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td>BALANCE, DECEMBER 31, 2000</td>
<td>$(15,482)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
</tr>
<tr>
<td>Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax</td>
<td></td>
</tr>
<tr>
<td>Compensatory stock options granted through a Rabbi Trust</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
</tr>
<tr>
<td>Translation adjustment</td>
<td>(5,170)</td>
</tr>
<tr>
<td>Cumulative change accounting for derivative financial instruments, net of tax</td>
<td>(1,234)</td>
</tr>
<tr>
<td>Unrealized losses on derivatives designated and qualified as cash flow hedges, net of tax</td>
<td>(1,310)</td>
</tr>
<tr>
<td>Additional minimum pension liability, net of tax</td>
<td>(6,479)</td>
</tr>
<tr>
<td>==</td>
<td></td>
</tr>
<tr>
<td>BALANCE, DECEMBER 31, 2001</td>
<td>$(29,675)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
1. BUSINESS

Westinghouse Air Brake Technologies Corporation (the "Company") is one of North America's largest manufacturers of value-added equipment for locomotives, railway freight cars and passenger transit vehicles. The Company was formed in November 1999 from the merger of Westinghouse Air Brake Company and MotivePower Industries, Inc. Our major products are intended to enhance safety, improve productivity and reduce maintenance costs for our customers. Our major product offerings include electronic controls and monitors, air brakes, cooling equipment, switcher and commuter locomotives, couplers, door controls, draft gears and brake shoes. We aggressively pursue technological advances with respect to both new product development and product enhancements. The Company has its headquarters in Wilmerding, Pennsylvania and has 4,436 full time employees at facilities throughout the world.

A portion of the Company's Freight Group's operations and revenue base is generally dependent on the capital replacement cycles for locomotives and freight cars of the large North American-based railroad companies. The Company's Transit Group's operations are dependent on the budgeting and expenditure appropriation process of federal, state and local governmental units for mass transit needs established by public policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. Such statements have been prepared in accordance with generally accepted accounting principles.

Sales between the subsidiaries are billed at prices consistent with sales to third parties and are eliminated in consolidation.

Certain prior year amounts have been reclassified, where necessary, to conform to the current year presentation.

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

INVENTORIES Inventories are stated at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead. Cores inventory is defined as inventory units designated for unit exchange programs (see Note 6).

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment additions are stated at cost. Expenditures for renewals and betterments are capitalized. Expenditures for ordinary maintenance and repairs are expensed as incurred. The Company provides for book depreciation principally on the straight-line method over the following estimated useful lives of property, plant and equipment.

<table>
<thead>
<tr>
<th>YEARS</th>
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</thead>
<tbody>
<tr>
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<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Land improvements
- 10 to 20
- Buildings and improvements
- 20 to 40
- Machinery and equipment
- 3 to 15
- Locomotive leased fleet
- 4 to 15
- 15 - ---
- ----- 

Accelerated depreciation methods are utilized for income tax purposes (see Note 7).

INTANGIBLE ASSETS Goodwill is amortized on a straight-line basis over 40 years. Other intangibles are amortized on a straight-line basis over their estimated economic lives. Goodwill and other intangible assets, including patents and tradenames, are periodically reviewed for impairment based on an assessment of future operations that indicate the remaining balance of the intangible asset may not be recoverable. The Company's reviews for impairment, to date, have not resulted in any revision to intangible assets or their related amortization periods (see Note 8).

REVENUE RECOGNITION Revenue is recognized when products have been shipped to the
respective customers and the price for the product has been determined.

The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as
known. Provisions are made currently for estimated losses on uncompleted contracts.

Costs and estimated earnings in excess of billings ("underbillings") and billings in excess of costs and estimated earnings ("overbillings") on the contract in progress are recorded on the balance sheet and are classified as non-current (see Note 23).

STOCK-BASED COMPENSATION The Company accounts for stock-based compensation, including stock options and employee stock purchases, under APB Opinion No. 25, "Accounting for Stock Issued to Employees" (see Note 14 for related pro forma disclosures).

RESEARCH AND DEVELOPMENT Research and development costs are charged to expense as incurred. For the years ended December 31, 2001, 2000 and 1999, the Company incurred costs of approximately $33.2 million, $32.3 million and $34.4 million, respectively.

WARRANTY COSTS Warranty costs are accrued based on management's estimates of repair or upgrade costs per unit and historical experience. In recent years, the Company has introduced several new products. The Company does not have the same level of historical warranty experience for these new products as it does for its continuing products. Therefore, warranty reserves have been established for these new products based upon management's estimates. Actual future results may vary from such estimates. Warranty expense was $14.1 million, $11.2 million and $7.3 million for 2001, 2000 and 1999, respectively. Warranty reserves were $15.4 and $23.5 million at December 31, 2001 and 2000, respectively.

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 accrued to interest expense (see Note 9).

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, 2001, resulting in the recording of current assets of $260,000, long term assets of $399,000, current liabilities of $760,000, long term liabilities of $1.1 million, and a decrease in other comprehensive loss of $1.2 million. 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 on the balance sheet while creating some volatility in future earnings, due to market sensitivity and ineffectiveness in offsetting changes in interest rates of the Company's variable rate borrowings.

INCOME TAXES Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The provision for income taxes includes federal, state and foreign income taxes (see Note 12).

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 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 not U.S. dollar denominated amounts are charged or credited to earnings.

EARNINGS PER SHARE Basic earnings per common share are computed by dividing net income applicable to common shareholders by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per common share are computed by dividing net income applicable to common shareholders by the weighted average number of shares of common stock outstanding adjusted for the assumed conversion of all dilutive securities (such as employee stock options) (see Note 13).

OTHER COMPREHENSIVE INCOME (LOSS) Comprehensive income (loss) is defined as net income and all other nonowner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss) consists of foreign currency translation.
adjustments, unrealized losses on derivatives designated and qualified as cash flow hedges and pension related adjustments.

SIGNIFICANT CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK The Company's trade receivables are primarily from rail and transit industry original equipment manufacturers, Class I railroads, railroad carriers and commercial companies that utilize rail cars in their operations, such as utility and chemical companies. One customer accounted for 11% of the Company's consolidated net sales in 2001. No one customer accounted for more than 10% of the Company's consolidated net sales in 2000 or 1999. The allowance for doubtful accounts was $2.3 million and $3.9 million as of December 31, 2001 and 2000, respectively.

EMPLOYEES As of December 31, 2001, approximately 29% of the Company's workforce was covered by collective bargaining agreements. These agreements are generally effective through 2002, 2003 and 2004.

DEFERRED COMPENSATION AGREEMENTS In May 1998, a consensus on Emerging Issues Task Force Issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested" ("EITF 97-14"), was issued. The adoption of EITF 97-14 required the Company to record as treasury stock the historical value of the Company's stock maintained in its deferred compensation plans.

RECENT ACCOUNTING PRONOUNCEMENTS In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under its provisions, all goodwill and other intangible assets with indefinite lives will no longer be routinely amortized under a straight-line basis of estimated useful life. Instead, they will be subject to assessments for impairment by applying a fair-value-based test. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and upon adoption, the Company will cease to record approximately $8 million of goodwill amortization. The Company has not completed the process of evaluating whether any impairment will result from adopting it.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under its provisions, all tangible long-lived assets, whether to be held and used or to be disposed of by sale or other means, will be tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company early adopted SFAS 144 in the third quarter of 2001.

3. DISCONTINUED OPERATIONS
On November 1, 2001, the Company completed the sale of certain assets to GE Transportation Systems (GETS) for $240 million in cash, subject to adjustment for the finalization of the value of the net assets sold. The assets sold primarily include locomotive aftermarket products and services for which Wabtec is not the original equipment manufacturer. Under the terms of the sales agreement, the Company has agreed to indemnify GETS for, among other things, certain potential third party, off site environmental cleanup or remediation costs. The Company has purchased an insurance policy to mitigate its exposure for the environmental indemnities. The Company reported a $48.7 million after tax gain on the sale in 2001.

In the fourth quarter of 2001, the Company decided to exit other businesses and has put these businesses up for sale. The net amount of these businesses has been written down to their estimated realizable value and has been classified as Assets Held for Sale on the balance sheet. The Company reported a $7.2 million after tax loss on the writedown of these entities.

In accordance with SFAS 144, the operating results of these businesses have been classified as discontinued operations for all years presented and are summarized as of December 31, as follows:

<table>
<thead>
<tr>
<th>YEAR ENDED DECEMBER 31,</th>
<th>THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$156,803</td>
</tr>
<tr>
<td>2000</td>
<td>$216,798</td>
</tr>
<tr>
<td>1999</td>
<td>$276,999</td>
</tr>
</tbody>
</table>

Income before income taxes 9,785
9,677
25,309
Income tax expense 3,425 3,484
11,870
Income from discontinued operations 3,736
<table>
<thead>
<tr>
<th>operations</th>
<th>$ 6,360</th>
<th>$ 6,193</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,439</td>
<td>13,439</td>
</tr>
</tbody>
</table>

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<p>| | |</p>
<table>
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<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32</td>
</tr>
</tbody>
</table>
A proforma condensed balance sheet removing the discontinued operations balance sheets as of December 31, 2000 is as follows:

**HISTORICAL DISCONTINUED IN THOUSANDS COMPANY OPERATIONS**

**PRO FORMA**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Current assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$6,071</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>194,379</td>
</tr>
<tr>
<td>Inventories</td>
<td>202,828</td>
</tr>
<tr>
<td>Other current assets</td>
<td>44,277</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>447,555</strong></td>
</tr>
</tbody>
</table>

| **Property, plant and equipment, net** | **214,645** | **37,740** | **176,905** |

| **Other assets:** |
| Intangibles | 265,394 | 24,944 | 240,450 |
| Other noncurrent assets | 56,453 | 30,980 | 25,473 |
| **Total other assets** | **321,847** | **55,924** | **265,923** |

| **Total assets** | **$984,047** | **$207,751** | **$776,296** |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

| Current liabilities: |
| Accounts payable | 85,316 | 15,033 | 71,283 |
| Other current liabilities | 104,340 | 16,373 | 87,967 |
| **Total current liabilities** | **190,656** | **31,406** | **159,250** |

| Long-term debt | 539,446 | -- | 539,446 |
| Liabilities assumed | (842) | (247) | (11,148) |
| **Total liabilities** | **787,676** | **41,356** | **746,320** |

| Shareholders' equity | 196,371 | 166,395 | 29,976 |
| **Total liabilities and shareholders' equity** | **$984,047** | **$207,751** | **$776,296** |

### 4. SUPPLEMENTAL CASH FLOW DISCLOSURES

**FOR THE YEARS ENDED DECEMBER 31, 2001 2000 1999

- Interest paid during the year | $37,181 | $45,871 | $44,087 |
- Income taxes paid during the year | 8,318 | 14,935 | 30,635 |
- Business acquisitions: Fair value of assets acquired | 5,275 - 897 | 26,934 |
- Liabilities assumed | (942) (247) (11,148) |
- **Cash paid** | 4,433 650 15,786 |
- Less cash acquired | 703 -- 1,314 |
- **Net cash paid** | $3,730 | 658 | 14,472 |
- **Noncash investing and financing activities:**
  - **Deferred compensation** | $363 | 5,726 | 2,091 |
  - **Treasury stock** | (363) (5,726) (2,091) |

### 5. MERGERS AND ACQUISITIONS

On November 19, 1999, WABCO completed its merger with MotivePower Industries, Inc., a leading manufacturer and supplier of locomotive components, fleet overhauls and related services. The Company issued approximately 18 million shares of Common Stock to former MotivePower shareholders and reserved for the contingent exercise of stock.
options approximately 2 million shares, in a transaction that was accounted for by the pooling-of-interests accounting method.

During 2001, 2000 and 1999, the Company completed the following acquisitions:

i) In October 2001, the Company purchased certain assets of Milufab, a supplier of door panels for subway trains for $3.7 million.

ii) In June 2001, the Company purchased certain assets of Core Systems, a company that provides repair billings in the rail industry for $743,000.

iii) In July 2000, the Company purchased certain assets of Iron Fireman, a manufacturer of transportation boiler equipment for $650,000.

iv) In February 1999, the Company acquired the mass transit electrical inverter and converter product line of AGC System & Technologies, Inc. of Canada for approximately $960,000.

v) In January 1999, the Company acquired 100% of the Common Stock of Q-Tron, Ltd., a privately held designer and manufacturer of locomotive electronics equipment, for total consideration of $14.9 million.

These acquisitions were accounted for under the purchase method. Accordingly, the results of operations of the applicable acquisition are included in the Company's financial statements prospectively from the acquisition date. The excess of the purchase price over the fair value of identifiable net assets was approximately $14 million was allocated to goodwill and is being amortized on a straight-line basis over 40 years. Effective January 1, 2002, goodwill will not be amortized upon adoption of SFAS No. 142 (see Note 2).

6. INVENTORY

The components of inventory, net of reserves, were:

<table>
<thead>
<tr>
<th>DECEMBER 31</th>
<th>REPORTED</th>
<th>ADJUSTED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>---------</td>
<td>----------</td>
</tr>
<tr>
<td>Cores $</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>6,180 $</td>
<td>28,213 $</td>
<td>9,579 $</td>
</tr>
<tr>
<td>Raw materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>53,833 $</td>
<td>95,430 $</td>
<td>68,664 $</td>
</tr>
<tr>
<td>Work-in-process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34,265 $</td>
<td>53,240 $</td>
<td>44,836 $</td>
</tr>
<tr>
<td>Finished goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,652 $</td>
<td>25,945 $</td>
<td>12,437 $</td>
</tr>
<tr>
<td>Total inventory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$104,930 $</td>
<td>$202,828</td>
<td>$135,516</td>
</tr>
</tbody>
</table>
The as adjusted 2000 column above represents the removal of the discontinued operations (see Note 3).

7. PROPERTY, PLANT & EQUIPMENT

The major classes of depreciable assets are as follows:

<table>
<thead>
<tr>
<th>DECEMBER 31, -------</th>
<th>REPORTED</th>
<th>ADJUSTED</th>
<th>-------</th>
<th>IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2000</td>
<td>2000</td>
<td>---------</td>
<td>------------</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>$229,297</td>
<td>$255,153</td>
<td>$196,975</td>
<td>$318,188</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>78,550</td>
<td>134,847</td>
<td>110,126</td>
<td>323,093</td>
</tr>
<tr>
<td>Land and improvements</td>
<td>10,185</td>
<td>14,393</td>
<td>13,303</td>
<td>407,322</td>
</tr>
<tr>
<td>Locomotive leased fleet</td>
<td>236</td>
<td>3,019</td>
<td>2,689</td>
<td>430,638</td>
</tr>
<tr>
<td>PP&amp;E</td>
<td>318,188</td>
<td>407,322</td>
<td>323,093</td>
<td>844,603</td>
</tr>
</tbody>
</table>

Less accumulated depreciation
(150,493)
(192,677)
(146,188)
(150,493)

Total
$167,695
$214,645
$176,905

The as adjusted 2000 column above represents the removal of the discontinued operations (see Note 3).

8. INTANGIBLES

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

<table>
<thead>
<tr>
<th>DECEMBER 31, -------</th>
<th>IN THOUSANDS 2001 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patents, tradenames/trademarks and other, net of accumulated amortization of $40,571 and $38,086 (3-40 years)</td>
<td>$38,845</td>
</tr>
<tr>
<td>Covenants not to compete, net of accumulated amortization of $15,926 and $18,756 (5 years)</td>
<td>$2,827</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5,558</td>
</tr>
</tbody>
</table>
At December 31, 2001 and 2000, goodwill totaled $198 million and $226.6 million, net of accumulated amortization of $32.6 million and $29.7 million, respectively.
9. LONG-TERM DEBT

Long-term debt consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving credit agreement</td>
<td>$60,000</td>
<td>$358,000</td>
</tr>
<tr>
<td>Senior notes due 2005</td>
<td>$175,000</td>
<td>$175,000</td>
</tr>
<tr>
<td>Industrial revenue bond due 2008</td>
<td>$5,556</td>
<td>$6,169</td>
</tr>
<tr>
<td>Other</td>
<td>$1,314</td>
<td>$1,028</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$241,870</strong></td>
<td><strong>$540,197</strong></td>
</tr>
</tbody>
</table>

Less - current portion

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>782,751</strong></td>
<td><strong>751</strong></td>
</tr>
</tbody>
</table>

Credit Agreement

In November 1999, in connection with the merger, WABCO terminated its then existing secured credit agreement and refinanced the then existing unsecured MotivePower credit agreement with a consortium of commercial banks. This resulted in an unsecured credit agreement which provided a $275 million five-year revolving credit facility expiring in 2004 and a 364-day $275 million convertible revolving credit facility. In November 2000, the Company and the banks negotiated a reduction in the 364-day facility from $275 million to $213 million, primarily due to having credit availability in excess of current and forecasted needs in an effort to reduce commitment costs and other related fees. In November 2001, the Company and the banks negotiated a further reduction in the 364-day facility from $213 million to $100 million. At December 31, 2001, the Company had available bank borrowing capacity, net of letters of credit, of approximately $288 million.

In connection with the establishment of its new revolving credit facilities in 1999, the Company wrote off previously deferred financing costs of approximately $850,000, net of tax ($0.02 per diluted share), which has been reported as an extraordinary item in the accompanying financial statements.

Under the credit agreement, the Company may elect a base rate, an interest rate based on the London Interbank Offered Rates of Interest ("LIBOR"), a cost of funds rate and a bid rate. The base rate is the greater of ABN AMRO Bank N.V.'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 87.5 to 200 basis points depending on the Company's consolidated total indebtedness to cash flow ratios. The cost of funds rate is a fluctuating interest rate based on ABN AMRO Bank N.V.'s then cost of funds. Under the bid rate option, any participating bank may propose the interest rate at which it will lend funds, which rate may either be a fixed rate or a floating rate based on LIBOR.

The 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 credit agreement contains various other covenants and restrictions including, without limitation, the following: a limitation on the incurrence of additional indebtedness; a limitation on mergers, consolidations and sales of assets and acquisitions; a
limitation on liens; a limitation on sale and leasebacks; a limitation on investments, loans and advances; a limitation on certain debt payments; a limitation on capital expenditures; a minimum interest expense coverage ratio; and a maximum debt to cash flow ratio.

The 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.

Credit agreement borrowings bear variable interest rates indexed to common indexes such as LIBOR. The maximum credit agreement borrowings, average credit agreement borrowings and weighted-average contractual interest rate on credit agreement borrowings was $358 million, $272.7 million and 6.38%, respectively for 2001. To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company entered into interest rate swaps which effectively convert a portion of the debt from variable to fixed-rate borrowings during the term of the swap contracts. On December 31, 2001, the notional value of interest rate swaps outstanding totaled $60 million and effectively changed the Company's interest rate from a variable rate to a fixed rate of 8.70%. The interest rate swap agreements mature in 2003. The Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions and the Company does not anticipate nonperformance.
In June 1995, the Company issued $100 million of 9.375% Senior Notes due in 2005 (the "1995 Notes"). In January 1999, the Company issued an additional $75 million of 9.375% Senior Notes which are due in 2005 (the "1999 Notes"); the 1995 Notes and the 1999 Notes are collectively, the "Notes"). The 1999 Notes were issued at a premium resulting in an effective rate of 8.5%. The terms of the 1995 Notes and the 1999 Notes are substantially the same, and the 1995 Notes and the 1999 Notes were issued pursuant to indentures that are substantially the same. The issuance of the 1999 Notes improved the Company's financial liquidity by i) using a portion of the proceeds to repay a short-term, $30 million loan associated with the Rockwell acquisition that bore interest at 9.56%; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility; and iii) repaying the remaining unpaid principal of a $18.2 million loan from a prior acquisition. As a result of this issuance, the Company wrote off previously capitalized debt issuance costs of $469,000, net of tax, or approximately $.01 per diluted share, in 1999.

The Notes are senior unsecured obligations of the Company and rank pari passu in right of payment with all existing and future indebtedness under (i) capitalized lease obligations, (ii) the Credit Agreement, (iii) indebtedness of the Company for money borrowed and (iv) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company is responsible or liable unless, in the case of clause (iii) or (iv), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are subordinate in right of payment to the Notes.

Industrial Revenue Bond

In July 1998, a subsidiary of the Company entered into a 10 year $7.5 million debt obligation that bears an interest rate of 5.5% and is payable in monthly principal and interest installments. The proceeds of the bond provided financing for the purchase of a building used in the Company's operations.

Scheduled principal repayments of outstanding loan balances required as of December 31, 2001 are as follows:

In thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$782</td>
</tr>
<tr>
<td>2003</td>
<td>782</td>
</tr>
<tr>
<td>2004</td>
<td>1,757</td>
</tr>
<tr>
<td>2005</td>
<td>60,772</td>
</tr>
<tr>
<td>2006</td>
<td>40,800</td>
</tr>
<tr>
<td>2007</td>
<td>2,696</td>
</tr>
<tr>
<td>Total</td>
<td>$241,870</td>
</tr>
</tbody>
</table>
10. EMPLOYEE BENEFIT PLANS

PENSION PLANS

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligation at beginning of year</td>
<td>$(58,409)</td>
<td>$(60,359)</td>
</tr>
<tr>
<td>Service cost</td>
<td>$(1,447)</td>
<td>$(1,492)</td>
</tr>
<tr>
<td>Interest cost</td>
<td>(4,382)</td>
<td>(4,572)</td>
</tr>
<tr>
<td>Participant contributions</td>
<td>(298)</td>
<td>--</td>
</tr>
<tr>
<td>Special termination benefits</td>
<td>(1,602)</td>
<td>(2,957)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(4,465)</td>
<td>12,895</td>
</tr>
<tr>
<td>Expenses paid</td>
<td>292</td>
<td>--</td>
</tr>
</tbody>
</table>

Obligation at end of year: $(57,239)

CHANGE IN PLAN ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>$65,710</td>
<td>$74,554</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(4,186)</td>
<td>2,584</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>1,642</td>
<td>2,521</td>
</tr>
<tr>
<td>Participant contributions</td>
<td>41</td>
<td>298</td>
</tr>
</tbody>
</table>

Fair value of plan assets at end of year: $65,710

Funded status at year:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized net actuarial (gain) loss</td>
<td>14,687</td>
<td>3,305</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>3,729</td>
<td>3,142</td>
</tr>
<tr>
<td>Unrecognized transition obligation</td>
<td>--</td>
<td>238</td>
</tr>
<tr>
<td>Prepaid (accrued) benefit</td>
<td>$7,758</td>
<td>$6,802</td>
</tr>
</tbody>
</table>

AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION INCLUDE:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid pension cost</td>
<td>$1,449</td>
<td>$7,100</td>
</tr>
<tr>
<td>Reserve for postretirement and pension benefits</td>
<td>(7,787)</td>
<td>(19,757)</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>3,473</td>
<td>--</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>10,623</td>
<td>--</td>
</tr>
</tbody>
</table>

Prepaid (accrued) benefit cost: $7,758 $6,802

37
A 1% change in the assumed health care cost trend rate will change the amount of expense recognized for the postretirement plans by approximately $466,000 for each future year, and change the accumulated postretirement benefit obligation by approximately $2.8 million.

The composition of plan assets consists primarily of equities, corporate bonds, governmental notes and temporary investments.

In 2001 and 2000, as a result of an early retirement package offered to certain union employees, the Company incurred charges of approximately $1.6 million and $3 million, respectively, reflected above as a special termination benefit.

Included in the above table, the Company had benefit plans which had $1.4 million of plan assets that were in excess of pension plan benefit obligations at December 31, 2001 (the total of which was pension plan benefit obligation in excess of plan assets) and a $0.3 million pension plan benefit obligation that was in excess of plan assets at December 31, 2000 (the total of which was plan assets in excess of pension plan benefit obligation).

DEFINED CONTRIBUTION PLANS

Costs recognized under multi-employer and other defined contribution plans are summarized as follows:

<table>
<thead>
<tr>
<th>IN THOUSANDS</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Multi-employer pension and health &amp; welfare plans</td>
<td>$994</td>
<td>$1,152</td>
</tr>
<tr>
<td></td>
<td>$1,256</td>
<td>401(k) savings and other defined contribution plans</td>
</tr>
<tr>
<td>Total Employee stock ownership plan (ESOP)</td>
<td>--</td>
<td>1,315</td>
</tr>
<tr>
<td></td>
<td>4,878</td>
<td>Total</td>
</tr>
</tbody>
</table>
The Company sponsors defined benefit pension plans that cover certain U.S. and Canadian employees and provide benefits of stated amounts for each year of service of the employee. In connection with the establishment of the Employee Stock Ownership Plan and Trust (see Note 11) in January 1995, the pension plan for U.S. salaried employees was modified to eliminate any credit (or accrual) for current service costs for any future periods, effective March 31, 1995.

The Company's funding methods, which are primarily based on the ERISA requirements, differ from those used to recognize pension expense, which is primarily based on the projected unit credit method applied in the accompanying financial statements.

In addition to providing pension benefits, the Company has provided certain unfunded postretirement health care and life insurance benefits for substantially all U.S. employees. In conjunction with the establishment of the ESOP in January 1995 (see Note
11), the postretirement health care and life insurance benefits for salaried employees were 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.

The Company also participates in a variety of defined contribution, 401(k) and multiemployer pension, health and welfare plans. Additionally, the Company has stock option-based benefit and other plans further described in Note 14.

11. EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST (ESOP)

Effective January 31, 1995, the Company established the Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust (ESOP) to enable participating employees to obtain ownership interests in the Company. Employees eligible to participate in the ESOP primarily include the salaried U.S. employees and, as described in Note 10, the ESOP contributions were intended to supplement or replace other salaried employee benefit plans. In connection with the establishment of the ESOP, the Company made a $140 million loan to the ESOP, which was used to purchase 9,336,000 shares of the Company's outstanding common stock. The ESOP loan initially had a term of 50 years with interest at 8.5% and was collateralized by the shares purchased by the ESOP. Company contributions to the ESOP were used to repay the ESOP loan's annual debt service requirements of approximately $12 million. The Company was obligated to contribute amounts sufficient to repay the ESOP loan. The ESOP used such company contributions to repay the ESOP loan. Approximately 187,000 shares were to be allocated annually to participants over a 50-year period. These transactions occurred simultaneously and, for accounting purposes, offset each other. Allocated ESOP shares through August 1, 2000 were approximately 1.1 million shares.

The Company terminated all contributions to the ESOP effective August 1, 2000 and has now received all regulatory approvals whereby allocated shares will be distributed to the participants 401(k) accounts and the unallocated shares will be returned to the Company in exchange for forgiveness of the ESOP loan. Also in 2000, the Company incurred a $5.1 million non-cash charge for the write-off of the related deferred tax asset, due to its ESOP tax benefits. These benefits, which would have been realized had the ESOP continued, will not be utilized in future periods. This charge is reported within the caption "Income tax expense" in the consolidated statement of operations.

12. INCOME TAXES

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

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>$10,287</td>
<td>$24,740</td>
<td>$28,410</td>
</tr>
<tr>
<td>Foreign</td>
<td>8,140</td>
<td>13,178</td>
<td>17,780</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>$18,427</td>
<td>$37,918</td>
<td>$46,190</td>
</tr>
</tbody>
</table>

The consolidated provision (credit) for income taxes included in the Statement of Income for the years ended December 31 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENDED</td>
<td>DECEMBER</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31, ----</td>
<td>------</td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>----------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>Current taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$28,703</td>
<td>$11,832</td>
</tr>
<tr>
<td>State</td>
<td>4,919</td>
<td>1,009</td>
</tr>
<tr>
<td>Foreign</td>
<td>3,345</td>
<td>8,999</td>
</tr>
<tr>
<td></td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>$32,967</td>
<td>$10,008</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>1,106</td>
<td>8,669</td>
</tr>
<tr>
<td>State</td>
<td>287</td>
<td>749</td>
</tr>
<tr>
<td>Foreign</td>
<td>(325)</td>
<td>2,776</td>
</tr>
<tr>
<td></td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>1,068</td>
<td>12,194</td>
</tr>
<tr>
<td></td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>$38,035</td>
<td>$22,202</td>
</tr>
</tbody>
</table>

Consolidated income tax provision (credit) is included in the Statement of Income as follows:

<table>
<thead>
<tr>
<th>YEAR ENDED</th>
<th>DECEMBER 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>1999</td>
<td></td>
</tr>
</tbody>
</table>

- Continuing operations $4,465 $18,718 $21,687
- Income from discontinued operations $33,570 3,484 11,870
- Extraordinary loss on extinguishment of debt -- -- (800)

--- Total

----
<table>
<thead>
<tr>
<th>provision</th>
<th>$38,035</th>
<th>$22,202</th>
<th>$32,757 - ---</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>--------</td>
<td>---------</td>
<td>--------------</td>
</tr>
<tr>
<td></td>
<td>--------</td>
<td>---------</td>
<td>--------------</td>
</tr>
<tr>
<td></td>
<td>--------</td>
<td>---------</td>
<td>--------------</td>
</tr>
<tr>
<td></td>
<td>--------</td>
<td>---------</td>
<td>--------------</td>
</tr>
</tbody>
</table>

39
A reconciliation of the United States federal statutory income tax rate to the effective income tax rate on continuing operations for the years ended December 31 is provided below:

<table>
<thead>
<tr>
<th>YEAR ENDED</th>
<th>DECEMBER 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001 2000 1999</td>
</tr>
<tr>
<td>------------</td>
<td>---------------</td>
</tr>
<tr>
<td>U. S. federal statutory rate</td>
<td>35.0% 35.0% 35.0%</td>
</tr>
<tr>
<td>State taxes</td>
<td>3.6 3.2 3.2</td>
</tr>
<tr>
<td>Foreign</td>
<td>0.4 0.4 0.4</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>-- (1.3)</td>
</tr>
<tr>
<td>Merger and restructuring charge</td>
<td>-- 11.3 ESOP</td>
</tr>
<tr>
<td>Research and development credit</td>
<td>(15.9)</td>
</tr>
<tr>
<td>Other, net</td>
<td>1.1 (1.6) (2.1)</td>
</tr>
</tbody>
</table>

Effective rate 24.2% 49.4% 46.9%

Research and development credit related to both credits claimed in the current period and refund claims filed with amended returns for the prior periods.

Components of deferred tax assets and liabilities were as follows:

<table>
<thead>
<tr>
<th>DECEMBER 31,</th>
<th>------</th>
</tr>
</thead>
<tbody>
<tr>
<td>-- IN THOUSANDS</td>
<td>------</td>
</tr>
<tr>
<td>2001 2000</td>
<td>------</td>
</tr>
<tr>
<td>------------</td>
<td>------</td>
</tr>
<tr>
<td>Accrued expenses and reserves $</td>
<td>13,696 $ 9,083</td>
</tr>
<tr>
<td>Employee benefits/pension</td>
<td>14,346 10,730</td>
</tr>
<tr>
<td>Inventory</td>
<td>5,911 3,295</td>
</tr>
<tr>
<td>Accrued warranty</td>
<td>5,951 7,455</td>
</tr>
<tr>
<td>Restructuring reserve</td>
<td>2,730 3,842</td>
</tr>
<tr>
<td>Deferred debt costs</td>
<td>1,316 1,405</td>
</tr>
<tr>
<td>Net operating loss</td>
<td>3,304 6,690</td>
</tr>
<tr>
<td>Plant, equipment and intangibles</td>
<td>(21,728) (20,678)</td>
</tr>
<tr>
<td>Underbillings -</td>
<td>(7,815) Other</td>
</tr>
<tr>
<td>878</td>
<td>1,301</td>
</tr>
<tr>
<td>26,996 15,398</td>
<td>Valuation allowance</td>
</tr>
<tr>
<td>(8,641) (8,641)</td>
<td>Net deferred tax</td>
</tr>
</tbody>
</table>
A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has established a valuation allowance for certain net operating loss carryforwards and for losses anticipated to produce no tax benefit. Although realization of the net deferred tax asset is not assured, management believes that it is more likely than not that the net deferred tax asset will be realized.

The Company's net operating loss carryforward for the year ended December 31, 2001 is $8.6 million, and will expire in 2010.

13. EARNINGS PER SHARE

The computation of earnings per share is as follows:

YEAR ENDED DECEMBER 31, In thousands, -

-- EXCEPT PER SHARE
2001 2000 1999 -

--------- ---------

BASIC Income before extraordinary item applicable to common shareholders $61,780 $25,393 $37,942
Divided by: Weighted average shares outstanding 42,949 43,318 43,287 Basic earnings per share before extraordinary item $ 1.44 $ 0.59 $ 0.88 -
$ 0.88 -

--------- ---------

DILUTED Income before extraordinary item applicable to common shareholders $61,780 $25,393 $37,942
Divided by the sum of: Weighted average shares outstanding 42,949 43,318 43,287 Assumed conversion of dilutive stock options 249 64 947

Diluted shares outstanding 43,198 43,382 44,234

Diluted
Options to purchase approximately 2.8 million, 4.2 million and 700,000 shares of Common Stock were outstanding in 2001, 2000 and 1999, respectively, but were not included in the computation of diluted earnings per share because the options’ exercise price exceeded the average market price of the common shares.

14. STOCK-BASED COMPENSATION PLANS

STOCK OPTIONS Under the 2000 Stock Incentive Plan (the 2000 Plan), the Company may grant options to employees for an initial amount of 1.1 million shares of Common Stock. This amount is subject to annual modification based on a formula.
1.5% of total common shares outstanding at the end of the preceding fiscal year (excluding any shares held by the ESOP or the related trust) are added to shares available for grant under the 2000 Plan. Based on the adjustment, the Company had approximately 1.2 million shares available for 2001 grants and has available approximately 1,432,980 shares through the end of fiscal 2002. The shares available for grants on any given date may not exceed 15% of Wabtec's total common shares outstanding (excluding any shares held by the ESOP or the related trust). Generally, the options become exercisable over a three-year vesting period and expire ten years from the date of grant.

As part of a long-term incentive program, in 1998, the Company granted options to purchase up to $500,020, to certain executives under a plan that preceded the 2000 Plan. The option price is $20 per share. The options vest 100% after eight years and are subject to accelerated vesting after three years if the Company achieves certain earnings targets as established by the compensation committee of the board of directors. No further grants may be made under this plan.

The Company also has a non-employee director's stock option plan under which 500,000 shares of Common Stock are reserved for issuance. Through year-end 2001, the Company granted nonqualified stock options to non-employee directors to purchase a total of 110,000 shares.

EMPLOYEE STOCK PURCHASE PLAN In 1998, the Company adopted an employee discounted stock purchase plan (DSPP). The DSPP had 500,000 shares available for issuance. Participants can purchase the Company's common stock at 85% of the lesser of fair market value on the first or last day of each offering period. Stock outstanding under this plan at December 31, 2001 was 157,951 shares.

The Company applies APB 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized under these plans. 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 follows:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Net Income</th>
<th>Diluted Earnings Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$58,691</td>
<td>$1.36</td>
</tr>
<tr>
<td>2000</td>
<td>$20,601</td>
<td>$0.47</td>
</tr>
<tr>
<td>1999</td>
<td>$31,996</td>
<td>$0.72</td>
</tr>
</tbody>
</table>

Since compensation expense associated with option grants would be recognized over the vesting period, the initial impact of applying SFAS No. 123 on pro forma net income is not representative of the potential impact on pro forma net income in future years. In each subsequent year, pro forma compensation expense would include the effect of recognizing a portion of compensation expense from multiple awards.

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:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Volatility</th>
<th>Risk-Free Rate</th>
<th>Dividend Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>0.83</td>
<td>0.03</td>
<td>0.00</td>
</tr>
<tr>
<td>2000</td>
<td>0.50</td>
<td>0.03</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Dividend yield 30% 40% 30%
Risk-free interest rate 5.0%
5.000%
5.875%
Stock price volatility
47.30
46.74
36.58
Expected life (years)
5.0 5.0
5.0 - ----
A summary of the Company's stock option activity and related information for the years indicated follows:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WEIGHTED AVERAGE EXERCISE OPTIONS PRICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEGINNING OF YEAR</td>
<td>5,389,397</td>
<td>4,977,008</td>
<td>5,340,182</td>
</tr>
<tr>
<td>EXERCISE PRICE</td>
<td>$14.74</td>
<td>$15.14</td>
<td>$16.29</td>
</tr>
<tr>
<td>WEIGHTED AVERAGE EXERCISE OPTIONS PRICE</td>
<td>522,212</td>
<td>13,221,000</td>
<td>10,817,642</td>
</tr>
<tr>
<td>WEIGHTED EXERCISE OPTIONS PRICE</td>
<td>24.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRANTED</td>
<td>(216,660)</td>
<td>10.40 (581,318)</td>
<td>6.20</td>
</tr>
<tr>
<td>EXERCISE OPTIONS</td>
<td>(361,664)</td>
<td>11.64</td>
<td></td>
</tr>
<tr>
<td>CANCELED</td>
<td>(1,091,014)</td>
<td>19.00 (316,293)</td>
<td>20.82</td>
</tr>
<tr>
<td>(175,152)</td>
<td>15.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>END OF YEAR</td>
<td>4,599,935</td>
<td>4,977,008</td>
<td>5,340,182</td>
</tr>
<tr>
<td>EXERCISABLE AT END OF YEAR</td>
<td>3,738,562</td>
<td>3,621,317</td>
<td>3,958,854</td>
</tr>
<tr>
<td>AVAILABLE FOR FUTURE GRANT</td>
<td>1,432,900</td>
<td>1,150,078</td>
<td>678,028</td>
</tr>
<tr>
<td>WEIGHTED AVERAGE FAIR VALUE OF OPTIONS GRANTED DURING THE YEAR</td>
<td>$5.98</td>
<td>$5.97</td>
<td>$9.04</td>
</tr>
</tbody>
</table>

The following table summarizes information about stock options outstanding at December 31, 2001:

| OUTSTANDING REMAINING | WEIGHTED AVERAGE EXERCISABLE RANGE OF EXERCISE PRICES AS OF 12/31/01 CONTRACTUAL LIFE |
|------------------------|-----------------------------------|---------------------------------|
| NUMBER | WEIGHTED NUMBER | NUMBER | RANGE OF EXERCISE PRICES AS OF 12/31/01 | LIFE |
| EXERCISE PRICE AS OF 12/31/01 | |
| CONCEPTUAL LIFE | |
| $ | $ | $ |
| 3.86 | 3.86 |
| 8.63 | 8.63 |
| 91,191 | 91,191 | 4.1 |
| 5.16 | 5.16 |
| 87,858 | 87,858 | $ | 9.54 |
| 9.54 | 9.54 |
| 625,000 | 625,000 | 8 | 9.54 |
| 8 | 9.54 |
| 234,016 | 234,016 | $ | 9.88 |
| 9.88 | 9.88 |
| -10.86 | -10.86 |
| 463,775 | 463,775 | 5.9 | 10.64 |
| 5.9 | 10.64 |
| 404,611 | 404,611 | $ | 11.00 |
| 11.00 | 11.00 |
| -12.75 | -12.75 |
| 663,793 | 663,793 | 6.9 | 12.11 |
| 6.9 | 12.11 |
| 416,139 | 416,139 | $ | 13.18 |
| 13.18 | 13.18 |
| -13.97 | -13.97 |
| | | | | | |
RESTRICTED STOCK AWARD In February of 2001, the Company awarded to two officers 4,920 shares of restricted Common Stock in lieu of a cash bonus for 2000. The shares must be held for one year before they can be sold.

15. OPERATING LEASES

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

The Company has sold remanufactured locomotives to various financial institutions and leased them back under operating leases with terms from five to 20 years.

Total net rental expense charged to operations in 2001, 2000, and 1999 was $5.7 million, $6.3 million and $6.8 million, respectively. Certain of the Company's equipment rental obligations under operating leases pertain to locomotives, which are subleased to customers under both short-term and long-term agreements. The amounts above are shown net of sublease rentals of $2.8 million, $4 million and $4.5 million for the years 2001, 2000 and 1999, respectively.

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

<table>
<thead>
<tr>
<th>IN THOUSANDS</th>
<th>REAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUBLEASE</td>
<td></td>
</tr>
<tr>
<td>YEAR</td>
<td></td>
</tr>
<tr>
<td>ESTATE</td>
<td></td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td></td>
</tr>
<tr>
<td>RENTALS</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$3,762</td>
<td>$4,842</td>
</tr>
<tr>
<td></td>
<td>$(2,952)</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>$5,652</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>3,080</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>4,509</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>(2,873)</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>4,716</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>2004</td>
<td>2,329</td>
<td>4,160</td>
</tr>
<tr>
<td>2005</td>
<td>3,985</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>1,984</td>
<td>3,772</td>
</tr>
<tr>
<td>2007 and after</td>
<td>1,957</td>
<td>3,721</td>
</tr>
<tr>
<td>2007 and after</td>
<td>3,368</td>
<td></td>
</tr>
<tr>
<td>2007 and after</td>
<td>8,464</td>
<td>3,976</td>
</tr>
<tr>
<td>2007 and after</td>
<td>9,363</td>
<td></td>
</tr>
</tbody>
</table>

42
16. STOCKHOLDERS’ AGREEMENTS

As of December 31, 2001, the approximate ownership interests in the Company’s Common Stock are held by management (11%), the ESOP (21%), the investors consisting of Vestar Equity Partners, L.P., Charlesbank Equity Fund II, Limited Partnership, and American Industrial Partners Capital Fund II, L.P. (13%), and all others including public shareholders (55%).

A Stockholders Agreement exists between management and the investors referred to above that provides for, among other things, the composition of the Board of Directors as long as certain minimum stock ownership percentages are maintained, restrictions on the disposition of shares and rights to request the registration of the shares.

The shares held by the ESOP (established January 31, 1995) are subject to the terms of the related ESOP Loan Agreement, Employee Stock Ownership Trust Agreement, Employee Stock Ownership Plan and the Pledge Agreement. Although the ESOP has terminated, the unallocated shares remain with the trustee until all regulatory and administrative actions are completed. The ESOP is further described in Note 11.

17. PREFERRED STOCK

The Company’s authorized capital stock includes 1,000,000 shares of preferred stock. The Board of Directors has the authority to issue the preferred stock and to fix the designations, powers, preferences and rights of the shares of each such class or series, including dividend rates, conversion rights, voting rights, terms of redemption and liquidation preferences, without any further vote or action by the Company’s shareholders. The rights and preferences of the preferred stock would be superior to those of the common stock. At December 31, 2001 and 2000 there was no preferred stock issued or outstanding.

18. COMMITMENTS AND CONTINGENCIES

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

Under the terms of the purchase agreement and related documents for the 1990 Acquisition, American Standard, Inc. ("ASI"), has indemnified the Company for certain items including, among others, environmental claims. The indemnification provisions of the agreement expired at various dates through 2000, except for those claims, which were timely asserted, which continue until resolved. If ASI was unable to honor or meet these indemnifications, the Company would be responsible for such items. In the opinion of management, ASI currently has the ability to meet its indemnification obligations.

The Company has been named, along with other parties, as a Potentially Responsible Party (PRP) under the North Carolina Inactive Sites Response Act because of an alleged release or threat of release of hazardous substances at the "Old James Landfill" site in North Carolina. The Company believes unreimbursed costs, if any, associated with the cleanup activities at this site will not be material, and as a result of the indemnification provisions referred to above and an insurance policy from Rocky Mountain International Insurance Ltd., which has acknowledged coverage and is currently paying on the claim, the Company has not established a reserve for such costs.

The Company's and its affiliates' operations do not use and their products do not contain any asbestos. Asbestos actions have been filed against the Company and certain of its affiliates. Consistent with the experience of others, the number of claims have increased in recent years. However, it is important to note that these asbestos claims involve products sold prior to the 1990 formation of the Company. The Company and its affiliates have not incurred any significant costs related to these asbestos claims. The claims are covered by insurance or are subject to indemnity from the companies who manufactured or sold the products in question. Management believes that these claims will not be material; and accordingly, the financial statements do not reflect any costs or reserves for such claims.

BOISE, IDAHO

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 Boise Locomotive Company 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. The Company has accrued $1.1 million at December 31, 2001, the estimated remaining costs for remediation. The Company was in compliance with the Permit at December 31, 2001.

MOUNTAINTOP, PENNSYLVANIA

Foster Wheeler Energy Corporation ("FWEC") the seller of the Mountaintop property to the predecessor of one of the Company's subsidiaries in 1989, agreed to indemnify the Company's predecessor and its successors and assigns against certain identified environmental liabilities for which FWEC executed a Consent Order Agreement with the Pennsylvania Department of Environmental Protection (PADEP) and EPA. Management believes that this indemnification arrangement is enforceable for the benefit of the Company and that FWEC has the financial resources to honor its obligations under this indemnification arrangement.

MATTOON, ILLINOIS

Prior to the Company's acquisition of Young Radiator, Young agreed to clean up alleged contamination on a prior production site in Mattoon, Ill. The Company is in the process of remediating the site with the state of Illinois and now estimates the costs to remediate the site to be approximately $613,000, which has been accrued at December 31, 2001.

RACINE, WISCONSIN

Young ceased manufacturing operations at its Racine facility in the early 1990's. Investigations prior to the acquisition of Young revealed some levels of contamination on the Racine property and the Company has begun remediation efforts. The Company has initiated a comprehensive site evaluation with the state of Wisconsin and believes this governing body is generally in agreement with the findings. The Company has accrued approximately $546,000 at December 31, 2001 as its estimate of remaining restoration costs.

GE HARRIS

On November 3, 2000 the company settled the suit brought against it by GE-Harris Railway Electronics, L.L.C. and GE-Harris Railway Electronics Services, L.L.C. (collectively, "GE-Harris"). In exchange for settlement of the suit, the Company agreed to deliver $2 million worth of products for GE-Harris by December 15, 2000, which the Company expensed in the fourth quarter of 2000. In addition, the Company paid GE-Harris $7 million in exchange for a license of certain intellectual property.

The Company has other contingent obligations relating to certain sales leaseback transactions for which reserves have been established.

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

19. 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, engines, on-board electronic systems and train coupler equipment. Revenues are derived from OEM and locomotive overhauls, aftermarket sales and from freight car repairs and services. All of the assets sold to GETS were part of the Freight Group.

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

The Company evaluates its business segments' operating results based on income from operations before merger and restructuring charges. 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 below 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 2001 is as follows:

<table>
<thead>
<tr>
<th>FREIGHT TRANSIT CORPORATE</th>
<th>MERGER AND IN THOUSANDS GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUP ACTIVITIES RESTRUCTURING</td>
<td>TOTAL</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Sales to external customers</td>
<td>$490,261</td>
</tr>
<tr>
<td>Intersegment sales/(elimination)</td>
<td>10,160</td>
</tr>
<tr>
<td>Total sales</td>
<td>$500,421</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Income from operations</td>
<td>$58,989</td>
</tr>
<tr>
<td>Interest expense and other</td>
<td>---</td>
</tr>
<tr>
<td>Income before income taxes and extraordinary item</td>
<td>$58,989</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$23,234</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>14,048</td>
</tr>
<tr>
<td>Segment assets</td>
<td>477,983</td>
</tr>
</tbody>
</table>

Segment financial information for 2000 is as follows:

<table>
<thead>
<tr>
<th>FREIGHT TRANSIT CORPORATE</th>
<th>MERGER AND IN THOUSANDS GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUP ACTIVITIES RESTRUCTURING</td>
<td>TOTAL</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Sales to external customers</td>
<td>$532,889</td>
</tr>
<tr>
<td>Intersegment sales/(elimination)</td>
<td>10,189</td>
</tr>
<tr>
<td>Total sales</td>
<td>$543,078</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Income from operations</td>
<td>$87,919</td>
</tr>
<tr>
<td>Interest expense and other</td>
<td>---</td>
</tr>
<tr>
<td>Income before income taxes and extraordinary item</td>
<td>$87,919</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>---</td>
</tr>
</tbody>
</table>
amortization........... $ 21,896 $ 7,971 $ 2,549 -- $ 32,416 Capital
expenditures......................... 13,679 6,742 2,762 -- 23,173
Segment
assets................................ 734,378 197,487 52,182 -- 984,047

-------------------------------
------------------
Segment financial information for 1999 is as follows:

<table>
<thead>
<tr>
<th>FREIGHT</th>
<th>TRANSIT</th>
<th>CORPORATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUP ACTIVITIES</td>
<td>RESTRUCTURING</td>
<td>TOTAL</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th>Sales to external customers</th>
<th>Intersegment sales/(elimination)</th>
<th>Total sales</th>
<th>Income from operations</th>
<th>Interest expense and other</th>
<th>Income before income taxes and extraordinary item</th>
</tr>
</thead>
<tbody>
<tr>
<td>MERGER AND IN THOUSANDS GROUP</td>
<td>$605,877</td>
<td>$238,202</td>
<td>$844,079</td>
<td>$133,348</td>
<td>$(41,562)</td>
<td>$46,190</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$23,278</td>
<td>$(68,325)</td>
<td>$(48,112)</td>
<td>$33,292</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

--- Depreciation and amortization
expenditures................. 14,007 9,364 696 -- 24,067
Segment assets.............. 757,171 208,106 31,399 -- 996,676

------------------
45
In 2001 and 2000, $530,000 and $2 million, $15.2 million and $235,000 of the above merger and restructuring costs related to the Freight Group and Transit Group, respectively. In 1999, the merger and restructuring charge primarily related to costs of the merger between WABCO and MotivePower, the consolidation of the corporate headquarters and the elimination of duplicate corporate functions.

The following geographic area data include net sales based on product shipment destination. Long-lived assets consists of plant, property and equipment, net of depreciation, which are resident in their respective countries.

### NET SALES LONG-LIVED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$582,655</td>
<td>$620,094</td>
<td>$656,399</td>
</tr>
<tr>
<td>Canada</td>
<td>73,177</td>
<td>92,001</td>
<td>83,746</td>
</tr>
<tr>
<td>Mexico</td>
<td>8,693</td>
<td>8,911</td>
<td>12,059</td>
</tr>
<tr>
<td>Other international</td>
<td>119,173</td>
<td>90,172</td>
<td>91,875</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$783,698</td>
<td>$811,178</td>
<td>$844,079</td>
</tr>
</tbody>
</table>

Export sales from the Company's United States operations were $90.3 million, $98.9 million and $93.6 million for the years ending December 31, 2001, 2000 and 1999, respectively. The following data reflects income from operations, including merger and restructuring related charges by major geographic area, attributed to the Company's operations within each of the following countries or regions.

### INCOME FROM OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$41,007</td>
<td>$54,331</td>
<td>$52,147</td>
</tr>
<tr>
<td>Canada</td>
<td>6,412</td>
<td>17,432</td>
<td>20,681</td>
</tr>
<tr>
<td>Mexico</td>
<td>(2,467)</td>
<td>168</td>
<td>6,224</td>
</tr>
<tr>
<td>Other international</td>
<td>9,106</td>
<td>5,860</td>
<td>8,700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$54,058</td>
<td>$77,791</td>
<td>$87,752</td>
</tr>
</tbody>
</table>

### 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments approximate their related carrying values, except for the following:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior Notes</strong></td>
<td>$(175,000)</td>
<td>$(173,250)</td>
</tr>
<tr>
<td><strong>Interest rate swaps</strong></td>
<td>$(3,914)</td>
<td>$(1,900)</td>
</tr>
<tr>
<td><strong>Senior Notes</strong></td>
<td>$(168,000)</td>
<td>$(175,000)</td>
</tr>
</tbody>
</table>
Fair values of the fixed rate obligations were estimated using discounted cash flow analyses. The fair value of the Company’s interest rate swaps (see Note 9) were based on dealer quotes and represent the estimated amount the Company would pay to the counterparty to terminate the swap agreements.
## 21. SELECTED QUARTERLY FINANCIAL DATA

(UNAUDITED) ----------------------------------

<table>
<thead>
<tr>
<th>Quarterly Period</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (in thousands)</td>
<td>$215,305</td>
<td>$194,117</td>
<td>$185,854</td>
<td>$188,422</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>61,413</td>
<td>53,577</td>
<td>47,782</td>
<td>47,154</td>
</tr>
<tr>
<td>Operating Income</td>
<td>24,493</td>
<td>18,574</td>
<td>10,932</td>
<td>59</td>
</tr>
<tr>
<td>Income from Continuing Operations Before Taxes</td>
<td>12,608</td>
<td>9,618</td>
<td>2,821</td>
<td>(6,620)</td>
</tr>
<tr>
<td>Income from Discontinued Operations (net of tax)</td>
<td>2,292</td>
<td>1,583</td>
<td>2,576</td>
<td>41,367</td>
</tr>
<tr>
<td>Net Income</td>
<td>10,362</td>
<td>7,961</td>
<td>6,393</td>
<td>37,064</td>
</tr>
<tr>
<td>Diluted Earnings (loss) from Continuing Operations per Common Share</td>
<td>$0.19</td>
<td>$0.14</td>
<td>$0.09</td>
<td>$0.10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarterly Period</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (in thousands)</td>
<td>$206,379</td>
<td>$206,068</td>
<td>$196,175</td>
<td>$202,556</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>64,752</td>
<td>58,805</td>
<td>55,810</td>
<td>56,295</td>
</tr>
<tr>
<td>Operating Income</td>
<td>26,839</td>
<td>19,685</td>
<td>14,792</td>
<td>16,475</td>
</tr>
<tr>
<td>Income from Continuing Operations Before Taxes</td>
<td>20,743</td>
<td>8,971</td>
<td>2,952</td>
<td>5,252</td>
</tr>
<tr>
<td>Income from Discontinued Operations (net of tax)</td>
<td>3,134</td>
<td>2,282</td>
<td>(352)</td>
<td>1,129</td>
</tr>
<tr>
<td>Net Income (loss)</td>
<td>16,410</td>
<td>11,492</td>
<td>(3,529)</td>
<td>6,381</td>
</tr>
<tr>
<td>Diluted Earnings (loss) from Continuing Operations per Common Share</td>
<td>$0.32</td>
<td>$0.13</td>
<td>$(0.08)</td>
<td>$0.08</td>
</tr>
<tr>
<td>Sales (in thousands)</td>
<td>$215,305</td>
<td>$194,117</td>
<td>$185,854</td>
<td>$188,422</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>61,413</td>
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<td>47,782</td>
<td>47,154</td>
</tr>
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<td>41,367</td>
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<tr>
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<td>6,393</td>
<td>37,064</td>
</tr>
<tr>
<td>Diluted Earnings (loss) from Continuing Operations per Common Share</td>
<td>$0.19</td>
<td>$0.14</td>
<td>$0.09</td>
<td>$0.10</td>
</tr>
</tbody>
</table>
Results have been restated for the 2001 sale of certain locomotive assets to GE and for other businesses the Company is exiting. These businesses are classified as discontinued operations.

The Company recorded restructuring-related costs of approximately $854,000 or $0.01 in the first quarter of 2001, $1.1 million or $0.02, $1.6 million or $0.02, and $192,000 or $0.00, net of tax, per diluted share, in the second, third and fourth quarters of 2001, respectively. The Company also recorded a $2 million, or $0.05, net of tax, per diluted share research and development tax credit in the third quarter of 2001. In the fourth quarter of 2001, the Company recorded a $9.3 million, or $0.14, net of tax, per diluted share charge for asset writedowns, consisting primarily of an asset impairment related to the locomotive lease fleet of $5.2 million, a writeoff of $1.8 million of an investment in Argentina and a $1.5 million writedown of a facility to its estimated realizable value, a $1.7 million, or $0.03, net of tax, per diluted share charge for severance related to a ten percent salary headcount reduction, and a $685,000, or $0.01, net of tax, per diluted share gain on the sale of unused facilities.

The Company recorded restructuring-related costs of approximately $1.9 million or $0.03 in the first quarter of 2000, $4.8 million or $0.07, $6.9 million or $0.10, and $4.5 million or $0.07, net of tax, per diluted share, in the second, third and fourth quarters of 2001, respectively. The Company also recorded a $4.4 million, or $0.07, net of tax, per diluted share gain on sale of a product line in the second quarter of 2001. In the third quarter of 2001, in conjunction with the ESOP termination, the Company incurred a $5.1 million non-cash, or $0.12 per diluted share charge, for the write-off of the related deferred tax asset. Also during the fourth quarter of 2001, the Company recorded a $2 million, or $0.03, net of tax, per diluted share charge for a legal settlement.

22. MERGER AND RESTRUCTURING CHARGE

In 2001, the Company completed a merger and restructuring plan with charges totaling $71 million pre-tax, with approximately $49 million of the charge expensed in 1999, $20 million in 2000 and $2 million in 2001. The plan involved the elimination of duplicate facilities and excess capacity, operational realignment and related workforce reductions, and the evaluation of certain assets as to their perceived ongoing benefit to the Company.

As of December 31, 2001, $3.2 million of the merger and restructuring charge was still remaining as accrued on the balance sheet. The table below identifies the significant components of the charge and reflects the accrual balance at that date.

<table>
<thead>
<tr>
<th>LEASE IMPAIRMENTS AND ASSET FACILITY</th>
<th>IN THOUSANDS</th>
<th>WRITEDOWN</th>
<th>SEVERANCE</th>
<th>RELOCATION</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance, January 1, 2001</td>
<td>$5,961</td>
<td>$296</td>
<td>$296</td>
<td>$6,257</td>
<td></td>
<td>$169</td>
</tr>
<tr>
<td>Amounts provided in 2001</td>
<td></td>
<td>2,942</td>
<td>379</td>
<td>402</td>
<td></td>
<td>3,723</td>
</tr>
<tr>
<td>Amounts paid in 2001</td>
<td>(3,503)</td>
<td>(2,417)</td>
<td>(379)</td>
<td>(529)</td>
<td></td>
<td>(6,828)</td>
</tr>
<tr>
<td>Beginning balance, January 1, 2001</td>
<td>$2,458</td>
<td>$525</td>
<td>$152</td>
<td>$3,132</td>
<td></td>
<td>$169</td>
</tr>
</tbody>
</table>

The lease impairment charges and asset writedowns are associated with the Company's closing of the plants noted, the relocation of the corporate headquarters, and the Company's evaluation of certain assets where projected cash flows from such assets over their remaining lives are estimated to be less than their carrying values. The other category represents other related costs that have been incurred and not yet paid as of December 31, 2001.

The Company began and completed a new restructuring plan for the Transit rail business in 2001. The Company estimates synergies from the plan will yield approximately $3 million of pre-tax cost savings in 2002 and beyond, with such benefits realized through reduced cost of sales and reduced selling, general and administrative expenses. The restructuring plan involved operational realignment and related workforce reductions. The charges to complete the restructuring plan totaled $2 million pre-tax.
The $2 million charge included costs associated with relocating several production operations from Chicago to Montreal, including severance costs for approximately 103 employees.
The Company had a long-term contract to provide maintenance and other locomotive services, which was part of the assets sold to GE. Details relative to cumulative costs incurred and revenues recognized were as follows:

DECEMBER 31,

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs incurred</td>
<td>$248,865</td>
<td></td>
</tr>
<tr>
<td>Estimated earnings</td>
<td></td>
<td>60,798</td>
</tr>
<tr>
<td>Total contract underbillings</td>
<td>$23,898</td>
<td>23,898</td>
</tr>
</tbody>
</table>
SIGNATURES

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

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

By /s/ GREGORY T. H. DAVIES

------------------------------------
Gregory T. H. Davies, Chief
Executive Officer
Date: March 26, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company in the capacities indicated and on the dates indicated.

SIGNATURE AND TITLE DATE ------ 
---------- ----------
----- ------

/s/ WILLIAM E. KASSLING
March 26, 2002 - ---- 
---------- ---------- 
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----------

- William E. Kassling, Chairman of the Board

/s/ GREGORY T. H. DAVIES
March 26, 2002 - ---- 
---------- ---------- 
---------- 
----------

- Gregory T. H. Davies, President, Chief Executive Officer and Director

/s/ ROBERT J. BROOKS
March 26, 2002 - ---- 
---------- ---------- 
---------- 
----------

- Robert J. Brooks, Chief Financial Officer, Chief Accounting Officer and Director

/s/ KIM G. DAVIS
March 26, 2002 - ---- 
---------- ---------- 
---------- 
----------

- Kim G. Davis, Director

/s/ EMILIO A. FERNANDEZ
March 26, 2002 - ---- 
---------- ---------- 
---------- 
----------

- Emilio
A.
Fernandez,
Director
/s/ LEE B. FOSTER, II
March 26, 2002 - ---

- Lee B.
  Foster,
  Director
  /s/ JAMES P. KELLEY
  March 26, 2002 - ---

- James P.
  Kelley,
  Director
  /s/ JAMES P. MISCOLL
  March 26, 2002 - ---

- James P.
  Miscoll,
  Director
  /s/ JAMES V. NAPIER
  March 26, 2002 - ---

- James V.
  Napier,
  Director
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION:

We have audited, in accordance with auditing standards generally accepted in the
United States, the consolidated financial statements of Westinghouse Air Brake
Technologies Corporation included in this Form 10-K, and have issued our report
thereon dated February 18, 2002. Our audit was made for the purpose of forming
an opinion on the basic financial statements taken as a whole. The schedule
listed in the index in Item 14(a) 2 of this Form 10-K is the responsibility of
the Company's management and is presented for purposes of complying with the
Securities and Exchange Commission's rules and is not part of the basic
financial statements. This schedule has been subjected to the auditing
procedures applied in the audit of the basic financial statements and, in our
opinion, fairly states in all material respects the financial data required to
be set forth therein in relation to the basic financial statements taken as a
whole.

/s/ ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania
February 18, 2002
## SCHEDULE II

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
FOR EACH OF THE THREE YEARS ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Period</th>
<th>Warranty and overhaul reserves</th>
<th>Allowance for doubtful accounts</th>
<th>Valuation allowance-taxes</th>
<th>Inventory reserves</th>
<th>Merger and restructuring reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$23,482 $19,821 $(6,658)</td>
<td>$21,272 $19,821 $15,373</td>
<td>8,641</td>
<td>17,309</td>
<td>8,705</td>
</tr>
<tr>
<td>2000</td>
<td>$26,832 $16,352 $4,813</td>
<td>$23,482 $19,821 $15,373</td>
<td>8,641</td>
<td>21,543</td>
<td>8,705</td>
</tr>
<tr>
<td>1999</td>
<td>$22,985 $10,805 $3,911</td>
<td>$26,832 $16,352 $4,813</td>
<td>8,641</td>
<td>16,862</td>
<td>8,705</td>
</tr>
</tbody>
</table>

(1) Reserves of acquired/(sold) companies

(2) Actual disbursements and/or charges

52
FILING METHOD

EXHIBITS

2.1 Amended and Restated Agreement and Plan of Merger, as amended (originally included as Annex A to the Joint Proxy Statement/Prospectus)


3.3 Amended and Restated By-Laws of the Company, effective November 19, 1999

4.1 Form of Indenture between the Company and The Bank of New York with respect to the public offering of $160,000,000 of 9 3/8% Senior Notes due 2005

4.2 Form of Note (included in Exhibit 4.1)

4.3 First Supplemental Indenture dated as of March 21, 1997 between the Company and The Bank of New York

4.4 Indenture dated as of January 12, 1999 by and between the Company and The Bank of New York with respect to the private offering of $75,000,000 of 9 3/8% Senior Notes due 2006, Series B

4.5 Form of Note (included in Exhibit 4.4)

10.1 MotivePower Stock Option Agreement (originally included as Annex B to the Joint Proxy Statement/Prospectus)

10.2 Westinghouse Air Brake Stock Option Agreement (originally included as Annex C to the Joint Proxy Statement/Prospectus)


10.5 Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust, effective January 31, 1995

10.6 ESOP Loan Agreement dated January 31, 1995 between Westinghouse Air Brake Company Employee Stock Ownership Trust ("ESOP") and the Company (Exhibits

10.8 Pledge Agreement dated January 31, 1995 between ESOT and the Company 2

10.9 Amended and Restated Refinancing Credit Agreement dated as of November 19, 1999 among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York (Schedules and Exhibits omitted) 9

10.10 Amended and Restated Stockholders Agreement dated as of March 5, 1997 among the RAC Voting Trust ("Voting Trust"), Vestar Equity Partners, L.P. ("Vestar Equity"), Harvard Private Capital Holdings, Inc. ("Harvard"), American Industrial Partners Capital Fund II, L.P. ("AIP") and the Company 5

10.11 Common Stock Registration Rights Agreement dated as of January 31, 1995 among the Company, Scandinavian Incentive Holding B.V. ("SIH"), Voting Trust, Vestar Equity, Pulse Electronics, Inc., Pulse Embedded Computer Systems, Inc., the Pulse Shareholders and ESOT (Schedules and Exhibits omitted) 2

10.12 Indemnification Agreement dated January 31, 1995 between the Company and the Voting Trust Trustees 2
10.13 Agreement of Sale and Purchase of the North American Operations of the Railway Products Group, an operating division of American Standard Inc., dated as of 1990 between Rail Acquisition Corp. and American Standard Inc. (only provisions on indemnification are reproduced)

10.14 Letter Agreement (undated) between the Company and American Standard Inc. on environmental costs and sharing

10.15 Purchase Agreement dated as of June 17, 1992 among the Company, Schuller International, Inc., Manville Corporation and European Overseas Corporation (only provisions on indemnification are reproduced)

10.16 Asset Purchase Agreement dated as of January 23, 1995 among the Company, Pulse Acquisition Corporation, Pulse Electronics, Inc., Pulse Embedded Computer Systems, Inc. and the Pulse Shareholders (Schedules and Exhibits omitted)

10.17 License Agreement dated as of December 31, 1993 between SAB WABCO Holdings B.V. and the Company


10.19 Westinghouse Air Brake Company 1995 Stock Incentive Plan, as amended
Westinghouse
Air Brake
Company 1995
Non-Employee
Directors’ Fee
and Stock
Option Plan, as
amended

9.10.21
Employment
Agreement
between William
E. Kassling and
the Company

9.10.22
Letter
Agreement dated
as of January
1, 1995 between
the Company and
Vestar Capital
Partners, Inc.

9.10.23
Form of
Indemnification
Agreement
between the
Company and
Authorized
Representatives

9.10.24
Share
Purchase
Agreement
between Futuris
Corporation
Limited and the
Company

9.10.25
Purchase
Agreement dated
as of September
19, 1996 by and
among Mark IV
Industries,
Inc., Mark IV
PLC, and W&P
Holding Corp.

9.10.26
Purchase
Agreement dated
as of September
19, 1996 by and
among Mark IV
Industries
Limited and
Westinghouse
Railway
Holdings
(Canada) Inc.

9.10.27
Amendment No. 1
to Amended and
Restated
Stockholders
Agreement dated
as of March 5,
1997 among the
Voting Trust,
Vestar,
Harvard, AIP
and the Company

9.10.28
Common
Stock
Registration
Rights
Agreement dated
as of March 5,
1997 among the
Company,
Harvard, AIP
and the Voting
Trust

9.10.29
1998 Employee
Stock Purchase
Plan

9.10.30
Sale Agreement
dated as of
August 7, 1998
by and between
Rockwell
Collins, Inc.
and the Company
(Schedules and
Exhibits
omitted)
(Originally
filed as
Exhibit No.
2.01) 6 10.31
Amendment No. 1
dated as of
October 5, 1998
to Sale
Agreement dated
as of August 7,
1998 by and
between
Rockwell
Collins, Inc.
and the Company
(Originally
filed as
Exhibit No.
2.02) 6 10.32
Westinghouse
Air Brake
Technologies
Corporation
2000 Stock
Incentive Plan
10
FILING METHOD
EXHIBITS -----

10.33 Amendment No. 1, dated as of November 16, 2000, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and ABN AMRO Bank N.V. as bookrunner and co-syndication agent, The Bank of New York, as co-syndication agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A., (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999 among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted) 11

10.34 Amendment No. 2, dated as of March 30, 2001, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and ABN AMRO Bank N.V. as bookrunner
and co-syndication agent, The Chase Manhattan Bank as administrative agent, The Bank of New York, as co-syndication agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A. (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, as amended, among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company’s Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted) 1 Amendment No. 3, dated as of July 18, 2001, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and LaSalle Bank National Association and ABN AMRO Bank N.V. as bookrunner and co-syndication agent, The Bank of New York, as co-syndication agent, The Chase Manhattan Bank as administrative agent, Mellon Bank, N.A., as documentation
agent, and
The Chase
Manhattan
Bank USA,
N.A.,
(successor in
interest to
Chase
Manhattan
Bank
Delaware), as
an issuing
bank, to the
Amended and
Restated
Refinancing
Credit
Agreement,
dated as of
November 19,
1999, as
amended,
among
the
Company,
various
financial
institutions,
ABN AMRO Bank
N.V., The
Chase
Manhattan
Bank, and The
Bank of New
York which
was filed as
Exhibit 10.9
to the
Company's
Annual Report
on Form 10-K
for the
period ended
December 31,
1999
(Exhibits
omitted) 1
10.36
Amendment No. 4, dated as
of September
17, 2001, by
and among the
Company and
the
Guarantors
from Time to
Time Party
Thereof, and
the Banks
From Time to
Time Party
Thereof, and
LaSalle Bank
National
Association
as bookrunner
and co-
syndication
agent, The
Chase
Manhattan
Bank as
administrative
agent, The
Bank of New
York, as co-
syndication
agent, Mellon
Bank, N.A.,
as documentation
agent, and
The Chase
Manhattan
Bank USA,
N.A.,
(successor in
interest to
Chase
Manhattan
Bank
Delaware), as
an issuing
bank, to the
Amended and
Restated
Refinancing
Credit
Agreement, dated as of November 19, 1999, as amended, among the Company, various financial institutions, LaSalle Bank National Association, The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted)
Amendment No. 5, dated as of November 14, 2001, by and among the Company and the Guarantors from Time to Time Party Thereto, and the Banks From Time to Time Party Thereto, and LaSalle Bank National Association as bookrunner and co-syndication agent, JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank) as administrative agent, The Bank of New York, as co-syndication agent, Mellon Bank, N.A., as documentation agent, and The Chase Manhattan Bank USA, N.A., (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, to the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, as amended, among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York which was filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999 (Exhibits omitted) 1
through its
GE
Transportation
Systems
business and
Westinghouse
Air Brake
Technologies
Corporation, dated as of
July 24, 2001
12 21 List of
subsidiaries
of the
Company 1 23
Consent of
Arthur
Andersen LLP
1 99 Annual
Report on
Form 11-K for
the year
ended
December 31, 2000 of the
Westinghouse
Air Brake
Company
Employee
Stock
Ownership
Plan and
Trust 11 99.1
Annual Report
on Form 11-K
for the year
ended
December 31, 2001 of the
Westinghouse
Air Brake
Company
Employee
Stock
Ownership
Plan and
Trust 1 99.2
Annual Report
on Form 11-K
for the year
ended
December 31, 2001 of the
Westinghouse
Air Brake
Company
Savings Plan
1 99.3 Arthur
Andersen LLP
Quality
Control
Letter 1

FILING
METHOD -----
------------- 1
Filed
herewith. 2
Filed as an
exhibit to
the
Company's
Registration
Statement
on Form S-1
(No. 33-
99866). 3
Filed as an
exhibit to
the
Company's
Current
Report on
Form 8-K, dated
October 3, 1996. 4
Filed as an
exhibit to
the
Company's
Registration
Statement
on Form S-8
(No. 333-
39159). 5
Filed as an
exhibit to
the
Company's
Annual
Report on
Form 10-K
for the
period
ended
December
31, 1997. 6
Filed as an
exhibit to
the
Company's
Current
Report on
Form 8-K,
dated
October 5,
1998. 7
Filed as an
exhibit to
the
Company's
Annual
Report on
Form 10-K
for the
period
ended
December
31, 1998. 8
Filed as part of the
Company's
Registration
Statement
on Form S-4
(No. 333-
88903). 9
Filed as an
exhibit to
the
Company's
Annual
Report on
Form 10-K
for the
period
ended
December
31, 1999. 10
Filed as
an exhibit
to the
Company's
Quarterly
Report on
Form 10-Q
for the
period
ended June
30, 2000. 11
Filed as
an exhibit
to the
Company's
Annual
Report on
Form 10-K
for the
period
ended
December
31, 2000. 12
Filed as
an exhibit
to the
Company's
Current
Report on
Form 8-K,
dated
November
AMENDMENT NO. 2 TO AMENDED AND RESTATED
REFINANCING CREDIT AGREEMENT

THIS AMENDMENT NO. 2 (this "Amendment") is dated as of March 30, 2001, and amends the Amended and Restated Refinancing Credit Agreement, by and among WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION (formerly known as Westinghouse Air Brake Company) and THE GUARANTORS FROM TIME TO TIME PARTY THERETO and THE BANKS FROM TIME TO TIME PARTY THERETO and ABN AMRO BANK N.V., as bookrunner and co-syndication agent, THE CHASE MANHATTAN BANK, as administrative agent, and THE BANK OF NEW YORK, as co-syndication agent, MELLON BANK, N.A., as documentation agent, and CHASE MANHATTAN BANK USA, N.A. (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, dated as of November 19, 1999, as amended by Amendment No. 1 to Amended and Restated Refinancing Credit Agreement, dated as of November 16, 2000 (as amended, the "Credit Agreement").

BACKGROUND
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The parties hereto desire to amend the Credit Agreement to (i) modify the minimum interest coverage ratio, (ii) allow the Borrower to make a loan to the current management of Vapor Power, a division of Vapor Corporation, or an entity controlled by them ("Vapor Management") in connection with the sale of Vapor Power to Vapor Management (the "Vapor Power Sale"), and (iii) allow the Borrower to guaranty certain obligations of Vapor Management to a lender providing financing to Vapor Management in connection with the Vapor Power Sale. Vapor Corporation shall remain a Guarantor under the Credit Agreement.

OPERATIVE PROVISIONS
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NOW THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements herein contained, incorporating the above-defined terms herein, and intending to be legally bound hereby agree as follows:

ARTICLE I
AMENDMENTS
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1.01 Defined Terms; References. Terms not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement. Each reference to "hereof," "hereunder," "herein," and "hereby" and similar references contained in the Credit Agreement and each reference to "this Agreement" and similar references contained in the Credit Agreement shall, on and after the date hereof, refer to the Credit Agreement as amended hereby.

1.02 Indebtedness, Rents Covenant. As of the date hereof, a new clause (ix) is added to Section 8.2.1 of the Credit Agreement as follows:

"(ix) Indebtedness in the form of a Guaranty permitted under Section 8.2.3 hereof."

1.03 Guaranties Covenant. As of the date hereof, Section 8.2.3 of the Credit Agreement is deleted in its entirety and the following is inserted therefor:
8.2.3. Guaranties. 

Neither the Borrower nor any of its Subsidiaries shall, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guaranty, become surety for, endorse or otherwise become or remain directly, indirectly or contingently liable upon or with respect to any obligation or liability of any other Person, except for (i) Guaranties of the Indebtedness of the Borrower and its Subsidiaries permitted hereunder and (ii) a Guaranty by the Borrower of the obligations of Vapor Management to the lender providing financing to Vapor Management in connection with the Vapor Power Sale in an amount not to exceed $3,500,000.

1.04 Loans and Investments Covenant. As of the date hereof, Section 8.2.4 of the Credit Agreement is deleted in its entirety and the following is inserted therefor:

8.2.4. Loans and Investments. 

Neither the Borrower nor any of its Subsidiaries shall, at any time, make or suffer to remain outstanding any loan or advance to, or purchase, acquire, or own any stock, bonds, notes, or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution to or other Investment in, any other Person, or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) advances to employees of Loan Parties to meet expenses incurred by such employees in the ordinary course of business;

(iii) Permitted Investments;

(iv) Permitted Acquisitions; and

(v) a loan from the Borrower to Vapor Management for the consummation of the Vapor Power Sale in an amount not to exceed $1,000,000.

1.05 Minimum Interest Coverage Ratio. As of the date hereof, Section 8.2.14 of the Credit Agreement is deleted in its entirety and the following is inserted therefor:


The Loan Parties shall not permit the ratio of Cash Flow to consolidated interest expense (including the interest component of payments made in connection with capitalized leases, synthetic leases, and similar leases) of Borrower and its Subsidiaries, calculated as of the end of each fiscal quarter for the immediately preceding four (4) fiscal quarters then ended, (i) for the fiscal quarters ending on or before September 30, 2001, to be less than 3.25 to 1.0, and (ii) for the fiscal quarters ending on December 31, 2001, or thereafter, to be less than 3.5 to 1.0.

1.06 Mergers. Each of the Loan Parties acknowledges, represents, and warrants that, on or about December 31, 2000, MP International I, Inc., MP International II, Inc., and TFL, Inc., each a
Delaware corporation, merged with and into WABTEC Holding Corp. which was the surviving company of the merger.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

As of the date hereof, the Loan Parties, jointly and severally, represent and warrant to the Agent and each of the Banks as follows:

2.01 The execution and delivery by the Loan Parties of this Amendment, the consummation by the Loan Parties of the transactions contemplated by the Credit Agreement as amended hereby, and the performance by each Loan Party of its respective obligations hereunder and thereunder have been duly authorized by all necessary corporate proceedings, if any, on the part of each Loan Party. On the date of Borrower's execution hereof, there are no set-offs, claims, defenses, counterclaims, causes of action, or deductions of any nature against any of the Obligations.

2.02 This Amendment has been duly and validly executed and delivered by each Loan Party and constitutes, the legal, valid and binding obligations of each Loan Party enforceable in accordance with the terms hereof and thereof, except as the enforceability of this Amendment or the Credit Agreement as amended hereby may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

2.03 Neither the execution and delivery of this Amendment, nor consummation of the transactions contemplated hereby or by the Credit Agreement as amended hereby, nor compliance with the terms and provisions hereof or thereof will (a) violate any Law, (b) conflict with or result in a breach of or a default under the articles or certificate of incorporation or bylaws of any Loan Party or any material agreement or instrument to which any Loan Party is a party or by which any Loan Party or any of their respective properties (now owned or hereafter acquired) may be subject or bound, (c) require any consent or approval of any Person under the terms of any such agreement or instrument, (d) result in the creation or imposition of any Lien upon any property (now owned or hereafter acquired) of any Loan Party or (e) require any authorization, consent, approval, license, permit, exemption or other action by, or any registration, qualification, designation, declaration or filing with, any Official Body.

2.04 After giving effect to the amendments made herein: (i) no Event of Default under and as defined in the Credit Agreement has occurred and is continuing, and (ii) the representations and warranties of each of Borrower and the other Loan Parties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof with the same force and effect as though made on such date, except to the extent that any such representation or warranty expressly relates solely to a previous date. Vapor Corporation shall remain a Guarantor under the Credit Agreement.

ARTICLE III
EFFECT, EFFECTIVENESS, CONSENT OF GUARANTORS

3.01 Effectiveness. This Amendment shall become effective in accordance with its terms on the date that Agent shall have received from each of the Borrower, the Loan Parties, and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to Agent) that such party has signed a counterpart hereof. Within forty-five (45) days...
of the date hereof, each of the Loan Parties shall have delivered to the Agent a certificate signed by the Secretary or Assistant Secretary of such Loan Party certifying as appropriate as to (a) authorization of such Loan Party to enter into the transactions contemplated by this Amendment, (b) the names of the officers of such Loan Party authorized to execute this Amendment and the true signatures of such officers, on which the Agent and each Bank may conclusively rely, and (c) copies of the organizational documents of such Loan Party that have been amended, restated, supplemented or otherwise modified since the date of the last certification to the Agent, including such Loan Party's certificate of incorporation and bylaws, each certified, to the extent applicable, by the appropriate state official where such documents are filed in a state office.

3.02 Amendment. The Credit Agreement is hereby amended in accordance with the terms hereof, and this Amendment and the Credit Agreement shall hereafter be one agreement and any reference to the Credit Agreement in any document, instrument, or agreement shall hereafter mean and include the Credit Agreement as amended hereby. In the event of irreconcilable inconsistency between the terms or provisions hereof and the terms or provisions of the Credit Agreement, the terms and provisions hereof shall control.

3.03 Joinder of Guarantors. Each of the Guarantors hereby joins in this Amendment to evidence its consent hereto, and each Guarantor hereby reaffirms its obligations set forth in the Credit Agreement, as hereby amended, and in each Guaranty Agreement and each other Loan Document given by it in connection therewith.

ARTICLE IV
MISCELLANEOUS
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4.01 Credit Agreement. Except as specifically amended by the provisions hereof, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto.

4.02 Counterparts, Telecopy Signatures. This Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument; and, delivery of executed signature pages hereof by telecopy transmission from one party to another shall constitute effective and binding execution and delivery respectively of this Amendment by such party.

4.03 Governing Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

4.04 Expenses. The Loan Parties agree, jointly and severally, to reimburse the Agent for its reasonable out-of-pocket expenses arising in connection with the negotiation, preparation and execution of this Amendment, including the reasonable fees and expenses of Buchanan Ingersoll PC, counsel for the Agent.

4.05 Severability. If any provision of this Amendment, or the application thereof to any party hereto, shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Amendment which can be given effect without the invalid and unenforceable provision or application, and to this end the parties hereto agree that the provisions of this Amendment are and shall be severable.

-4-
4.06 Banks’ Consent. Each Bank, by its execution hereof, hereby consents to this Amendment pursuant Section 11.1 of the Credit Agreement. IN WITNESS WHEREOF, the parties hereto, by their officers duly authorized, have executed and delivered this Amendment as of the date first above written.

[SIGNATURE PAGES FOLLOW]

-5-
BORROWER:

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION

By: _________________________(SEAL)
    Name:
    Title:

GUARANTORS:

RAILROAD FRICTION PRODUCTS
CORPORATION; VAPOR CORPORATION;
MOTIVEPOWER CANADA CORPORATION;
WABTEC DISTRIBUTION COMPANY;
MOTIVEPOWER, INC.; YOUNG TOUCHSTONE
COMPANY; WABTEC ENGINE SYSTEMS
COMPANY; WABTEC HOLDING CORP.
(successor by merger to MP
International I, Inc., and MP
International II, Inc.); WABTEC
CORPORATION

By: _________________________(SEAL)
    Name:
    Title:  Vice President of each
            of the above listed
            companies
BANKS:

ABN AMRO BANK N.V., individually and as
Bookrunner and Co-Syndication Agent

By: ---------------------------------------
Name: 
Title: 

By: ---------------------------------------
Name: 
Title: 
MELLON BANK, N.A., individually and as Documentation Agent

By: 

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Name:    
Title:   
THE CHASE MANHATTAN BANK, individually and as Administrative Agent

By: 

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Name: 
Title: 
NATIONAL CITY BANK OF PENNSYLVANIA

By:

---------------------------
Name:
Title:
PNC BANK, NATIONAL ASSOCIATION

By: ------------------------------------------
    Name: ------------------------------------------
    Title: ------------------------------------------
FLEET NATIONAL BANK

By:

Name:
Title:
U.S. BANK NATIONAL ASSOCIATION

By:

Name:
Title:
BANK ONE MICHIGAN

By: 

----------------------------------------------
Name: 
Title: 

DG BANK
DEUTSCHE GENOSSENSCHAFTSBANK AG

By:
--------------------------------------
Name:
Title:

By:
--------------------------------------
Name:
Title:
THE BANK OF NOVA SCOTIA

By: ________________________________
    
    Name:
    Title:
BANK OF TOKYO-MITSUBISHI TRUST CO.

By: ________________________________

Name: ________________________________

Title: ________________________________
CREDIT AGRICOLE INDOSUEZ

By: 
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Name: 
Title: 

By: 
-------------------------------
Name: 
Title:
CREDIT LYONNAIS NEW YORK BRANCH

By: ____________________________________________

Name: _________________________________
Title: ________________________________
By: 

Name: 
Title: 

By: 

Name: 
Title:
MANUFACTURERS AND TRADERS TRUST COMPANY

By:

---------------------------------------------
Name: 
Title:
By:

---------------------------------------------
Name:
Title:
ISSUING BANK:
CHASE MANHATTAN BANK USA, N.A.

By:

----------------------------------------------
Name:
Title:
THIS AMENDMENT NO. 3 (this "Amendment") is dated as of July 18, 2001, and amends the Amended and Restated Refinancing Credit Agreement, by and among WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION (formerly known as Westinghouse Air Brake Company) and THE GUARANTORS FROM TIME TO TIME PARTY THERETO and THE BANKS FROM TIME TO TIME PARTY THERETO INCLUDING LASALLE BANK NATIONAL ASSOCIATION ("LaSalle") and ABN AMRO BANK N.V. ("ABN AMRO"), as bookrunner and co-syndication agent, THE CHASE MANHATTAN BANK, as administrative agent, and THE BANK OF NEW YORK, as co-syndication agent, MELLON BANK, N.A., as documentation agent, and CHASE MANHATTAN BANK USA, N.A. (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, dated as of November 19, 1999, as amended by Amendment No. 1 to Amended and Restated Refinancing Credit Agreement, dated as of November 16, 2000 and Amendment No. 2 to Amended and Restated Refinancing Credit Agreement, dated as of March 30, 2001 (as amended, the "Credit Agreement").

BACKGROUND
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The parties hereto desire to amend the Credit Agreement as hereinafter provided to (i) replace ABN AMRO Bank as Agent under, and as defined in, the Credit Agreement, (ii) waive the requirement for thirty (30) days’ prior notice thereof and (iii) otherwise amend the Credit Agreement to facilitate the replacement of the Agent.

OPERATIVE PROVISIONS
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NOW THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements herein contained, incorporating the above-defined terms herein, and intending to be legally bound hereby agree as follows:

ARTICLE I
AMENDMENTS
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1.01 Defined Terms; References. Terms not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement. Each reference to "hereof," "hereunder," "herein," and "hereby" and similar references contained in the Credit Agreement and each reference to "this Agreement" and similar references contained in the Credit Agreement shall, on and after the date hereof, refer to the Credit Agreement as amended hereby.

1.02 Amendments to Existing Definitions. (a) Section 1.1 [Definitions] of the Credit Agreement is hereby amended by deleting the definitions of "Agent", "Issuing Bank", and "Swingline Bank" in their entirety and inserting in lieu thereof the following:

"AGENT shall mean LaSalle Bank National Association, its successors and assigns."
"ISSUING BANK shall mean ABN AMRO Bank N.V., Chase Manhattan Bank USA, N.A. or LaSalle, provided that with respect to any Letters of Credit issued hereunder (other than those Letters of Credit deemed to be issued hereunder pursuant to Section 11.19 hereof) (i) on or after the date hereof, but prior to July 18, 2001, the Issuing Bank shall mean only ABN AMRO Bank N.V., and (ii) on or after July 18, 2001, the Issuing Bank shall mean only LaSalle."

"SWINGLINE BANK shall mean LaSalle."

(b) References in the Credit Agreement to "ABN AMRO", "ABN AMRO Bank" or "ABN AMRO Bank N.V.", (i) in the preamble of the Credit Agreement, (ii) as the Swingline Bank in the definition of "Commitment", (iii) in Section 10.1 of the Credit Agreement, (iv) in Section 10.11 of the Credit Agreement, and (v) in all other provisions of the Credit Agreement, except for Section 2.9 of the Credit Agreement and the definition of “Issuing Bank”, are hereby deemed to be references to "LaSalle" unless the context shall clearly otherwise require.

1.03 New Definitions. Section 1.1 [Definitions] of the Credit Agreement is hereby amended by adding the following definitions in the appropriate alphabetical order in such section:

"LASALLE shall mean LaSalle Bank National Association."

"VAPOR MANAGEMENT shall mean the managers of Vapor Power, a division of Vapor Corporation, or an entity controlled by such managers."

"VAPOR POWER SALE shall mean the sale of Vapor Power, a division of Vapor Corporation, to Vapor Management."

1.04 Appointment of Successor Agent. The Borrower and Banks acknowledge that ABN AMRO, pursuant to an Assignment and Assumption Agreement dated as of the date hereof, has assigned to and LaSalle has assumed from ABN AMRO all of ABN AMRO's rights and obligations as a Bank under the Credit Agreement, as more fully set forth therein and, accordingly, LaSalle is one of the Bank parties to the Credit Agreement. ABN AMRO hereby provides to Borrower and the Banks, and the Borrower and the Banks hereby acknowledge receipt from ABN AMRO of, written notice of its resignation as Agent. The Borrower and the Required Banks hereby waive any requirement that ABN AMRO provide to Borrower or Banks 30 days prior notice of such resignation under Section 10.14 of the Credit Agreement and the Required Banks hereby appoint LaSalle to be Agent under, and as such term is used and defined in, the Credit Agreement and Borrower hereby consents to the appointment by the Required Banks of LaSalle as the successor Agent as such term is used and defined in the Credit Agreement. Accordingly, the Banks and the Borrower hereby acknowledge that: LaSalle shall, without any further action, be deemed to be substituted as the Agent for ABN AMRO in such capacity on all the other Loan Documents.

ARTICLE II
REPRESENTATIONS AND WARRANTIES
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As of the date hereof, the Loan Parties, jointly and severally, represent and warrant to the Agent and each of the Banks as follows:

2.01 The execution and delivery by the Loan Parties of this Amendment, the consummation by the Loan Parties of the transactions contemplated by the Credit Agreement as amended hereby, and
the performance by each Loan Party of its respective obligations hereunder and thereunder have been duly authorized by all necessary corporate proceedings, if any, on the part of each Loan Party. On the date of Borrower's execution hereof, there are no set-offs, claims, defenses, counterclaims, causes of action, or deductions of any nature against any of the Obligations.

2.02 This Amendment has been duly and validly executed and delivered by each Loan Party and constitutes, and the Credit Agreement as amended hereby constitutes, the legal, valid and binding obligations of each Loan Party enforceable in accordance with the terms hereof and thereof, except as the enforceability of this Amendment or the Credit Agreement as amended hereby may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors’ rights or by general principles of equity limiting the availability of equitable remedies.

2.03 Neither the execution and delivery of this Amendment, nor consummation of the transactions contemplated hereby or by the Credit Agreement as amended hereby, nor compliance with the terms and provisions hereof or thereof will (a) violate any Law, (b) conflict with or result in a breach of or a default under the articles or certificate of incorporation or bylaws of any Loan Party or any material agreement or instrument to which any Loan Party is a party or by which any Loan Party or any of their respective properties (now owned or hereafter acquired) may be subject or bound, (c) require any consent or approval of any Person under the terms of any such agreement or instrument, (d) result in the creation or imposition of any Lien upon any property (now owned or hereafter acquired) of any Loan Party or (e) require any authorization, consent, approval, license, permit, exemption or other action by, or any registration, qualification, designation, declaration or filing with, any Official Body.

2.04 After giving effect to the amendments made herein: (i) no Event of Default under and as defined in the Credit Agreement has occurred and is continuing, and (ii) the representations and warranties of each of Borrower and the other Loan Parties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof with the same force and effect as though made on such date, except to the extent that any such representation or warranty expressly relates solely to a previous date.

ARTICLE III
EFFECT, EFFECTIVENESS, CONSENT OF GUARANTORS
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3.01 Effectiveness. This Amendment shall become effective in accordance with its terms on the date that Agent shall have received from each of the Borrower, the Loan Parties, and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to Agent) that such party has signed a counterpart hereof. Within forty-five (45) days of the date hereof, each of the Loan Parties shall have delivered to the Agent a certificate signed by the Secretary or Assistant Secretary of such Loan Party certifying as to the due authorization of such Loan Party to enter into this Amendment and of the officer executing this Amendment on its behalf.

3.02 Amendment. The Credit Agreement is hereby amended in accordance with the terms hereof, and this Amendment and the Credit Agreement shall hereafter be one agreement and any reference to the Credit Agreement in any document, instrument, or agreement shall hereafter mean and include the Credit Agreement as amended hereby. In the event of irreconcilable inconsistency between the terms or provisions hereof and the terms or provisions of the Credit Agreement, the terms and provisions hereof shall control.
3.03 Joinder of Guarantors. Each of the Guarantors hereby joins in this Amendment to evidence its consent hereto, and each Guarantor hereby reaffirms its obligations set forth in the Credit Agreement, as hereby amended, and in each Guaranty Agreement and each other Loan Document given by it in connection therewith.

ARTICLE IV
MISCELLANEOUS

4.01 Credit Agreement. Except as specifically amended by the provisions hereof, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto.

4.02 Counterparts, Telecopy Signatures. This Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument; and, delivery of executed signature pages hereof by telecopy transmission from one party to another shall constitute effective and binding execution and delivery respectively of this Amendment by such party.

4.03 Governing Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

4.04 Severability. If any provision of this Amendment, or the application thereof to any party hereto, shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Amendment which can be given effect without the invalid and unenforceable provision or application, and to this end the parties hereto agree that the provisions of this Amendment are and shall be severable.

4.05 Banks' Consent. Each Bank, by its execution hereof, hereby consents to this Amendment pursuant Section 11.1 of the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto, by their officers duly authorized, have executed and delivered this Amendment as of the date first above written.

[SIGNATURE PAGES FOLLOW]
IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

[BORROWER]

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION (f/k/a Westinghouse Air Brake Company)

By: _______________________________ (SEAL)

Name: _______________________________
Title: ________________________________

[GUARANTORS]

RAILROAD FRICTION PRODUCTS CORPORATION; VAPOR CORPORATION; MOTIVEPOWER CANADA CORPORATION; WABTEC DISTRIBUTION COMPANY; MOTIVEPOWER, INC.; YOUNG TOUCHSTONE COMPANY; WABTEC ENGINE SYSTEMS COMPANY; WABTEC HOLDING CORP.; WABTEC CORPORATION

By: _______________________________ (SEAL)

Name: _______________________________
Title: Vice President of each of the above listed companies
ABN AMRO BANK N.V. individually, as an Issuing Bank and as resigning Agent, Bookrunner, and Co-Syndication Agent

By: __________________________________________
Name: _______________________________________
Title: _______________________________________

By: __________________________________________
Name: _______________________________________
Title: _______________________________________
LASALLE BANK NATIONAL ASSOCIATION,
individually and as successor Agent,
Bookrunner, and Co-Syndication Agent

By: 
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Name: 
Title: 
MELLON BANK, N.A., individually and as Documentation Agent

By: 

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Name: 
Title:
THE CHASE MANHATTAN BANK, individually and as Administrative Agent

By:  

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Name:  
Title:
NATIONAL CITY BANK OF PENNSYLVANIA

By: 

Name: 
Title: 
PNC BANK, NATIONAL ASSOCIATION

By: 

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Name: 
Title: 
FLEET NATIONAL BANK (formerly BankBoston, N.A.)

By: 

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Name: 
Title: 
U.S. BANK NATIONAL ASSOCIATION

By:

----------------------------------------
Name: ________________________________
Title: ________________________________
THE BANK OF NEW YORK, individually and as
Co-Syndication Agent

By: ________________________________________
Name: ______________________________________
Title: _______________________________________
BANK ONE, N.A.

By:  
Name:  
Title:  

FIRST UNION NATIONAL BANK

By: ________________________________

Name: ______________________________
Title: ______________________________
DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG

By: 
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Name: 
Title: 

By: 
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Name: 
Title: 
CREDIT LYONNAIS NEW YORK BRANCH

By:

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Name:
Title:
CREDIT SUISSE FIRST BOSTON

By: ----------------------------------------
Name: 
Title: 

By: ----------------------------------------
Name: 
Title: 

THE DAI-ICHI KANGYO BANK, LTD.

By: 

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Name:
Title:
MANUFACTURERS AND TRADERS TRUST COMPANY

By:

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Name:
Title:
SUNTRUST BANK

By: 

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Name: 
Title: 
CHASE MANHATTAN BANK USA, N.A., as an Issuing Bank

By: 

----------------------------------------
Name: ________________________________
Title: ________________________________
CONSENT AND AMENDMENT NO. 4 TO AMENDED AND RESTATED
REFINANCING CREDIT AGREEMENT

EXHIBIT 10.36

CONSENT AND AMENDMENT NO. 4 (this "Amendment") is dated as of September 17, 2001, and amends the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, by and among WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION (formerly known as Westinghouse Air Brake Company) ("Borrower") and THE GUARANTORS FROM TIME TO TIME PARTY THERETO ("Guarantors") and THE BANKS FROM TIME TO TIME PARTY THERETO ("Banks") and LASALLE BANK NATIONAL ASSOCIATION, as bookrunner and co-syndication agent ("Agent"), THE CHASE MANHATTAN BANK, as administrative agent, and THE BANK OF NEW YORK, as co-syndication agent, MELLON BANK, N.A., as documentation agent, LASALLE BANK NATIONAL ASSOCIATION, as an issuing bank, ABN AMRO BANK N.V., as an issuing bank, and CHASE MANHATTAN BANK USA, N.A. (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, as amended by Amendment No. 1 to Amended and Restated Refinancing Credit Agreement, dated as of November 16, 2000, Amendment No. 2 to Amended and Restated Refinancing Credit Agreement, dated as of March 30, 2001, and Amendment No. 3 to Amended and Restated Refinancing Credit Agreement, dated as of July 18, 2001 (as so amended, the "Credit Agreement").

BACKGROUND

Borrower and certain of its Subsidiaries propose to sell the assets described on Schedule 1.1(C) hereto in accordance with the terms of that Purchase Agreement, dated as of July 24, 2001, among Borrower and General Electric Company, acting through its GE Transportation Systems Business (the "GE Sale");

The parties hereto desire to (i) consent to the GE Sale, and (ii) accordingly amend the Credit Agreement.

OPERATIVE PROVISIONS

NOW THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements herein contained, incorporating the above-defined terms herein, and intending to be legally bound hereby agree as follows:

ARTICLE I
CONSENT AND AMENDMENTS

1.01 Defined Terms; References. Terms not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement. As used in this Amendment, "including" is not a term of limitation and means "including without limitation." Each reference to "hereof," "hereunder," "herein," and "hereby" and similar references contained in the Credit Agreement and each reference to "this Agreement" and similar references contained in the Credit Agreement shall, on and after the date hereof, refer to the Credit Agreement as amended hereby.

1.02 New Definitions. Section 1.1 [Definitions] of the Credit Agreement is hereby amended to add the following definitions in the appropriate alphabetical order in such section:
GAIN FROM THE GE SALE shall mean the amount in Dollars of the gain to Borrower and its Subsidiaries, on a consolidated basis, arising from the GE Sale after the payment of all taxes arising in connection therewith, as reported (or to be reported) on the financial statements of Borrower and its Subsidiaries and determined in accordance with GAAP.

GE SALE shall mean that sale, to be made pursuant to the terms of the Purchase Agreement, dated as of July 24, 2001, among Borrower and General Electric Company, acting through its GE Transportation Systems Business, of the assets described on Schedule 1.1(C).

1.03 Consent under and Amendment of Credit Agreement.

(a) CONSENT. The Banks hereby consent to the GE Sale.

(b) AMENDMENT TO SECTION 8.2.6(a)(i). Clause (i) of Section 8.2.6(a) is hereby amended and restated in its entirety as follows:

(i) Sales, transfers, and other dispositions made or to be made pursuant to the GE Sale, and transactions involving the sale or lease of inventory in the ordinary course of business;

(c) AMENDMENT TO SECTION 8.2.6(b). Section 8.2.6(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(b) So long as any of the Indentures remain in effect and notwithstanding any other term hereof, but in order to permit Borrower to effect Borrower’s tax planning objectives and achieve the synergistic objectives of the Merger and for other general corporate purposes, the aggregate net book value of the assets of all Persons that were Subsidiaries of MotivePower directly prior to the Closing Date (each a “MotivePower Subsidiary”) minus the aggregate net book value of the assets of each MotivePower Subsidiary which are sold pursuant to the GE Sale shall at no time decrease by an amount in excess of 10% of the aggregate net book value of the assets of all MotivePower Subsidiaries after giving effect to the GE Sale.

(d) AMENDMENT TO SECTION 9.1.12. Section 9.1.12 of the Credit Agreement is hereby amended and restated in its entirety as follows:

9.1.12 CESSATION OF BUSINESS.

The Borrower and its Subsidiaries taken as a whole cease to conduct any material portion of their business as currently conducted or as contemplated, except (i) as expressly permitted under Section 8.2.6 or (ii) as may occur as a result of the GE Sale;

(e) SCHEDULE 1.1(C). Schedule 1.1(C) to this Amendment hereby is Schedule 1.1(C) to the Credit Agreement.

(f) DEFINITION OF CASH FLOW. The definition of “Cash Flow” as set forth in the Credit Agreement is hereby amended and restated in its entirety as follows:

CASH FLOW for any period of determination shall mean, without recognition of the Gain from the GE Sale and without recognition of any loss or expense resulting from
write-downs of tangible assets or the creation of one-time
reserves to recognize the impairment of assets (but solely to
the extent that any such write-downs or reserves are not
considered noncash charges to net income) required or
permitted by GAAP and recorded during the fiscal year of the
GE Sale in an aggregate amount not to exceed the lesser of
$50,000,000 or the Gain from the GE Sale: (i) the sum of net
income, depreciation, amortization, other noncash charges to
net income, interest expense (including the interest component
of payments made in connection with capitalized leases,
synthetic leases, and the like), income tax expense, and the
actual and direct costs and expenses of and restructuring
debts associated with the Merger incurred by Borrower and
its Subsidiaries in 1999 and 2000 up to an amount equal to
$47,060,000 for Borrower’s fiscal year ending in 1999 and up
to an amount equal to $25,000,000 for Borrower’s fiscal year
ending in 2000 minus (ii) noncash credits to net income and
extraordinary income, in each case of the Borrower and its
Subsidiaries for such period determined and consolidated in
accordance with GAAP, other than as set forth above.”

(g) DEFINITION OF CONSOLIDATED TANGIBLE NET WORTH. The definition of
"Consolidated Tangible Net Worth" as set forth in the Credit Agreement is hereby
amended and restated in its entirety as follows:

CONSOLIDATED TANGIBLE NET WORTH shall mean as of any
date of determination without duplication, total stockholders'
equity (determined and consolidated in accordance with GAAP)
adjusted as follows (i) less intangible assets of the Borrower
and its Subsidiaries, as of such date of determination,
determined and consolidated in accordance with GAAP, (ii) less
the Gain from the GE Sale, (iii) plus the amount of any
write-downs of tangible assets, plus the amount of any
one-time reserves created to recognize the impairment of
assets, in each case of any of Borrower or its Subsidiaries
required or permitted by GAAP and recorded during the fiscal
year of the GE Sale in an aggregate amount not to exceed the
lesser of (A) $50,000,000 or (B) the Gain from the GE Sale.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

As of the date hereof, the Loan Parties, jointly and
severally, represent and warrant to the Agent and each of the Banks as follows:

2.01 The execution and delivery by the Loan Parties of this Amendment,
the consummation by the Loan Parties of the transactions contemplated by the
Credit Agreement as amended hereby, and the performance by each Loan Party of
its respective obligations hereunder and thereunder have been duly authorized by
all necessary corporate proceedings, if any, on the part of each Loan Party. On
the date of Borrower's execution hereof, there are no set-offs, claims,
defenses, counterclaims, causes of action, or deductions of any nature against
any of the Obligations.

2.02 This Amendment has been duly and validly executed and delivered by
each Loan Party and constitutes, and the Credit Agreement as amended hereby
constitutes, the legal, valid and binding obligations of each Loan Party
enforceable in accordance with the terms hereof and thereof, except as the
enforceability of this Amendment or the Credit Agreement as amended hereby may
be limited by bankruptcy, insolvency or other similar laws of general
application affecting the enforcement of creditors' rights or by general
principles of equity limiting the availability of equitable remedies.
2.03 Neither the execution and delivery of this Amendment nor consummation of the transactions contemplated hereby or by the Credit Agreement as amended hereby nor the consummation and performance of the GE Sale nor compliance with the terms and provisions of the Credit Agreement as amended hereby, by any of the Loan Parties, will (a) violate any Law, (b) conflict with or result in a breach of or a default under the articles or certificate of incorporation or bylaws or similar organizational documents of any Loan Party or any material agreement or instrument to which any Loan Party is a party or by which any Loan Party or any of their respective properties (now owned or hereafter acquired) may be subject or bound, including the Indentures, (c) require any consent or approval of any Person or require a mandatory prepayment or any other payment under the terms of any material agreement or instrument to which any Loan Party is a party or by which any Loan Party or any of their respective properties (now owned or hereafter acquired) may be subject or bound, including the Indentures, (d) result in the creation or imposition of any Lien upon any property (now owned or hereafter acquired) of any Loan Party, or (e) require any authorization, consent, approval, license, permit, exemption or other action by, or any registration, qualification, designation, declaration or filing with, any Official Body.

2.04 After giving effect to the amendments and consents made herein: (i) no Event of Default under and as defined in the Credit Agreement has occurred and is continuing, and (ii) the representations and warranties of each of Borrower and the other Loan Parties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof with the same force and effect as though made on such date, except to the extent that any such representation or warranty expressly relates solely to a previous date.

ARTICLE III
EFFECT, EFFECTIVENESS, CONSENT OF GUARANTORS
--------------------------------------------

3.01 Effectiveness. This Amendment shall become effective as of the date hereof on the date that Agent shall have received from each of the Borrower, the Loan Parties, and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to Agent) that such party has signed a counterpart hereof. Within forty-five (45) days of the date hereof, each of the Loan Parties shall have delivered to the Agent a certificate signed by the Secretary or Assistant Secretary of such Loan Party certifying as to the due authorization of such Loan Party to enter into this Amendment and of the officer executing this Amendment on its behalf.

3.02 Amendment. The Credit Agreement is hereby amended in accordance with the terms hereof, and this Amendment and the Credit Agreement shall hereafter be one agreement and any reference to the Credit Agreement in any document, instrument, or agreement shall hereafter mean and include the Credit Agreement as amended hereby. In the event of irreconcilable inconsistency between the terms or provisions hereof and the terms or provisions of the Credit Agreement, the terms and provisions hereof shall control.

3.03 Joinder of Guarantors. Each of the Guarantors hereby joins in this Amendment to evidence its consent hereto, and each Guarantor hereby reaffirms its obligations set forth in the Credit Agreement, as hereby amended, and in each Guaranty Agreement and each other Loan Document given by it in connection therewith.
ARTICLE IV
MISCELLANEOUS

4.01 Credit Agreement. Except as specifically amended by the provisions hereof, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto.

4.02 Counterparts, Telecopy Signatures. This Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument; and, delivery of executed signature pages hereof by telecopy transmission from one party to another shall constitute effective and binding execution and delivery of this Amendment by such party.

4.03 Governing Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

4.04 Severability. If any provision of this Amendment, or the application thereof to any party hereto, shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Amendment which can be given effect without the invalid and unenforceable provision or application, and to this end the parties hereto agree that the provisions of this Amendment are and shall be severable.

4.05 Banks' Consent. Each Bank, by its execution hereof, hereby consents to this Amendment pursuant Section 11.1 of the Credit Agreement.

[SIGNATURE PAGES FOLLOW]
IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

[BORROWER]

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION (f/k/a Westinghouse Air Brake Company)

By: ____________________________
(SEAL)
Name:
Title:

[GUARANTORS]

RAILROAD FRICITON PRODUCTS CORPORATION;
VAPOCORпорATION; MOTIVEPOWER CANADA CORPORATION; WABTEC DISTRIBUTION COMPANY; MOTIVEPOWER, INC.; YOUNG TOUCHSTONE COMPANY; WABTEC ENGINE SYSTEMS COMPANY; WABTEC HOLDING CORP.; WABTEC CORPORATION; WABTEC TRANSPORTATION TECHNOLOGIES, INC.

By: ____________________________
(SEAL)
Name:
Title: Vice President of each of the above listed companies
LASALLE BANK NATIONAL ASSOCIATION,
individually and as Agent, Bookrunner,
Co-Syndication Agent, and an Issuing Bank

By:  

Name:  
Title:
ABN AMRO BANK N.V., as an Issuing Bank

By: 

-----------------------------------------
Name: 
Title: 

By: 

-----------------------------------------
Name: 
Title: 

By: 

-----------------------------------------
Name: 
Title: 


MELLON BANK, N.A., individually and as Documentation Agent

By:  __________________________________________

Name:  
Title:  
THE CHASE MANHATTAN BANK, individually and as Administrative Agent

By: 

-------------------------------------------
Name: 
Title: 
NATIONAL CITY BANK OF PENNSYLVANIA

By: 

--------------------------------------------
Name: 
Title: 
U.S. BANK NATIONAL ASSOCIATION

By: 

Name: 
Title:
THE BANK OF NEW YORK, individually and as Co-Syndication Agent

By: __________________________________________
Name: _______________________________________
Title: _______________________________________

BANK ONE, N.A.

By: ________________________________

Name: ________________________________
Title: ________________________________
FIRST UNION NATIONAL BANK

By: ________________________________
Name: ______________________________
Title: ______________________________
DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG

By:  
Name:  
Title:  

By:  
Name:  
Title:  

THE BANK OF NOVA SCOTIA

By:

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Name:
Title:
BANK OF TOKYO-MITSUBISHI TRUST CO.

By: 

Name: 

Title:
CREDIT AGRICOLE INDOSUEZ

By: 
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Name: 
Title: 

By: 
-----------------------------------------
Name: 
Title: 
CREDIT LYONNAIS NEW YORK BRANCH

By:  
---------------------------------------
Name:  
Title:  

[signature page 17 of 22 to Consent and Amendment No. 4]
CREDIT SUISSE FIRST BOSTON

By: -------------------------------------
Name: 
Title: 

By: -------------------------------------
Name: 
Title: 

[Signature Page 18 of 22 to Consent and Amendment No. 4]
MANUFACTURERS AND TRADERS TRUST COMPANY

By: 

-------------------------------------------
Name:
Title:
SUNTRUST BANK

By: __________________________________________

Name: 
Title: 
CHASE MANHATTAN BANK USA, N.A., as an Issuing Bank

By:
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Name:
Title:
SCHEDULE 1.1(C)

ASSETS TO BE SOLD PURSUANT TO THE GE SALE

(a) all of the Acquired Subsidiaries Shares (as hereinafter defined);

(b) all of the assets, properties, rights (contractual or otherwise) and business of every kind and description, wherever located, real, personal or mixed, tangible or intangible, owned or principally used by any Wabtec Group Member (as hereinafter defined) in connection with the Business (as hereinafter defined);

(c) together with such other assets, rights, business, and property as are incidental to the foregoing; and

(d) plus or minus such assets, rights, business, and property which have in the aggregate a net effect not exceeding $20,000,000 on the consideration paid or to be paid under the Purchase Agreement, dated as of July 24, 2001, among Borrower and General Electric Company (acting through its GE Transportation Systems Business) and reflecting any one or more amendments thereto since July 24, 2001.

The following words and terms used in this Schedule 1.1(C) shall have the following respective meanings, unless the context clearly requires otherwise:

"ACQUIRED SUBSIDIARIES SHARES" means collectively all of the outstanding shares of capital stock of MPI de Mexico, S.A. de C.V., MPI Noreste, S.A. de C.V., and Motor Coils de Mexico, S.A. de C.V

"BUSINESS" shall mean the Westinghouse Air Brake Technologies Corporation locomotive component manufacturing, remanufacturing, reverse engineering, aftermarket parts supply and locomotive service business listed below:

1. Motive Power, Inc.'s locomotive services business performed on BNSF freight locomotives and based in Barstow, CA.

2. Motive Power, Inc.'s EMD 645 series diesel engine Tier 0 emissions technology as developed as of the date of close which GETS must complete then license to Wabtec as developed at MPI in Boise, ID.

3. Motor Coils Manufacturing Company's new and remanufactured locomotive generators, alternators and electrical auxiliaries, and new and remanufactured field coils and armature coil kits businesses based in San Luis Potosi, Mexico, Emporium, PA, St. Louis, MO, and currently located in Braddock, PA, for all market applications of those products and services including locomotive, drilling drives and marine propulsion.
4. Wabtec Distribution Company's (formerly Power Parts Company) locomotive aftermarket parts and kits sourcing and distribution business based in Elk Grove Village, IL.

5. The businesses formerly operated by G&G Locotronics, now operated by Wabtec Distribution Company, based in Elk Grove Village, IL, of new and remanufactured EMD High Voltage Cabinets, EMD HEP Cabinets, EMD control stands, new 480 volt molded passenger car jumpers and accessories, new 27 pin locomotive jumpers and accessories, repaired Dash 2 modules, EMD and Siemens brand contractors and switches, EMD controllers and cab stands, locomotive lighting products, externally sourced distributed products and sub-components of the aforementioned (excluding the businesses of Vapor, Q-Tron and Wabtec Railways Electronics) with some exceptions defined as exceptions to the Restricted Activities.

6. Wabtec Engine Systems Company's business based in Latham, NY and Elk Grove Village, IL including new manufacture of, remanufacture of, sourcing of, repair of and parts for (i) EMD 567, 645, and 710, Alco, and certain GE Turbochargers, (ii) EMD 645 and 710 Power Assemblies and (iii) assorted other EMD and GE diesel engine components as sourced or manufactured by Engine Systems for all market applications of those products and services including locomotive, stationary power and marine diesel engines.

7. MPI de Mexico, S.A. de C.V.'s complete locomotive backship and running maintenance capability, railcar repair services and locomotive and railcar wheel-set manufacture and repair business based in San Luis Potosi, MX, Acamboro, MX and Mexico City, MX; provided that the Wabtec Service Center and the activities of Young Touchstone division at San Louis Potosi are excluded.

8. All drawings, intellectual property, manuals, know-how, trade secret or confidential information, supplier lists, customer lists, process documentation, business records, proposals, inventory, and contracts primarily related to any of the above, including contracts owned and proposals submitted by Wabtec on behalf of the above such as Freight Australia Material Supply contract and the A.L.I. locomotive services proposal.

"WABTEC" means Westinghouse Air Brake Technologies Corporation.

"WABTEC GROUP MEMBER" means Wabtec, any of its direct or indirect subsidiaries, or any parent entity of any of the foregoing.
THIS AMENDMENT NO. 5 (this "Amendment") is dated as of November 14, 2001, and amends the Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, by and among WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION (formerly known as Westinghouse Air Brake Company) ("Borrower") and THE GUARANTORS FROM TIME TO TIME PARTY THERETO ("Guarantors") and THE BANKS FROM TIME TO TIME PARTY THERETO ("Banks") and LASALLE BANK NATIONAL ASSOCIATION, as bookrunner and co-syndication agent ("Agent"), JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank), as administrative agent, and THE BANK OF NEW YORK, as co-syndication agent, MELLON BANK, N.A., as documentation agent, LASALLE BANK NATIONAL ASSOCIATION, as an issuing bank, ABN AMRO BANK N.V., as an issuing bank, and CHASE MANHATTAN BANK USA, N.A. (successor in interest to Chase Manhattan Bank Delaware), as an issuing bank, as amended by Amendment No. 1 to Amended and Restated Refinancing Credit Agreement, dated as of November 16, 2000, Amendment No. 2 to Amended and Restated Refinancing Credit Agreement, dated as of March 30, 2001, Amendment No. 3 to Amended and Restated Refinancing Credit Agreement, dated as of July 18, 2001, and Consent and Amendment No. 4 to Amended and Restated Refinancing Credit Agreement, dated as of September 17, 2001 (as so amended, the "Credit Agreement").

BACKGROUND
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The parties hereto desire to (i) amend the Credit Agreement to extend the Convertible Revolving Credit Expiration Date, (ii) consent to the application of Borrower’s intended prepayment and permanent reduction of the Convertible Revolving Credit Commitments, and (iii) amend certain provisions of the Credit Agreement as hereinafter provided.

OPERATIVE PROVISIONS
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NOW THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements herein contained, incorporating the above-defined terms herein, and intending to be legally bound hereby agree as follows:

ARTICLE I
CONSENT AND AMENDMENTS
------------------------

1.01 Defined Terms; References. Terms not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement. As used in this Amendment, "including" is not a term of limitation and means "including without limitation." Each reference to "hereof," "hereunder," "herein," and "hereby" and similar references contained in the Credit Agreement and each reference to "this Agreement" and similar references contained in the Credit Agreement shall, on and after the date hereof, refer to the Credit Agreement as amended hereby.
1.02 Amendment of Credit Agreement.

(a) RECITALS. Clause (ii) of the fourth recital of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(ii) a 364-day $100,000,000 convertible revolving credit facility; and"

(b) DEFINITION OF CONVERTIBLE REVOLVING CREDIT EXPIRATION DATE. The definition of "Convertible Revolving Credit Expiration Date" as set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"CONVERTIBLE REVOLVING CREDIT EXPIRATION DATE shall mean, with respect to the Convertible Revolving Credit Commitments, November 13, 2002, as such date may be extended in accordance with the terms hereof, but in no event beyond the Revolving Credit Expiration Date."

(c) DEFINITION OF CASH FLOW. The definition of "Cash Flow" as set forth in the Credit Agreement is hereby amended and restated in its entirety as follows:

"CASH FLOW for any period of determination shall mean, without recognition of the Gain from the GE Sale and without recognition of any loss or expense resulting from write-downs of tangible assets or the creation of one-time reserves to recognize the impairment of assets (but solely to the extent that any such write-downs or reserves are not considered noncash charges to net income) required or permitted by GAAP and recorded during the fiscal year of the GE Sale in an aggregate amount not to exceed the lesser of $50,000,000 or the Gain from the GE Sale: (i) the sum of net income, depreciation, amortization, other noncash charges to net income, interest expense (including the interest component of payments made in connection with capitalized leases, synthetic leases, and the like), income tax expense, and the actual and direct costs and expenses of and restructuring charges associated with the Merger incurred by Borrower and its Subsidiaries in 1999 and 2000 up to an amount equal to $47,060,000 for Borrower's fiscal year ending in 1999 and up to an amount equal to $25,000,000 for Borrower's fiscal year ending in 2000 minus (ii) noncash credits to net income and extraordinary income, in each case of the Borrower and its Subsidiaries for such period determined and consolidated in accordance with GAAP, other than as set forth in this definition; provided, however, that in the event of an acquisition or disposition of a Subsidiary or material line of business or a material division during the period of determination and solely for the purposes of Section 8.2.15 [Maximum Debt to Cash Flow], such calculation shall (Y) in the case of such a disposition, exclude for the period of determination the Cash Flow attributable to the disposed of Subsidiary, line of business, or division as if such disposition had occurred at the beginning of such period of determination and (Z) in the case of such an acquisition, include for the period of determination the Cash Flow attributable to the acquired Subsidiary, line of business, or division as if such acquisition had occurred at the beginning of such period of determination."

(d) AMENDMENT TO SECTION 8.2.14 [MINIMUM INTEREST COVERAGE RATIO]. As of the date hereof, Section 8.2.14 of the Credit Agreement is hereby amended and restated in its entirety as follows:
8.2.14. MINIMUM INTEREST COVERAGE RATIO.

The Loan Parties shall not permit the ratio of Cash Flow to consolidated interest expense (including the interest component of payments made in connection with capitalized leases, synthetic leases, and similar leases) of Borrower and its Subsidiaries, calculated as of the end of each fiscal quarter for the immediately preceding four (4) fiscal quarters then ended, (i) for the fiscal quarters ending on or before September 30, 2001, to be less than 3.25 to 1.0, and (ii) for the fiscal quarters ending on December 31, 2001, or thereafter, to be less than 3.00 to 1.0."

(e) AMENDMENT TO SECTION 8.2.15 [MAXIMUM DEBT TO CASH FLOW]. As of the date hereof, Section 8.2.15 of the Credit Agreement is hereby amended and restated in its entirety as follows:

8.2.15. MAXIMUM DEBT TO CASH FLOW.

The Loan Parties shall not permit the ratio of Adjusted Consolidated Total Indebtedness to Cash Flow, calculated as of the end of each fiscal quarter for the immediately preceding four (4) fiscal quarters then ended, (i) for the fiscal quarters ending on or before September 30, 2001, to exceed 3.75 to 1.0, and (ii) for the fiscal quarters ending on December 31, 2001, or thereafter, to exceed 3.25 to 1.0. 'Adjusted Consolidated Total Indebtedness' shall mean at any time the Consolidated Total Indebtedness at such time less the unencumbered cash of the Borrower and its Subsidiaries at such time on a consolidated basis and without duplication of amounts."

(f) COMMITMENTS. As of the date hereof, SCHEDULE 1.1(B) to the Credit Agreement is hereby deleted and replaced in its entirety with SCHEDULE 1.1(B) hereto. For the avoidance of doubt and notwithstanding any provision of the Credit Agreement to the contrary, the Convertible Revolving Credit Commitment of each Bank for whom the "Amount of Commitment for Convertible Revolving Credit Loans" is established on SCHEDULE 1.1(B) to this Amendment at zero, "$0.00," or the like is hereby terminated and each such Bank shall have no obligation whatsoever to make any Convertible Revolving Credit Loan under the Credit Agreement as modified hereby.

1.03 Waiver of Notice. The parties hereto hereby waive the notice periods required by Subsections 3.4.1(a) and (b) of the Credit Agreement.

1.04 Consent to Reduction of Convertible Revolving Credit Commitments. The parties hereto hereby acknowledge that Borrower desires to make a prepayment of $113,000,000 under and permanently and irrevocably reduce the Convertible Revolving Credit Commitments by such amount and, notwithstanding the provisions of Section 5.4.4 or any other provision of the Credit Agreement, consent to such reduction of the Convertible Revolving credit Commitments by the application of such prepayment thereto.

REPRESENTATIONS AND WARRANTIES

As of the date hereof, the Loan Parties, jointly and severally, represent and warrant to the Agent and each of the Banks as follows:

2.01 The execution and delivery by the Loan Parties of this Amendment, the consummation by the Loan Parties of the transactions contemplated by the Credit Agreement as amended hereby, and the performance by each Loan Party of its respective obligations hereunder and thereunder have been
duly authorized by all necessary corporate proceedings, if any, on the part of each Loan Party. On the date of Borrower's execution hereof, there are no set-offs, claims, defenses, counterclaims, causes of action, or deductions of any nature against any of the Obligations.

2.02 This Amendment has been duly and validly executed and delivered by each Loan Party and constitutes, the legal, valid and binding obligations of each Loan Party enforceable in accordance with the terms hereof and thereof, except as the enforceability of this Amendment or the Credit Agreement as amended hereby may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

2.03 Neither the execution and delivery of this Amendment nor consummation of the transactions contemplated hereby or by the Credit Agreement as amended hereby nor compliance with the terms and provisions hereof or of the Credit Agreement as amended hereby, by any of the Loan Parties, will (a) violate any Law, (b) conflict with or result in a breach of or a default under the articles or certificate of incorporation or bylaws or similar organizational documents of any Loan Party or any material agreement or instrument to which any Loan Party is a party or by which any Loan Party or any of their respective properties (now owned or hereafter acquired) may be subject or bound, including the Indentures, (c) require any consent or approval of any Person or require a mandatory prepayment or any other payment under the terms of any material agreement or instrument to which any Loan Party is a party or by which any Loan Party or any of their respective properties (now owned or hereafter acquired) may be subject or bound, including the Indentures, (d) result in the creation or imposition of any Lien upon any property (now owned or hereafter acquired) of any Loan Party, or (e) require any authorization, consent, approval, license, permit, exemption or other action by, or any registration, qualification, designation, declaration or filing with, any Official Body.

2.04 After giving effect to the amendments and consents made herein: (i) no Event of Default under and as defined in the Credit Agreement has occurred and is continuing, and (ii) the representations and warranties of each of Borrower and the other Loan Parties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof with the same force and effect as though made on such date, except to the extent that any such representation or warranty expressly relates solely to a previous date.

ARTICLE III
EFFECT, EFFECTIVENESS, CONSENT OF GUARANTORS
-----------------------------------------------

3.01 Effectiveness. This Amendment shall become effective as of the date hereof on the date that Agent shall have received from each of the Borrower, the Loan Parties, and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to Agent) that such party has signed a counterpart hereof. Within forty-five (45) days of the date hereof, each of the Loan Parties shall have delivered to the Agent a certificate signed by the Secretary or Assistant Secretary of such Loan Party certifying as to the due authorization of such Loan Party to enter into this Amendment and of the officer executing this Amendment on its behalf.

3.02 Amendment. The Credit Agreement is hereby amended in accordance with the terms hereof, and this Amendment and the Credit Agreement shall hereafter mean and include the Credit Agreement as amended hereby. In the event of irreconcilable inconsistency between
the terms or provisions hereof and the terms or provisions of the Credit Agreement, the terms and provisions hereof shall control.

3.03 Joinder of Guarantors. Each of the Guarantors hereby joins in this Amendment to evidence its consent hereto, and each Guarantor hereby reaffirms its obligations set forth in the Credit Agreement, as hereby amended, and in each Guaranty Agreement and each other Loan Document given by it in connection therewith.

ARTICLE IV
MISCELLANEOUS

4.01 Credit Agreement. Except as specifically amended by the provisions hereof, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto.

4.02 Counterparts, Telecopy Signatures. This Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument; and, delivery of executed signature pages hereof by telecopy transmission from one party to another shall constitute effective and binding execution and delivery of this Amendment by such party.

4.03 Governing Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

4.04 Severability. If any provision of this Amendment, or the application thereof to any party hereto, shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Amendment which can be given effect without the invalid and unenforceable provision or application, and to this end the parties hereto agree that the provisions of this Amendment are and shall be severable.

4.05 Banks' Consent. Each Bank, by its execution hereof, hereby consents to this Amendment pursuant Section 11.1 of the Credit Agreement.

4.06 Return of Convertible Revolving Credit Notes. Upon payment by Borrower, in accordance with the terms hereof and of the Credit Agreement, of all amounts outstanding under each Convertible Revolving Credit Note held by a Non-Agreeing Bank (defined at Section 3.4.1(c) of the Credit Agreement), each such Bank shall, as soon as practicable, return to Borrower such Bank's Convertible Revolving Credit Note; or, in the event such note has been lost or destroyed, such Bank shall evidence to the Borrower, in a manner reasonably satisfactory to the Borrower, such Bank's cancellation of such note.

Prior to closing, Borrower shall issue and deliver to Agent replacement Convertible Revolving Credit Notes to give effect to the reduced Convertible Revolving Credit Commitments described in Section 1.02(f) hereof.

Each Bank that is not a Non-Agreeing Bank agrees that it shall return to Agent such Bank's existing Convertible Revolving Credit Note for substitution thereof; or, in the event such note has been lost or destroyed, such Bank shall evidence to Agent and Borrower, in a manner reasonably satisfactory to Agent and Borrower, such Bank's cancellation of such note and shall execute a lost note indemnity agreement reasonably satisfactory to Agent and Borrower.
[SIGNATURE PAGES FOLLOW]
IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

[BORROWER]
WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION (f/k/a Westinghouse Air Brake Company)

By: /s/ A. Garcia Tunon (SEAL)
Name: A. Garcia Tunon
Title: Sr. Vice President - Finance

[GUARANTORS]
RAILROAD FRICTION PRODUCTS CORPORATION; VAPOR CORPORATION;
MOTIVEPOWER CANADA CORPORATION;
WABTEC DISTRIBUTION COMPANY;
MOTIVEPOWER, INC.; YOUNG TOUCHSTONE COMPANY; WABTEC ENGINE SYSTEMS COMPANY; WABTEC HOLDING CORP; WABTEC TRANSPORTATION TECHNOLOGIES, INC.

By: A. Garcia - Tunon (SEAL)
Name: A. Garcia - Tunon
Title: Vice President or Treasurer of each of the above listed companies
LASALLE BANK NATIONAL
ASSOCIATION, individually and as Agent,
Bookrunner, Co-Syndication Agent and an
Issuing Bank

By: Roy D. Hasbrook
------------------------------
Name: Roy D. Hasbrook
Title: Senior Vice President
ABN AMRO BANK N.V., as an Issuing Bank

By: /s/ Kathryn C. Toth
   -------------------------------
Name: Kathryn C. Toth
Title: Senior Vice President

By: /s/ Barbara A. Popp
    -------------------------------
Name: Barbara A. Popp
Title: Vice President
JP MORGAN CHASE BANK, individually and as Administrative Agent

By: /s/ John Malone

Name: John Malone
Title: Vice President
PNC BANK, NATIONAL ASSOCIATION

By: /s/ Enrica A. Della Corna
---------------------------
Name: Enrica A. Della Corna
Title: Vice President
FLEET NATIONAL BANK (formerly BankBoston, N.A.)

By: /s/ David J. Doucette

Name: David J. Doucette
Title: Vice President
U.S. BANK NATIONAL ASSOCIATION

By: /s/ Sarah Hemmer
---------------
Name: Sarah Hemmer
Title: Vice President
THE BANK OF NEW YORK, individually and as Co-Syndication Agent

By: /s/ Walter C. Parelli
-----------------------------
Name: Walter C. Parelli
Title: Vice President
BANK ONE, N.A.

By: /s/ Christopher C. Cavaiani
-----------------------------
Name: Christopher C. Cavaiani
Title: Director
FIRST UNION NATIONAL BANK

By: /s/ W. Gareth Horan
------------------------------
Name: W. Gareth Horan
Title: Vice President
DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN (successor by merger to DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG), as a Lender

By: /s/ Bernd Franke
Name: Bernd Franke
Title: Vice President

By: /s/ Ronald Matossian
Name: Ronald Matossian
Title: Vice President
THE BANK OF NOVA SCOTIA

By: 

__________________________
Name:

Title:
BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: /s/ Heather Zimmermann

Name: Heather Zimmermann
Title: Vice President
CREDIT AGRICOLE INDOSUEZ

By: 

----------------------------------
Name: 
Title: 

By: 

----------------------------------
Name: 
Title: 
CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Rod Hurst

Name: Rod Hurst
Title: Vice President
CREDIT SUISSE FIRST BOSTON

By: /s/ Bill O'Daly
--------------------------------
Name: Bill O'Daly
Title: Vice President

By: /s/ Cassandra Droogan
--------------------------------
Name: Cassandra Droogan
Title: Associate
THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ Perzemek Blaziak
Name: Perzemek Blaziak
Title: Account Officer, Corp. Fin. Dept 2.

(Initials: B. Gallagher, VP & Group Leader, CFD2)
MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ Christopher Kania

Name: Christopher Kania
Title: Vice President
SUNTRUST BANK

By: /s/ Linda L. Dash

Name: Linda L. Dash
Title: Vice President
CHASE MANHATTAN BANK USA, N.A., as an Issuing Bank

By: ______________________________
Name: ______________________________
Title: ______________________________
# SCHEDULE 1.1(A)
## PRICING GRID

### Revolving Credit and Convertible Revolving Credit Pricing Grid (basis points per annum)

<table>
<thead>
<tr>
<th>Consolidated Total Indebtedness/Cash Flow(1)(1.5)</th>
<th>Commitment Fee(2)(3)</th>
<th>For the 364-Day Convertible Line of Credit Margin (All in Drawn Over EURO-RATE)</th>
<th>For the 5 Year Line of Credit Margin (All in Drawn Over EURO-RATE)</th>
<th>Standby Letter of Credit Fee</th>
<th>Commercial Letter of Credit Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than or equal to 3.5x</td>
<td>45.0</td>
<td>200.0</td>
<td>200.0</td>
<td>200.0</td>
<td>100.0</td>
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<tr>
<td>Greater than or equal to 3.0x &amp; less than 3.5x</td>
<td>30.0</td>
<td>150.0</td>
<td>150.0</td>
<td>150.0</td>
<td>75.0</td>
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<tr>
<td>Greater than or equal to 2.75x &amp; less than 3.0x</td>
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<td>137.5</td>
<td>137.5</td>
<td>137.5</td>
<td>68.75</td>
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<td>Greater than or equal to 2.25x &amp; less than 2.75x</td>
<td>25.0</td>
<td>125.0</td>
<td>125.0</td>
<td>125.0</td>
<td>62.5</td>
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<td>Greater than or equal to 1.75x &amp; less than 2.25x</td>
<td>25.0</td>
<td>112.5</td>
<td>112.5</td>
<td>112.5</td>
<td>56.25</td>
</tr>
<tr>
<td>Greater than or equal to 1.25x &amp; less than 1.75x</td>
<td>20.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>50.0</td>
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<tr>
<td>Less than 1.25x</td>
<td>18.75</td>
<td>87.5</td>
<td>87.5</td>
<td>87.5</td>
<td>43.75</td>
</tr>
</tbody>
</table>

(1) The permitted maximum level of this ratio is set forth at Section 8.2.15; and, no ratio set forth above that is greater than the maximum ratio permitted by Section 8.2.15 shall supercede or modify, or be interpreted to supercede or modify, Section 8.2.15.

(1.5) Cash Flow excludes certain one time charges associated with the merger of WABCO and MotivePower as defined in the Credit Agreement.

(2) Note that the Commitment Fee is a per annum fee payable on each Lender’s average unused commitment, quarterly in arrears.

(3) Note that the ApplicableConvertible Revolving Credit Commitment Fee Rate and the ApplicableRevolving Credit Commitment Fee Rate are the same.
**PART 1 - COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES TO BANKS**

<table>
<thead>
<tr>
<th>BANK</th>
<th>AMOUNT OF COMMITMENT FOR REVOLVING CREDIT LOANS</th>
<th>AMOUNT OF COMMITMENT FOR CONVERTIBLE REVOLVING CREDIT LOANS</th>
<th>AMOUNT OF COMMITMENT WITH RESPECT TO REVOLVING LINE LOANS</th>
<th>RATABLE SHARE WITH RESPECT TO REVOLVING CREDIT LOANS</th>
<th>RATABLE SHARE WITH RESPECT TO CONVERTIBLE REVOLVING CREDIT LOANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LaSalle Bank National Association</td>
<td>$22,000,000</td>
<td>$14,184,272</td>
<td>$10,000,000</td>
<td>8.0000000000%</td>
<td>14.1842720000%</td>
</tr>
<tr>
<td>Address:</td>
<td></td>
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<tr>
<td>1300 East Ninth Street, Suite 1000</td>
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<tr>
<td>Cleveland, OH 44114</td>
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<tr>
<td>Attn: Mr. Roy D. Hasbrook</td>
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</tr>
<tr>
<td>Senior Vice President</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Telephone: (216) 802-2211</td>
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<td></td>
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</tr>
<tr>
<td>Telecopy: (216) 802-2212</td>
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</tr>
<tr>
<td>Email: <a href="mailto:roy.hasbrook@abnamro.com">roy.hasbrook@abnamro.com</a></td>
<td></td>
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<tr>
<td>ADDRESS FOR NOTICES:</td>
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<tr>
<td>Agency Services</td>
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<tr>
<td>135 South LaSalle Street</td>
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<tr>
<td>Chicago, IL 60603</td>
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<td></td>
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<tr>
<td>Attn: Mr. Brent Wilk</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Telephone: (312) 904-8210</td>
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<tr>
<td>Telecopy: (312) 904-4448</td>
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</tr>
<tr>
<td>Email: <a href="mailto:brent.wilk@abnamro.com">brent.wilk@abnamro.com</a></td>
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<tr>
<td>Mellon Bank, N.A.</td>
<td>$22,000,000</td>
<td>$10,328,639</td>
<td>0.00</td>
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<tr>
<td>ADDRESS FOR NOTICES:</td>
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<tr>
<td>One Mellon Bank Center, Room 4530,</td>
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<tr>
<td>Pittsburgh, PA 15258-0001</td>
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<tr>
<td>Attn: Stephen Lackey</td>
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<tr>
<td>Senior Vice President</td>
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<tr>
<td>Telephone: (412) 236-6913</td>
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<tr>
<td>Telecopy: (412) 234-6375</td>
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<tr>
<td>Email: <a href="mailto:lackey.s@mellon.com">lackey.s@mellon.com</a></td>
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<tr>
<td>ADDRESS OF LENDING OFFICE:</td>
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<td>Same as Notices</td>
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<tr>
<td>JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank)</td>
<td>$22,000,000</td>
<td>$14,184,272</td>
<td>0.00</td>
<td>8.0000000000%</td>
<td>14.1842720000%</td>
</tr>
<tr>
<td>ADDRESS FOR NOTICES:</td>
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<tr>
<td>One Oxford Centre, 11th Floor</td>
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<tr>
<td>Pittsburgh, PA 15219</td>
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<tr>
<td>Attn: John A. Malone</td>
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</tr>
<tr>
<td>Vice President</td>
<td></td>
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<td></td>
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<tr>
<td>Telephone: (412) 291-2031</td>
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<tr>
<td>Telecopy: (412) 456-5566</td>
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<tr>
<td>Email: <a href="mailto:john.malone@chase.com">john.malone@chase.com</a></td>
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<tr>
<td>ADDRESS OF LENDING OFFICE:</td>
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<tr>
<td>2300 Main Plain Tower</td>
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<tr>
<td>Buffalo, NY 14202</td>
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<tr>
<td>Attn: Jennifer Pegg</td>
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<tr>
<td>Assistant Vice President</td>
<td></td>
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</tr>
<tr>
<td>Telephone: (716) 858-1435</td>
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<tr>
<td>Telecopy: (716) 843-4938</td>
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<tr>
<td>BANK</td>
<td>AMOUNT OF COMMITMENT FOR REVOLVING CREDIT LOANS</td>
<td>AMOUNT OF COMMITMENT FOR REVOLVING CREDIT LOANS</td>
<td>AMOUNT OF COMMITMENT FOR SWING LINE LOANS</td>
<td>RATABLE SHARE WITH RESPECT TO REVOLVING CREDIT LOANS</td>
<td>RATABLE SHARE WITH RESPECT TO CONVERTIBLE CREDIT LOANS</td>
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</tr>
<tr>
<td>National City Bank of Pennsylvania</td>
<td>$16,000,000</td>
<td>$8,000,000</td>
<td>0.00</td>
<td>5.8181818182%</td>
<td>8.0000000000%</td>
</tr>
<tr>
<td>PNC Bank, National Association</td>
<td>$16,000,000</td>
<td>$8,500,000</td>
<td>0.00</td>
<td>5.8181818182%</td>
<td>8.5000000000%</td>
</tr>
</tbody>
</table>

**ADDRESS FOR NOTICES:**
National City Bank of Pennsylvania
20 Stanwix Street 19th Floor
Pittsburgh, PA 15222
Attn: Lori B. Shure
Vice President
Telephone: (412) 644-7757
Telecopy: (412) 471-4883
Email: lori.shure@nationalcity.com

**ADDRESS OF LENDING OFFICE:**
Same as Notices

**NAME:**
PNC Bank, National Association

**ADDRESS FOR NOTICES:**
One PNC Plaza, 6th Floor
249 Fifth Avenue
Pittsburgh, PA 15222
Attn: Mr. Enrico A. Della Corna
Managing Director
Telephone: (412) 762-6036
Telecopy: (412) 762-6484
Email: enrico.dellacorna@pnc.com

**ADDRESS OF LENDING OFFICE:**
Same as Notices

SCHEDULE 1.1(B)-3
<table>
<thead>
<tr>
<th>NAME: Fleet National Bank</th>
<th>AMOUNT OF COMMITMENT FOR REVOLVING CREDIT LOANS</th>
<th>AMOUNT OF COMMITMENT FOR CONVERTIBLE CREDIT LOANS</th>
<th>AMOUNT OF COMMITMENT FOR SWING LINE LOANS</th>
<th>RATABLE SHARE WITH RESPECT TO REVOLVING CREDIT LOANS</th>
<th>RATABLE SHARE WITH RESPECT TO CONVERTIBLE CREDIT LOANS</th>
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<tr>
<td>NAME: U.S. Bank National Association</td>
<td>$16,000,000</td>
<td>$4,225,352</td>
<td>0.00</td>
<td>5.8181818182%</td>
<td>4.2253520000%</td>
</tr>
<tr>
<td>ADDRESS FOR NOTICES: 100 Federal Street MADE 10008D Boston, MA 02110 Attn: David J. Doucette Vice President Telephone: (617) 434-2016 Telecopy: (617) 434-1955 E-mail: <a href="mailto:david_j_doucette@fleet.com">david_j_doucette@fleet.com</a></td>
<td>ADDRESS OF LENDING OFFICE: Same as Notices</td>
<td>NAME: U.S. Bank National Association</td>
<td>$11,000,000</td>
<td>$0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>ADDRESS FOR NOTICES: The Wrigley Building 400 N. Michigan Avenue, Suite 200 Chicago, IL 60611 Attn: Sarah L. Hemmer Vice President Telephone: (312) 836-6706 Telecopy: (312) 836-6704 E-mail: <a href="mailto:sarah.hemmer@usbank.com">sarah.hemmer@usbank.com</a> AND A COPY TO: U.S. Bank Place Mail Code: EPMNM7CS 225 South Sixth Street Minneapolis, MN 55402-4302 Attn: David Nussbaum Telephone: (612) 973-0548 Telecopy: (612) 973-0825 E-mail: <a href="mailto:david.nussbaum@usbank.com">david.nussbaum@usbank.com</a> ADDRESS OF LENDING OFFICE: Same as Notices</td>
<td>SCHEDULE 1.1(B)-4</td>
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<tr>
<td>BANK</td>
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<td>AMOUNT OF COMMITMENT FOR SWING LINE LOANS</td>
<td>RATEABLE SHARE WITH RESPECT TO REVOLVING CREDIT LOANS</td>
<td>RATEABLE SHARE WITH RESPECT TO CONVERTIBLE CREDIT LOANS</td>
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<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>The Bank of New York</td>
<td>$22,000,000</td>
<td>$10,328,639</td>
<td>0.00</td>
<td>8.0000000000%</td>
<td>10.3286390000%</td>
</tr>
<tr>
<td>Bank One, N.A.</td>
<td>$16,000,000</td>
<td>$7,511,737</td>
<td>0.00</td>
<td>5.8181818182%</td>
<td>7.5117370000%</td>
</tr>
</tbody>
</table>

NAME: The Bank of New York
ADDRESS FOR NOTICES:
One Wall Street
22nd Floor - Midwest
New York, NY 10286
Attn: Walter Parelli
Telephone: (212) 635-6820
Telecopy: (212) 635-7978
E-mail: wparelli@bony.com
ADDRESS OF LENDING OFFICE:
Same as Notices

NAME: Bank One, N.A.
ADDRESS FOR NOTICES:
1 Bank One Plaza
IL1-0324 1-10
Chicago, IL 60670
Attn: Kenneth Kramer
Director
Telephone: (312) 732-2731
Telecopy: (312) 732-3885
Email: kenneth_kramer@bankone.com
ADDRESS OF LENDING OFFICE:
Same as Notices

SCHEDULE 1.1(B)-5
<table>
<thead>
<tr>
<th>BANK</th>
<th>AMOUNT OF COMMITMENT FOR REVOLVING CREDIT LOANS</th>
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<th>AMOUNT OF COMMITMENT FOR SWING LINE LOANS</th>
<th>RATEABLE SHARE WITH RESPECT TO REVOLVING CREDIT LOANS</th>
<th>RATEABLE SHARE WITH RESPECT TO CONVERTIBLE CREDIT LOANS</th>
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<tbody>
<tr>
<td>First Union National Bank</td>
<td>$11,000,000</td>
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<tr>
<td>DZ Bank AG Deutsche</td>
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<td>$0.00</td>
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<tr>
<td>The Bank of Nova Scotia</td>
<td>$16,000,000</td>
<td>$0.00</td>
<td>0.00</td>
<td>5.8181818182%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bank of Tokyo-Mitsubishi Trust Co.</td>
<td>$16,000,000</td>
<td>$0.00</td>
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<tr>
<td>BANK</td>
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<td>AMOUNT OF COMMITMENT FOR SWING LINE LOANS</td>
<td>RATTLE SHARE WITH RESPECT TO REVOLVING CREDIT LOANS</td>
<td>RATTLE SHARE WITH RESPECT TO CONVERTIBLE CREDIT LOANS</td>
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<td>Credit Agricole Indosuez</td>
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<td>$0.00</td>
<td>$0.00</td>
<td>4.0000000000%</td>
<td>0.00%</td>
</tr>
<tr>
<td>ADDRESS FOR NOTICES:</td>
<td>55 East Monroe Street, Suite 4700</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chicago, IL 60603</td>
<td>Attn: Sarah Johnston</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone: (312) 917-7549</td>
<td>Telecopy: (312) 372-9329</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Email: <a href="mailto:sjohnst@us.ca-indosuez.com">sjohnst@us.ca-indosuez.com</a></td>
<td></td>
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</tr>
<tr>
<td>ADDRESS OF LENDING OFFICE:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Lyonnais New York Branch</td>
<td>$11,000,000</td>
<td>$0.00</td>
<td>$0.00</td>
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<td>ADDRESS FOR NOTICES:</td>
<td>1301 Avenue of the Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York, NY 10010</td>
<td>Attn: Judy Domkowski</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone: (212) 261-7341</td>
<td>Telecopy: (212) 459-3179</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Email: <a href="mailto:judy.domkowski@clamericas.com">judy.domkowski@clamericas.com</a></td>
<td></td>
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</tr>
<tr>
<td>ADDRESS OF LENDING OFFICE:</td>
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<td>Credit Suisse First Boston</td>
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<tr>
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</tr>
<tr>
<td>New York, NY 10010</td>
<td>Attn: William O'Daly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President</td>
<td>Telephone: (212) 325-1986</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Telecopy: (212) 743-2254</td>
<td>Email: william.o'<a href="mailto:daly@csfb.com">daly@csfb.com</a></td>
<td></td>
<td></td>
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SCHEDULE 1.1(B)-7
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<th>AMOUNT OF COMMITMENT FOR REVOLVING CREDIT LOANS</th>
<th>AMOUNT OF COMMITMENT FOR CONVERTIBLE CREDIT LOANS</th>
<th>AMOUNT OF COMMITMENT FOR SWING LINE LOANS</th>
<th>RATABLE SHARE WITH RESPECT TO REVOLVING CREDIT LOANS</th>
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<tr>
<td>New York, NY 10019</td>
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</tr>
<tr>
<td>Attn: Robert Gallagher</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Vice President</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Telephone: (212) 649-8326</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecopy: (212) 541-4822</td>
<td></td>
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</tr>
<tr>
<td>Email: <a href="mailto:rgallagher@dkb.com">rgallagher@dkb.com</a></td>
<td></td>
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<tr>
<td>Attn: Christopher Kania</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Vice President</td>
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<td></td>
</tr>
<tr>
<td>Telephone: (716) 848-7312</td>
<td></td>
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</tr>
<tr>
<td>Telecopy: (716) 848-7318</td>
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</tr>
<tr>
<td>Email: <a href="mailto:ckania@mandtbank.com">ckania@mandtbank.com</a></td>
<td></td>
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SCHEDULE 1.1(B)-8
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<td>Atlanta, GA 30308</td>
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</tr>
<tr>
<td>Attn: Linda L. Dash</td>
<td></td>
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</tr>
<tr>
<td>Vice President</td>
<td></td>
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</tr>
<tr>
<td>Telephone: (404) 658-4923</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Telecopy: (404) 658-4905</td>
<td></td>
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<tr>
<td>Email: <a href="mailto:linda.dash@suntrust.com">linda.dash@suntrust.com</a></td>
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<tr>
<td>ADDRESS OF LENDING OFFICE:</td>
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AN ISSUING BANK:

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<td>ABN AMRO Bank N.V.</td>
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<tr>
<td>ADDRESS FOR NOTICES:</td>
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<td>Credit Administration</td>
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<tr>
<td>Chicago, IL 60604-1003</td>
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<tr>
<td>Attn: Ms. Kathryn C. Toth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone: (312) 992-5140</td>
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</tr>
<tr>
<td>Telecopy: (312) 992-5111</td>
<td></td>
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<td></td>
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<tr>
<td>Email: <a href="mailto:kathryn.toth@abnamro.com">kathryn.toth@abnamro.com</a></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Copy to: Roy D. Hasbrook (address above)</td>
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<td>An Issuing Bank:</td>
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<td>Chase Manhattan Bank USA, N.A. (successor in interest to Chase Manhattan Bank Delaware)</td>
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<tr>
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<tr>
<td>1201 Market Street, 8th Floor</td>
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<tr>
<td>Wilmington, DE 19801</td>
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<tr>
<td>Attn: Michael P. Handago</td>
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<tr>
<td>Vice President</td>
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</tr>
<tr>
<td>Telephone: (302) 428-3311</td>
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</tr>
<tr>
<td>Telecopy: (302) 984-4904</td>
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<tr>
<td>Email: <a href="mailto:mike.handago@chase.com">mike.handago@chase.com</a></td>
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SCHEDULE 1.1(B)-9
SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

PART 2 - ADDRESSES FOR NOTICES TO AGENT, BORROWER, AND GUARANTORS:

AGENT:
Name: LaSalle Bank National Association
Address: Agency Services
135 South LaSalle Street
Chicago, Illinois 60603
Attention: Mr. Brent Wilk
Telephone: (312) 904-8210
Telexcopy: (312) 904-4448
Email: brent.wilk@abnamro.com

BORROWER:
Name: WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
Address: 1001 Airbrake Avenue
Wilmerding, PA 15148
Attention: Mr. Alvaro Garcia-Tunon
Senior Vice President Finance
Telephone: (412) 825-1317
Telexcopy: (412) 825-1883
Email: agarcia-tunon@wabtec.com

GUARANTORS:
Names: RAILROAD FRICITION PRODUCTS CORPORATION; VAPOR CORPORATION; MOTIVEPOWER CANADA CORPORATION; WABTEC DISTRIBUTION COMPANY; MOTIVEPOWER, INC.; YOUNG TOUCHSTONE COMPANY; WABTEC ENGINE SYSTEMS COMPANY; WABTEC HOLDING CORP.; WABTEC CORPORATION; WABTEC TRANSPORTATION TECHNOLOGIES, INC.
Address: c/o Westinghouse Air Brake Technologies Corporation
Wilmerding, PA 15148
Attention: Mr. Alvaro Garcia-Tunon
Vice President & Treasurer
Telephone: (412) 825-1317
Telexcopy: (412) 825-1883
Email: agarcia-tunon@wabtec.com

SCHEDULE 1.1(B)-10
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<th>COMPANY</th>
<th>JURISDICTION OF INCORPORATION</th>
<th>OWNERSHIP INTEREST</th>
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<td>Allied Friction Products Australia Pty Ltd.</td>
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<td>Cobra Europe S.A.</td>
<td>France</td>
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<tr>
<td>Evand Pty Ltd.</td>
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</tr>
<tr>
<td>F.I.P. Pty Ltd.</td>
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<tr>
<td>Greysham Railway Friction Products</td>
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<tr>
<td>H.P. s.r.l.</td>
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<td>100%</td>
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<tr>
<td>Milufab</td>
<td>Canada</td>
<td>100%</td>
</tr>
<tr>
<td>MotivePower Canada Corporation</td>
<td>Nova Scotia</td>
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<td>MotivePower Foreign Sales Corporation</td>
<td>Barbados</td>
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<tr>
<td>Pioneer Friction Limited</td>
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<tr>
<td>Railroad Friction Products Corporation</td>
<td>Delaware</td>
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</tr>
<tr>
<td>RFPC Holding Corporation</td>
<td>Delaware</td>
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</tr>
<tr>
<td>Stone UK, Ltd.</td>
<td>United Kingdom</td>
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</tr>
<tr>
<td>ThermoSealed Castings Ltd.</td>
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</tr>
<tr>
<td>Vapor Rail Inc.</td>
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<td>Vapor UK Limited</td>
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<td>Wabtec Corporation</td>
<td>New York</td>
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<tr>
<td>Wabtec de Mexico S.A., de C.V.</td>
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<td>100%</td>
</tr>
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<td>Wabtec Distribution Company</td>
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<td>100%</td>
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<td>Wabtec Holding Corp.</td>
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</tr>
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<td>Wabtec Rail Limited</td>
<td>United Kingdom</td>
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<tr>
<td>Wabtec Railway Products India Private Ltd.</td>
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<td>100%</td>
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<tr>
<td>Wabtec Transportation Technologies</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td>Westinghouse International Corporation</td>
<td>Barbados</td>
<td>100%</td>
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<tr>
<td>Westinghouse Railway Holdings (Canada) Inc.</td>
<td>Canada</td>
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</tr>
<tr>
<td>Young Touchstone Company</td>
<td>Wisconsin</td>
<td>100%</td>
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</tbody>
</table>
CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8, Registration Numbers 33-80417, 333-59441, 333-53753, 333-39159, and 333-02979.

/s/ ARTHUR ANDERSEN LLP
Pittsburgh, Pennsylvania
March 28, 2002
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One):

X  ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001

or

_____  TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _________ to ___________

Commission file number 1-13782

A. Full title of the plan and the address of the plan, if different from
that of the issuer named below:
Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust

B. Name of issuer of the securities held pursuant to the plan and the
address of the principal executive office:
Westinghouse Air Brake Technologies Corporation
1001 Air Brake Avenue
Wilmerding, PA 15148
The Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust is subject to the Employee Retirement Income Security Act of 1974. The required financial statements will be filed by amendment within the time prescribed by the rules of Form 11-K.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the ESOP Committee of Westinghouse Air Brake Company has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Westinghouse Air Brake Company
Employee Stock Ownership Plan and Trust

By /s/Robert J. Brooks
---------------------------------
Robert J. Brooks,
Member of the ESOP Committee

March 28, 2002
(Mark One):

X ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

or

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

For the transition period from __________ to __________

Commission file number 1-13782

B. Full title of the plan and the address of the plan, if different from
that of the issuer named below:

Westinghouse Air Brake Company Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the
address of the principal executive office:

Westinghouse Air Brake Technologies Corporation
1001 Air Brake Avenue
Wilmerding, PA 15148
The Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust is subject to the Employee Retirement Income Security Act of 1974. The required financial statements will be filed by amendment within the time prescribed by the rules of Form 11-K.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the ESOP Committee of Westinghouse Air Brake Company has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Westinghouse Air Brake Company Savings Plan

By /s/Robert J. Brooks

------------------------------------
Robert J. Brooks,
Member of the Pension Committee
March 28, 2002
Securities and Exchange Commission
Washington, DC  20549

Securities and Exchange Commission:

Arthur Andersen LLP ("Andersen") has represented to Westinghouse Air Brake Technologies Corporation that the audit was subjected to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on audits, availability of national office consultation and availability of personnel at foreign affiliates of Andersen to conduct the relevant portions of the audit.

/s/ Robert J. Brooks
- ---------------------------------------------------
Robert J. Brooks, Chief Financial Officer