SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) OCTOBER 20, 2003

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	1-13782	25-1615902
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1001 AIR BRAKE AVENUE, WILMERDING, PENNSYLVANIA	15148
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code (412)-825-1000

WESTINGHOUSE AIRBRAKE TECHNOLOGIES CORPORATION

FORM 8-K

FOR THE PERIOD ENDED DECEMBER 31, 2002

ITEM 5. OTHER EVENTS

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections," which, among other things, eliminates the requirement to report certain extinguishments of debt as extraordinary items. As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The provisions of this Statement were required to be adopted by the Company on January 1, 2003. In connection with the Company's issuance of $150,000,000 senior notes in July 2003, the Company adopted SFAS No. 145 effective January 1, 2003. Accordingly, the loss on extinguishment of debt of approximately $5.3 million (net of tax provision of approximately $2.0 million) in 1998, $1.3 million (net of tax provision of approximately $800,000) in 1999 and $1.2 million (net of tax provision of approximately $648,000) in 2002 all previously recorded as extraordinary items, have been reclassified as interest and income tax expense in the accompanying consolidated statements of operations and in other financial information.

Exhibits 99.1, 99.2, and 99.3 to this Current Report on Form 8-K, which are incorporated by reference herein, represent revisions of Item 6 - Selected Financial Data, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 8 - Financial Statements and Supplementary Data, respectively, from the Company's Annual Report on Form 10-K for the year ended December 31, 2002. The revisions relate to certain reclassifications necessary, as described above, to present losses from early extinguishment of debt recorded in 2002, 1999, and 1998 as part of income from continuing operations in accordance with SFAS No. 145. The revisions of Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations also relate to the Company's adoption of a new definition of EBITDA in fiscal year 2003. The items discussed above did not affect net income for any of the five years in the period ended December 31, 2002.

Except as otherwise expressly noted, the financial statement disclosures, management estimates and forward looking statements contained in this Current Report on Form 8-K have not been updated to reflect any developments subsequent to December 31, 2002.

ITEM 7. FINANCIAL STATEMENTS; PROFORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits.

Exhibit No.	Description
Exhibit 23.1	Consent of Ernst & Young LLP, filed herewith
Exhibit 31.1	Rule 13a-14(a) Certification of Chief Executive Officer, filed herewith
Exhibit 31.2	Rule 13a-14(a) Certification of Chief Financial Officer, filed herewith
Exhibit 32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer, filed herewith
Exhibit 99.1	Selected Financial Data, filed herewith
Exhibit 99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations, filed herewith
Exhibit 99.3	Financial Statements and Supplementary Data, filed herewith

SIGNATURE

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

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION
(Registrant)

By: /s/ ALVARO GARCIA-TUNON

Name: Alvaro Garcia-Tunon
Title: Chief Financial Officer

Date: October 20, 2003

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION AND METHOD OF FILING
Exhibit 23.1	Consent of Ernst & Young LLP, filed herewith
Exhibit 31.1	Rule 13a - 14(a) Certification of Chief Executive Officer, filed herewith
Exhibit 31.2	Rule 13a - 14(a) Certification of Chief Financial Officer, filed herewith
Exhibit 32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer, filed herewith
Exhibit 99.1	Selected Financial Data, filed herewith
Exhibit 99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations
Exhibit 99.3	Financial Statements and Supplementary Data

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated February 14, 2003 (except for Note 25, as to which the date is July 9, 2003), included in the Form 10-K of Westinghouse Air Brake Technologies Corporation for the year ended December 31, 2002, with respect to the consolidated financial statements and schedules, as amended by, and included in, this Form 8-K.

ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

October 20, 2003

EXHIBIT 31.1

CERTIFICATION

I, Gregory T.H. Davies, certify that:

1. I have reviewed this Current Report on Form 8-K of Westinghouse Air Brake Technologies Corporation (the "Company"), amending certain items of the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

2. Based on my knowledge, this Form 8-K does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Form 8-K;

3. Based on my knowledge, the financial statements, and other financial information included in this Form 8-K, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Form 8-K;

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Form 8-K is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Form 8-K our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Form 8-K based on such evaluation; and

   (c) Disclosed in this Form 8-K any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: October 20, 2003

/s/ Gregory T. H. Davies

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Name: Gregory T. H. Davies
Title: President & Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Alvaro Garcia-Tunon, certify that:

1. I have reviewed this Current Report on Form 8-K of Westinghouse Air Brake Technologies Corporation (the "Company"), amending certain items of the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

2. Based on my knowledge, this Form 8-K does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Form 8-K;

3. Based on my knowledge, the financial statements, and other financial information included in this Form 8-K, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Form 8-K;

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Form 8-K is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Form 8-K our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Form 8-K based on such evaluation; and

   (c) Disclosed in this Form 8-K any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: October 20, 2003

/s/ Alvaro Garcia-Tunon

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Name: Alvaro Garcia-Tunon
Title: Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officers of Westinghouse Air Brake Technologies Corporation (the "Company"), hereby certify, to the best of their knowledge, that the Company's Current Report on Form 8-K, amending certain items of the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Gregory T. H. Davies

Name: Gregory T. H. Davies
Title: President & Chief Executive Officer
Date: October 20, 2003

By: /s/ Alvaro Garcia-Tunon

Name: Alvaro Garcia-Tunon
Title: Chief Financial Officer
Date: October 20, 2003

EXHIBIT 99.1

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected consolidated financial information of the Company and has been derived from 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.

	YEAR ENDED DECEMBER 31,				
In thousands, except per share amounts	2002	2001	2000	1999	1998
INCOME STATEMENT DATA					
Net sales (a)	$ 696,195	$ 783,698	$ 811,178	$ 844,079	$ 790,672
Cost of sales	(516,724)	(573,772)	(575,516)	(569,169)	(541,506)
Gross profit(b)	179,471	209,926	235,662	274,910	249,166
Total operating expenses(c)	(131,937)	(152,145)	(139,669)	(144,255)	(131,846)
Merger and restructuring charge	--	(3,723)	(18,202)	(42,903)	--
Income from operations	$ 47,534	$ 54,058	$ 77,791	$ 87,752	$ 117,320
Interest expense(d)	$ (18,072)	$ (33,501)	$ (43,649)	$ (44,109)	$ (38,228)
Other income (expense), net(e)	(5,558)	(2,130)	3,776	428	11,223
Income from continuing operations before income tax and cumulative effect of accounting change	23,904	18,427	37,918	44,071	90,315
Income tax expense(d)	(7,594)	(4,465)	(18,718)	(20,887)	(31,908)
Income from continuing operations before cumulative effect of accounting change	16,310	13,962	19,200	23,184	58,407
Income from discontinued operations (net of tax)	403	6,360	6,193	13,439	15,444
Gain (loss) on sale of discontinued operations (net of tax)(f)	(529)	41,458	--	--	--
Income before cumulative effect of accounting change	16,184	61,780	25,393	36,623	73,851
Cumulative effect of accounting changes for goodwill (net of tax)	(61,663)	--	--	--	--
Net income (loss) (g)	$ (45,479)	$ 61,780	$ 25,393	$ 36,623	$ 73,851
DILUTED EARNINGS PER COMMON SHARE					
Income from continuing operations before cumulative effect of accounting change	$ 0.37	$ 0.32	$ 0.45	$ 0.52	$ 1.32
Net income (loss)(g)	$ (1.04)	$ 1.43	$ 0.59	$ 0.83	$ 1.67
Cash dividends declared per share	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.04

	AS OF DECEMBER 31,				
	2002	2001	2000	1999	1998
BALANCE SHEET DATA					
Total assets	$ 588,865	$ 729,952	$ 984,047	$ 966,676	$ 967,382
Total debt	195,151	241,870	540,197	568,587	573,615
Shareholders' equity	199,262	245,271	196,371	181,878	144,076

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(a) Net sales decreased in 2001 and 2002 primarily due to decreased North American OEM freight car and locomotive component sales volumes and lower locomotive overhauls, all within the Freight Group.

(b) 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.

(c) In 2001, includes charges for asset writedowns 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. Goodwill and other indefinite live intangibles amortization was $0, $7 million, $6.9 million, $6.5 million and $4.2 million in 2002, 2001, 2000, 1999 and 1998, respectively.

(d) In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections," which, among other things, eliminates the requirement to report certain extinguishments of debt as extraordinary items. As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the

criteria of Accounting Principles Board Opinion No. 30, "Reporting the
Results of Operations--

Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The provisions of this Statement were required to be adopted by the Company on January 1, 2003. In connection with the Company's issuance of $150,000,000 senior notes in July 2003, the Company adopted SFAS No. 145 effective January 1, 2003. Accordingly, the loss on extinguishment of debt of approximately $5.3 million (net of tax provision of approximately $2.0 million) in 1998, $1.3 million (net of tax provision of approximately $800,000) in 1999 and $1.2 million (net of tax provision of approximately $648,000) in 2002 all previously recorded as extraordinary items, have been reclassified as interest expense in the accompanying consolidated statements of operations and in other financial information.

(e) 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.

(f) Reflects the gain on the sale of certain assets to GE Transportation Systems in 2001 and the writedown of other assets the company decided to exit.

(g) Includes the items noted above, as well as the following: In 2002, a $61.7 million, net of tax, cumulative effect of accounting change for goodwill (which occurred in the quarter ended March 31, 2002). In 2001, a $2.0 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). Excluding all of these items, earnings per diluted share from continuing operations were $0.37 in 2002, $0.49 in 2001 and $0.82 in 2000.

EXHIBIT 99.2

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 $238 million in cash. The assets sold primarily included locomotive aftermarket products and services for which Wabtec was 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.

Net sales of ongoing operations decreased by 11.2% from $783.7 million in 2001 to $696.2 million in 2002. The major causes for the change were decreases in component sales due to the continuation of the weak freight market, a downturn in the locomotive overhaul market and the completion of a major transit contract in the third quarter of 2002.

The results for 2002 include a $61.7 million, net of tax, write off of goodwill in accordance with SFAS No. 142 and $126,000 of loss from discontinued operations. The 2001 results include $47.8 million of income from discontinued operations (including a $41.5 million gain, net of tax, on the sale of assets to GE Transportation Systems noted above 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 $1.7 million charge for severance costs related to a 10 percent salary workforce reduction.

MERGER AND RESTRUCTURING PLAN

In 2001, the Company completed a merger and restructuring plan with charges totaling $71 million pre-tax, with approximately $2 million of the charge expensed in 2001, $20 million in 2000 and $49 million in 1999. 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, 2002, $647,000 of the merger and restructuring charge still remained as accrued on the balance sheet as part of other accrued liabilities. The accrual on the balance sheet is discussed in greater detail in Note 24 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

The Company began and completed a new restructuring plan for the Transit rail business in 2001. The restructuring plan involved operational realignment and related workforce reductions. The charges in 2001 for the restructuring plan move totaled $2 million pre-tax. 2002 operations still included much of the cost of integration in normal operations

The $2 million charge in 2001 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. 2002 operations included no adjustments. 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.

	YEAR ENDED DECEMBER 31				
In millions	REPORTED 2002	ADJUSTED 2001	REPORTED 2001	ADJUSTED 2000	REPORTED 2000
Net sales	$ 696.2	$ 783.7	$ 783.7	$ 811.2	$ 811.2
Cost of sales	(516.7)	(573.8)	(573.8)	(571.5)	(575.5)
Gross profit	179.5	209.9	209.9	239.7	235.7
Selling, general and administrative expenses	(93.0)	(95.0)	(96.7)	(94.8)	(94.8)
Merger and restructuring charges	--	--	(3.7)	--	(18.2)
Engineering expenses	(33.6)	(33.2)	(33.2)	(32.3)	(32.3)
Asset writedowns	--	--	(9.3)	--	--
Amortization expense	(5.3)	(13.0)	(13.0)	(12.6)	(12.6)
Total operating expenses	(131.9)	(141.2)	(155.9)	(139.7)	(157.9)
Income from operations	47.6	68.7	54.0	100.0	77.8
Interest expense	(18.1)	(33.5)	(33.5)	(43.7)	(43.7)
Other (expense) income, net	(5.6)	(2.8)	(2.1)	(0.7)	3.8
Income from continuing operations before income taxes, and cumulative effect of accounting change	23.9	32.4	18.4	55.6	37.9
Income tax expense	(7.6)	(11.3)	(4.4)	(20.0)	(18.7)
Income from continuing operations before cumulative effect of accounting change	16.3	21.1	14.0	35.6	19.2
Discontinued operations					
Income from discontinued operations (net of tax)	0.4	6.4	6.4	6.2	6.2
Gain (loss) on sale of discontinued operations (net of tax)	(0.5)	41.4	41.4	--	--
Income before cumulative effect of accounting change	16.2	68.9	61.8	41.8	25.4
Cumulative effect of accounting change for goodwill, net of tax	(61.7)	--	--	--	--
Net income (loss)	$ (45.5)	$ 68.9	$ 61.8	$ 41.8	$ 25.4

2002 COMPARED TO 2001

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

	FOR THE YEAR ENDED DECEMBER 31,	
In thousands	2002	2001
Freight Group	$ 443,443	$ 490,261
Transit Group	252,752	293,437
Net sales	$ 696,195	$ 783,698

Net sales for 2002 decreased $87.5 million or 11.2% to $696.2 million as compared to the prior period. Both the Freight Group and Transit Group had lower sales. The Freight Group's decreased sales reflected lower sales of components for new freight cars and locomotives. In 2002, industry deliveries of new freight cars decreased to

17,736 units as compared to 34,247 in the same period in 2001 In 2002, industry deliveries of new locomotives decreased to 940 as compared to 1,085 in the same period in 2001. The Transit Group's decreased sales were primarily due to the completion of a supply contract for New York City subway cars in the third quarter of 2002.

Gross profit decreased to $179.5 million (or 25.8% of sales) in 2002 compared to $209.9 million (or 26.8% of sales) in the same period of 2001. Gross profit 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 $35 million in gross profit). The resulting favorable balance is principally a result of cost reductions.

Operating expenses improved by $2.3 million in 2002 as compared to 2001 after excluding goodwill amortization (due to the required adoption of Financial Accounting Standard 142) of $7 million, $9.3 million for asset writedowns, $3.7 million for merger and restructuring charges and $1.7 million for severance costs in 2001. The decrease in operating expenses was due to a decrease in selling, general and administrative expenses.

Income from operations totaled $47.5 million in 2002 compared with $54.1 million in 2001. Operating income would have been $75.8 million in 2001 excluding the above adjustments shown in the prior paragraph. Lower operating income resulted from decreased sales volumes in 2002 (see Note 21 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report).

Interest expense decreased 46.1% in 2002 as compared to 2001, primarily due to a decrease in debt and interest rates. Debt, net of cash and equivalents, was $175.9 million at December 31, 2002 versus $187.9 million at the end of 2001.

The Company recorded foreign exchange losses of $1.2 million and $1.7 million, respectively, in 2002 and 2001 due to the continued strength of the dollar. Also in 2002, the Company wrote down a facility held for sale, resulting in a $2 million charge. These items were reported as other income (expense).

The effective income tax rate for 2002 was 32% as compared to 24.2% in 2001. The Company expects the ongoing rate to be approximately 35-36%. The 2002 rate includes the effect of research and development and foreign tax credits ($772,000). The 2001 rate includes the effect of substantial research and development tax credits ($2 million). Excluding these tax credits, the rate would have been 35% in both 2002 and 2001.

2001 COMPARED TO 2000

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

In thousands	FOR THE YEAR ENDED DECEMBER 31, 2001	2000
Freight Group...	$ 490,261	$ 532,889
Transit Group...	293,437	278,289
Net sales.....	$ 783,698	$ 811,178

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 New York City MTA contract.

Gross profit decreased to $209.9 million (or 26.8% of sales) in 2001 compared to $235.7 million (or 29.1% of sales) in the same period of 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 above adjustments, 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. 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. Lower adjusted operating income resulted from decreased sales volumes in the Freight Group and changes in product mix (see Note 21 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 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 (with taxes on the gain deferred to 2002).

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).

The effective income tax rate for 2001 was 24.2% as compared to 49.4% in 2000. The 2001 rate includes the effect of substantial 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 1995 established ESOP. Excluding this effect, the rate would be 36%.

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.

In thousands	YEAR ENDED DECEMBER 31, 2002	2001	2000
Cash provided (used) by:			
Operating activities..........	$ 15,658	$ 119,097	$ 60,214
Investing activities..........	(10,817)	227,413	(21,485)
Financing activities..........			
Debt paydown................	(45,941)	(298,280)	(28,390)
Other.......................	1,887	1,093	(9,619)
Earnings before interest, taxes, depreciation and amortization (EBITDA)(1)...................	67,363	132,807	120,176

(1) See discussion and reconciliation below.

Operating cash flow in 2002 was $15.7 million as compared to $119.1 million in the same period a year ago. Working capital decreased $6 million in 2002, as inventory decreased by $16 million while payables and accruals decreased by $10 million. In 2001, working capital decreased significantly primarily due to a decrease in accounts receivable and inventory. During 2002 and 2001, cash outlays for merger and restructuring activities were approximately $2.5 million and $6.8 million, respectively, and are reported as a reduction to cash provided by operating activities. Also, in 2002, $30 million was paid in taxes related to the gain on the sale of locomotive aftermarket assets to GETS in 2001. The operating cash flow in 2002 excluding the $30 million tax payment from 2001 was approximately $46 million.

Cash used by investing activities was $10.8 million versus cash provided by investing activities of $227.4 million a year ago. Adjusting the 2001 amount by the sale of businesses to GE for $238 million, cash used by investing activities would have been approximately $10.6 million. In 2002, 2001 and 2000, the Company used $1.7 million, $3.7 million and $650,000, respectively, for certain business acquisitions. See Note 5 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report, for further information. Capital expenditures for continuing operations were $14.1 million, $20.7 million and $23.2 million in 2002, 2001 and 2000, respectively. The majority of capital expenditures for these periods relates to upgrades to existing equipment and replacement of existing equipment.

Cash used for financing activities was $44.1 million in 2002 versus $297.2 million in 2001. During 2002, the Company reduced long-term debt by $45.9 million. During 2001, the Company reduced long-term debt by $298.3 million. The Company repaid $175 million of senior notes in the third quarter of 2002 to take advantage of lower interest rates on the Company's revolving credit agreement. Historically, the Company has financed the purchase of significant businesses utilizing cash flow generated from operations and amounts available under its credit facilities.

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

EBITDA is derived from the statements of income as follows:

(DOLLARS IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	2001	2000	1999	1998
Net income (loss)	$(45,479)	$ 61,780	$ 25,393	$ 36,623	$ 73,851
Cumulative effect of accounting change for goodwill, net of tax	61,663	--	--	--	--
Income tax expense	7,594	4,465	18,718	20,887	31,908
Interest expense	18,072	33,501	43,649	44,109	38,228
Depreciation and Amortization	$ 25,513	33,061	32,416	33,292	30,245
EBITDA(1)	$ 67,363	$132,807	$120,176	$134,911	$ 174,232

(1) EBITDA, as presented above, includes the following items:

(DOLLARS IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	2001	2000	1999	1998
Income from discontinued operations, net of tax	$ 403	$ 6,360	$ 6,193	$ 13,439	$ 15,444
Gain (loss) on sale of discontinued operations, net of tax	(529)	41,458	--	--	--
Other income (expense), net	(5,558)	(2,130)	3,776	428	11,223
	$ (5,684)	$45,688	$ 9,969	$ 13,867	$ 26,667

The following table sets forth the Company's outstanding indebtedness at December 31, 2002 and 2001. The revolving credit note and other term loan interest rates are variable and dependent on market conditions.

	YEAR ENDED DECEMBER 31, 2002	2001
In thousands		
Revolving credit agreement due 2004	$ 189,700	$ 60,000
9.375% Senior notes	--	175,000
5.5% Industrial revenue bond due 2008	4,909	5,556
Other	542	1,314
Total	195,151	241,870
Less -- current portion	833	782
Long-term portion	$ 194,318	$ 241,088

Credit Agreement

In November 1999, Wabtec 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 November 2004 and a 364-day $95 million convertible revolving credit facility maturing in November 2004, with an annual renewal in November 2003. In November 2001, the Company and the banks negotiated a reduction in the 364-day facility from $213 million to $100 million, as a result of the $208 million, net of tax, cash proceeds from the sale of locomotive businesses to GE. In November 2002, the Company negotiated a further reduction in the 364-day facility from $100 million to $95 million. At December 31, 2002, the Company had available bank borrowing capacity, net of letters of credit, of approximately $159 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 LaSalle Bank National Association's prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is based on LIBOR plus a margin that ranges from 87.5 to 200 basis points depending on the Company's consolidated total indebtedness to cash flow ratios. The current margin is 150 basis points. The cost of funds rate is a fluctuating interest rate based on LaSalle Bank National Association'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 the following limitations: incurrence of additional indebtedness; mergers, consolidations and sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; capital expenditures; and imposes a minimum interest expense coverage ratio and a maximum debt to cash flow ratio.

The 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 the indexes described above. The maximum credit agreement borrowings, average credit agreement borrowings and weighted-average contractual interest rate on credit agreement borrowings was $217.7 million, $133.7 million and 3.31%, respectively for 2002. 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, 2002, 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 8.7%. The interest rate swap agreements mature in June 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

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 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 were substantially the same, and the 1995 Notes and the 1999 Notes were issued pursuant to indentures that were substantially the same. The Notes were redeemed at par (face) on July 8, 2002 through the use of cash on hand and additional borrowings under the credit agreement. See Note 25 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

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 IV, Item 15 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. The Company currently expects to refinance and replace its existing bank facility at least twelve months prior to its November 2004 expiration.

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.

CRITICAL ACCOUNTING POLICIES

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include the accounting for derivatives, environmental matters, the testing of goodwill and other intangibles for impairment, proceeds on assets

to be sold, pensions and other postretirement benefits, and tax matters Management uses historical experience and all available information to make these judgments and estimates, and actual results will inevitably differ from those estimates and assumptions that are used to prepare the Company's financial statements at any given time. Despite these inherent limitations, management believes that Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the financial statements and related footnotes provide a meaningful and fair perspective of the Company. A discussion of the judgments and uncertainties associated with accounting for derivatives and environmental matters can be found in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

A summary of the Company's significant accounting policies is included in Note 2 in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

In 2002, Wabtec adopted the new standard of accounting for goodwill and intangible assets with indefinite lives. The cumulative effect adjustment recognized on January 1, 2002, upon adoption of the new standard, was a charge of $61.7 million (after tax). Also in 2002, amortization ceased for goodwill and intangible assets with indefinite lives. Total amortization expense recognized was $5.3 million in 2002, $13 million in 2001 and $12.6 million in 2000. Additionally, goodwill and indefinite-lived intangibles are required to be tested for impairment at least annually. The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill). The Company uses a combination of a guideline public company market approach and a discounted cash flow model ("DCF model") to determine the current fair value of the business. A number of significant assumptions and estimates are involved in the application of the DCF model to forecasted operating cash flows, including markets and market share, sales volume and pricing, costs to produce and working capital changes. Management considers historical experience and all available information at the time the fair values of its business are estimated. However, actual fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill.

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

The recent declines in equity markets and interest rates have had a negative impact on Wabtec's pension plan liability and fair value of plan assets. As a result, the accumulated benefit obligation exceeded the fair value of plan assets at the end of 2002, which resulted in a $7.1 million, net of tax, charge to other comprehensive loss in the fourth quarter.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Westinghouse Air Brake Technologies Corporation:

We have audited the accompanying consolidated balance sheet of Westinghouse Air Brake Technologies Corporation and subsidiaries as of December 31, 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. 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 audit. The financial statements of Westinghouse Air Brake Technologies Corporation and subsidiaries as of December 31, 2001, and for the two fiscal years then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 18, 2002.

We conducted our audit 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 audit provides 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, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As more fully discussed in Note 8 to the consolidated financial statements, effective January 1, 2002, Westinghouse Air Brake Technologies Corporation adopted the provisions of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142).

As discussed above, the consolidated financial statements of Westinghouse Air Brake Technologies Corporation as of December 31, 2001, and for the two fiscal years then ended were audited by other auditors who have ceased operations. As described in Note 8, these financial statements have been revised to include the transitional disclosures required by SFAS No. 142, which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 8 with respect to 2001 and 2000 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill as a result of initially applying Statement No. 142 to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings per share amounts. In our opinion, the disclosures for 2001 and 2000 in Note 8 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

February 14, 2003
except for Note 25,
as to which the date
is July 9, 2003

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 cash flows 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

This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with the Company's Annual Report on Form 10-K for the year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with the Annual Report on Form 10-K for the year ended December 31, 2002. See Exhibit 23.2 to our Annual Report on Form 10-K for the year ended December 31, 2002 for further discussion.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PAR VALUE)	AS OF DECEMBER 31, 2002	2001
ASSETS		
Current assets		
Cash	$ 19,210	$ 53,949
Accounts receivable	108,019	106,527
Inventories	88,470	104,930
Deferred income taxes	23,613	22,960
Other	5,911	7,328
Total current assets	245,223	295,694
Property, plant and equipment	308,495	318,188
Accumulated depreciation	(159,903)	(150,493)
Property, plant and equipment, net	148,592	167,695
Other Assets		
Assets held for sale	10,105	7,180
Prepaid pension costs	110	1,449
Goodwill, net	109,450	198,788
Other intangibles, net	41,524	44,348
Deferred income taxes	26,112	3,860
Other noncurrent assets	7,749	10,938
Total other assets	195,050	266,563
Total assets	$ 588,865	$ 729,952
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$ 833	$ 782
Accounts payable	62,104	75,150
Accrued income taxes	3,928	43,741
Customer deposits	10,827	10,314
Accrued compensation	19,814	17,465
Accrued warranty	17,407	15,373
Other accrued liabilities	20,350	23,396
Total current liabilities	135,263	186,221
Long-term debt	194,318	241,088
Reserve for postretirement and pension benefits	38,266	27,544
Deferred income taxes	8,771	9,065
Commitments and contingencies	7,568	10,601
Other long-term liabilities	5,417	10,162
Total liabilities	389,603	484,681
Shareholders' equity		
Preferred stock, 1,000,000 shares authorized, no shares issued	--	--
Common stock, $.01 par value; 100,000,000 shares authorized: 65,447,867 shares issued and 43,440,840 outstanding at December 31, 2002 and 43,152,545 outstanding at December 31, 2001	654	654
Additional paid-in capital	272,782	272,674
Treasury stock, at cost, 22,007,027 and 22,295,322 shares, respectively	(273,634)	(277,489)
Retained earnings	231,282	278,569
Deferred compensation	270	538
Accumulated other comprehensive loss	(32,092)	(29,675)
Total shareholders' equity	199,262	245,271
Total liabilities and shareholders' equity	$ 588,865	$ 729,952

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 2002	2001	2000
Net sales	$ 696,195	$ 783,698	$ 811,178
Cost of sales	(516,724)	(573,772)	(575,516)
Gross profit	179,471	209,926	235,662
Selling, general and administrative expenses	(93,023)	(96,723)	(94,757)
Merger and restructuring charges	--	(3,723)	(18,202)
Engineering expenses	(33,592)	(33,156)	(32,297)
Asset writedowns	--	(9,253)	--
Amortization expense	(5,322)	(13,013)	(12,615)
Total operating expenses	(131,937)	(155,868)	(157,871)
Income from operations	47,534	54,058	77,791
Other income and expenses			
Interest expense	(18,072)	(33,501)	(43,649)
Other income (expense), net	(5,558)	(2,130)	3,776
Income from continuing operations before income taxes and cumulative effect of accounting change	23,904	18,427	37,918
Income tax expense	(7,594)	(4,465)	(18,718)
Income from continuing operations before cumulative effect of accounting change	16,310	13,962	19,200
Discontinued operations			
Income from discontinued operations (net of tax)	403	6,360	6,193
Gain (loss) on sale of discontinued operations (net of tax)	(529)	41,458	--
Total discontinued operations	(126)	47,818	6,193
Income before cumulative effect of accounting change	16,184	61,780	25,393
Cumulative effect of accounting change for goodwill, net of tax	(61,663)	--	--
Net income (loss)	$ (45,479)	$ 61,780	$ 25,393
Earnings per common share			
Basic			
Income from continuing operations before cumulative effect of accounting change	$ 0.37	$ 0.33	$ 0.45
Income from discontinued operations	--	1.11	0.14
Cumulative effect of accounting change	(1.42)	--	--
Net income (loss)	$ (1.05)	$ 1.44	$ 0.59
Diluted			
Income from continuing operations before cumulative effect of accounting change	$ 0.37	$ 0.32	$ 0.45
Income from discontinued operations	--	1.11	0.14
Cumulative effect of accounting change	(1.41)	--	--
Net income (loss)	$ (1.04)	$ 1.43	$ 0.59
Weighted average shares outstanding			
Basic	43,291	42,949	43,318
Diluted	43,617	43,198	43,382

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	2001	2000
Operating Activities			
Net income (loss)	$ (45,479)	$ 61,780	$ 25,393
Adjustments to reconcile net income to cash provided by operations:			
Cumulative effect of accounting change for goodwill, net of tax	61,663	--	--
Depreciation and amortization	25,513	33,061	32,416
Provision for ESOP contribution	--	--	1,315
Results of discontinued operations, net of tax	126	(47,818)	(6,193)
Loss/(gain) on sale of product line	--	521	(4,375)
Writedown of assets	--	9,253	--
Deferred income taxes	702	(6,278)	7,955
Other, primarily non-cash portion of merger and restructuring charges	--	160	3,106
Discontinued operations	58	(1,213)	(5,136)
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable	(548)	49,772	(15,201)
Inventories	17,812	12,670	4,049
Accounts payable	(12,814)	(4,330)	603
Accrued income taxes	(29,615)	5,021	(5,081)
Accrued liabilities and customer deposits	1,964	(20,856)	4,365
Commitments and contingencies	(3,033)	(2,251)	(5,753)
Other assets and liabilities	(691)	29,605	22,751
Net cash provided by operating activities	15,658	119,097	60,214
Investing Activities			
Purchase of property, plant and equipment, net	(10,464)	(14,801)	(30,831)
Acquisitions of businesses, net of cash acquired	(1,654)	(3,730)	(650)
Cash received from disposition of discontinued operations	1,400	240,900	--
Cash received from disposition of product line	--	4,120	5,500
Discontinued operations	(99)	924	4,496
Net cash provided by (used for) investing activities	(10,817)	227,413	(21,485)
Financing Activities			
Borrowings (repayments) of credit agreements	129,700	(298,000)	(10,000)
Repayments of senior notes	(175,000)	--	--
Repayments of other borrowings	(641)	(280)	(18,390)
Purchase of treasury stock	--	(585)	(12,215)
Proceeds from treasury stock from stock based benefit plans	3,695	3,359	4,291
Cash dividends	(1,808)	(1,681)	(1,695)
Net cash used for financing activities	(44,054)	(297,187)	(38,009)
Effect of changes in currency exchange rates	4,474	(1,445)	(1,705)
Increase (decrease) in cash	(34,739)	47,878	(985)
Cash, beginning of year	53,949	6,071	7,056
Cash, end of year	$ 19,210	$ 53,949	$ 6,071

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS)	COMPREHENSIVE INCOME	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK
BALANCE, DECEMBER 31, 1999		$ 654	$ 318,357	$ (201,711)
Cash dividends.....................				
Purchase of treasury stock.........				(12,215)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax............................			(3,697)	9,545
Allocation of ESOP shares, net of tax effect......................			(434)	
Compensatory stock options granted through a Rabbi Trust...				5,726
ESOP termination...................			(40,732)	(83,010)
Net income.........................	$ 25,393			
Translation adjustment.............	(4,184)			
	$ 21,209			
BALANCE, DECEMBER 31, 2000.........		$ 654	$ 273,494	$ (281,665)
Cash dividends.....................				
Purchase of treasury stock.........				(585)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax.......			(820)	4,398
Compensatory stock options granted through a Rabbi Trust...........				363
Net income.........................	$ 61,780			
Translation adjustment.............	(5,170)			
Cumulative effect of change in accounting for derivative financial instruments, net of $665 tax.......................	(1,234)			
Unrealized losses on derivatives designated and qualified as cash flow hedges, net of $705 tax............................	(1,310)			
Additional minimum pension liability, net of $4,144 tax....	(6,479)			
	$ 47,587			
BALANCE, DECEMBER 31, 2001.........		$ 654	$ 272,674	$ (277,489)
Cash dividends.....................				
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax............................			108	3,587
Compensatory stock options granted through a Rabbi Trust...........				268
Net loss...........................	$ (45,479)			
Translation adjustment.............	3,165			
Unrealized gains on derivatives designated and qualified as cash flow hedges, net of $755 tax............................	1,538			
Additional minimum pension liability, net of $4,551 tax....	(7,120)			
	$ (47,896)			
BALANCE, DECEMBER 31, 2002		$ 654	$ 272,782	$ (273,634)

(IN THOUSANDS)	UNEARNED ESOP SHARES	RETAINED EARNINGS	DEFERRED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
BALANCE, DECEMBER 31, 1999.........	$ (125,491)	$ 194,772	$ 6,595	$ (11,298)
Cash dividends.....................		(1,695)		
Purchase of treasury stock.........				
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax............................			31	
Allocation of ESOP shares, net of tax effect...................	1,749			
Compensatory stock options granted through a Rabbi Trust...........			(5,726)	
ESOP termination...................	123,742			
Net income.........................		25,393		
Translation adjustment.............				(4,184)

BALANCE, DECEMBER 31, 2000	--	$ 218,470	$ 900	$ (15,482)
Cash dividends		(1,681)		
Purchase of treasury stock				
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax			1	
Compensatory stock options granted through a Rabbi Trust			(363)	
Net income		61,780		
Translation adjustment				(5,170)
Cumulative effect of change in accounting for derivative financial instruments, net of $665 tax				(1,234)
Unrealized losses on derivatives designated and qualified as cash flow hedges, net of $705 tax				(1,310)
Additional minimum pension liability, net of $4,144 tax				(6,479)
BALANCE, DECEMBER 31, 2001	--	$ 278,569	$ 538	$ (29,675)
Cash dividends		(1,808)		
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax				
Compensatory stock options granted through a Rabbi Trust			(268)	
Net loss		(45,479)		
Translation adjustment				3,165
Unrealized gains on derivatives designated and qualified as cash flow hedges, net of $755 tax				1,538
Additional minimum pension liability, net of $4,551 tax				(7,120)
BALANCE, DECEMBER 31, 2002	--	$ 231,282	$ 270	$ (32,092)

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 products are intended to enhance safety, improve productivity and reduce maintenance costs for our customers. Product offerings include brakes for locomotives, freight cars and passenger transit vehicles, electronic controls and monitors, heat exchangers and cooling systems, switcher and commuter locomotives, couplers, door systems and draft gears. The Company aggressively pursues technological advances with respect to both new product development and product enhancements. The Company has its headquarters in Wilmerding, Pennsylvania and has 4,409 full time employees at facilities throughout the world.

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

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

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 (see Note 6).

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment additions are stated at cost. Expenditures for renewals and improvements are capitalized. Expenditures for ordinary maintenance and repairs are expensed as incurred. The Company provides for book depreciation principally on the straight-line method. Accelerated depreciation methods are utilized for income tax purposes (see Note 7).

INTANGIBLE ASSETS. The Company adopted SFAS No. 142 effective January 1, 2002, and, as a result, goodwill and other intangible assets with indefinite lives are no longer amortized. Other intangibles (with definite lives) are amortized on a straight-line basis over their estimated economic lives. Goodwill effective January 1, 2002 is reviewed annually for impairment while amortizable intangibles are reviewed for impairment when indicators of impairment are present (see Note 8).

REVENUE RECOGNITION. Revenue is recognized in accordance with Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements." Wabtec recognizes revenue upon the passage of title, ownership and risk of loss to the customer.

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 quarterly, at a minimum, and adjustments are reflected in the accounting period as known. Provisions are made for estimated losses on uncompleted contracts as known, if necessary.

SHIPPING AND HANDLING FEES AND COSTS. All fees billed to the customer for shipping and handling are classified as a component of net sales. All costs associated with shipping and handling are classified as a component of cost of sales.

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, 2002, 2001 and 2000, the Company incurred costs of approximately $33.6 million, $33.2 million and $32.3 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 a number of 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 $17.6 million, $14.1 million and $11.2 million for 2002, 2001 and 2000, respectively. Warranty reserves were $17.4 and $15.4 million at December 31, 2002 and 2001, respectively (see Note 17).

FINANCIAL DERIVATIVES AND HEDGING ACTIVITIES. The Company periodically enters into interest rate swap agreements to reduce the impact of interest rate changes on its variable rate borrowings. Interest rate swaps are agreements with a counterparty to exchange periodic interest payments (such as pay fixed, receive variable) calculated on a notional principal amount. The interest rate differential to be paid or received is recognized as interest expense (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 $266,000, 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 (loss) on the balance sheet.

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 and balances of a long-term investment nature are accumulated and carried as a component of shareholders' equity. The effects of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts are charged or credited to earnings. Foreign exchange loss was $1.2 million, $1.7 million and $1 million for 2002, 2001 and 2000, respectively.

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 gains and losses on derivatives designated and qualified as cash flow hedges and pension related adjustments (see Note 15).

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, in the transit group, accounted for 11% of the Company's consolidated net sales in 2002 and 2001. No one customer accounted for more than 10% of the Company's consolidated net sales in 2000. The allowance for doubtful accounts was $4.6 million and $2.3 million as of December 31, 2002 and 2001, respectively.

EMPLOYEES. As of December 31, 2002, approximately 36% of the Company's workforce was covered by collective bargaining agreements. These agreements are generally effective through 2003, 2004 and 2005.

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 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 adopted SFAS 144 in the third quarter of 2001, prior to the time it was required.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement are effective for exit or disposal

activities that are initiated after December 31, 2002. The Company has not completed the process of evaluating the impact that will result from adopting it.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternate methods of transition to SFAS No. 123's fair value method of accounting for stock-based compensation. While the Statement does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of the Statement are applicable to all companies with stock-based compensation. The provisions of this standard are effective for fiscal years ending after December 15, 2002. The adoption of this pronouncement did not have a material impact on the Company as no change was made to the method of accounting for stock based compensation.

3. DISCONTINUED OPERATIONS

On November 1, 2001, the Company completed the sale of certain assets to GE Transportation Systems (GETS) for $238 million in cash. The assets sold primarily included locomotive aftermarket products and services for which Wabtec was 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 based on a multiple of earnings 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. As of December 31, 2002, one of the businesses continues to be classified as held for sale. Market conditions have deteriorated in the past year, and, as a result, the asset has not sold. The Company actively solicited but did not receive any reasonable offers to purchase the asset and, in response, has reduced the price. The asset continues to be actively marketed at a price that is reasonable given the change in market conditions. The asset is recorded as held for sale for $2.4 million.

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:

	YEAR ENDED DECEMBER 31,		
(IN THOUSANDS)	2002	2001	2000
Net sales	$ 11,158	$ 156,803	$ 216,798
Income before income taxes	593	9,785	9,677
Income tax expense	190	3,425	3,484
Income from discontinued operations	$ 403	$ 6,360	$ 6,193

4. SUPPLEMENTAL CASH FLOW DISCLOSURES

(IN THOUSANDS)	YEARS ENDED DECEMBER 31, 2002	2001	2000
Interest paid during the year	$ 18,111	$ 37,181	$ 45,871
Income taxes paid during the year	34,452	8,318	14,935
Business acquisitions:			
Fair value of assets acquired	$ 1,654	$ 5,275	$ 897
Liabilities assumed	--	(842)	(247)
Cash paid	1,654	4,433	650
Less cash acquired	--	703	--
Net cash paid	$ 1,654	$ 3,730	$ 650
Noncash investing and financing activities:			
Deferred compensation	$ 268	$ 363	$ 5,726
Treasury stock	(268)	(363)	(5,726)

5. MERGERS AND ACQUISITIONS

During 2002, 2001 and 2000, the Company completed the following acquisitions:

i) In February 2002, the Company purchased the minority interest of a business in India that the Company did not already own for $1.7 million.

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

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

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

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 $2.9 million and was allocated to goodwill. Effective January 1, 2002, goodwill was no longer amortized upon adoption of SFAS No. 142 (see Note 2).

6. INVENTORY

The components of inventory, net of reserves, were:

(IN THOUSANDS)	AS OF DECEMBER 31, 2002	2001
Raw materials	$ 56,016	$ 60,013
Work-in-process	27,856	34,265
Finished goods	4,598	10,652
Total inventory	$ 88,470	$104,930

7. PROPERTY, PLANT & EQUIPMENT

The major classes of depreciable assets are as follows:

(IN THOUSANDS)	AS OF DECEMBER 31, 2002	2001
Machinery and equipment	$ 229,813	$ 229,297
Buildings and improvements	72,848	78,550
Land and improvements	5,572	10,105
Locomotive leased fleet	262	236
PP&E	308,495	318,188
Less accumulated depreciation	(159,903)	(150,493)
Total	$ 148,592	$ 167,695

The estimated useful lives of property, plant and equipment are as follows.

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

8. INTANGIBLES

The Company has adopted SFAS No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002. Under its provisions, all goodwill and other intangible assets with indefinite lives are no longer amortized under a straight-line basis over the assets estimated useful life. Instead, they will be subject to periodic assessments for impairment by applying a fair-value-based test. The Company completed the Phase I and Phase II assessments and wrote down the carrying value of goodwill by $90 million ($83.2 million for the freight group and $6.8 million for the transit group), resulting in a non-cash after-tax charge of $61.7 million. The fair value of these reporting units was determined using a combination of discounted cash flow analysis and market multiples based upon historical and projected financial information. Goodwill still remaining on the balance sheet is $109.5 million at December 31, 2002.

As of December 31, 2002 and 2001, the Company's trademarks had a gross carrying amount of $23,121 and accumulated amortization of $3,558 and the Company believes this intangible has an indefinite life.

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

	AS OF DECEMBER 31,	
(IN THOUSANDS)	2002	2001
Patents and other, net of accumulated amortization of $39,136 and $36,859	$ 16,124	$18,485
Covenants not to compete, net of accumulated amortization of $16,673 and $15,326	1,480	2,827
Intangible pension asset	4,357	3,473
Total	$ 21,961	$24,785

In connection with the adoption of SFAS No. 142, the Company reassessed the useful lives and the classification of its identifiable assets and determined that they continue to be appropriate. The weighted average useful lives of patents was 13 years and covenants not to compete was 5 years.

Amortization expense for intangible assets was $5.3 million for the year ended December 31, 2002. Estimated amortization expense for the five succeeding years is as follows:

(IN THOUSANDS)	
2003	$ 4,019
2004	3,903
2005	2,962
2006	2,297
2007	2,084

The changes in the carrying amount of goodwill by segment for the year ended December 31, 2002 are as follows:

(IN THOUSANDS)	FREIGHT GROUP	TRANSIT GROUP	TOTAL
Balance at December 31, 2001	$ 175,085	$ 23,703	$ 198,788
Goodwill acquired	664	--	664
Goodwill written off	(83,179)	(6,823)	(90,002)
Balance at December 31, 2002	$ 92,570	$ 16,880	$ 109,450

Actual results of continuing operations for the year ended December 31, 2002 and pro forma results of continuing operations for 2001 and 2000 had we applied the non-amortization provisions of SFAS No. 142 in these periods are as follows:

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31, 2002	2001	2000
Reported income before cumulative effect of accounting change	$ 16,184	$ 61,780	$ 25,393
Add: goodwill amortization, net of tax	--	4,147	4,063
Add: trademark amortization, net of tax	--	376	370
Adjusted income before cumulative effect of accounting change	$ 16,184	$ 66,303	$ 29,826
Basic earnings per share			
Reported income before cumulative effect of accounting change	$ 0.37	$ 1.44	$ 0.59
Goodwill amortization	--	0.09	0.09
Trademark amortization	--	0.01	0.01
Adjusted income before cumulative effect of accounting change	$ 0.37	$ 1.54	$ 0.69
Diluted earnings per share			
Reported income before cumulative effect of accounting change	$ 0.37	$ 1.43	$ 0.59
Goodwill amortization	--	0.09	0.09
Trademark amortization	--	0.01	0.01
Adjusted income before cumulative effect of accounting change per share	$ 0.37	$ 1.53	$ 0.69

9. LONG-TERM DEBT

Long-term debt consisted of the following:

(IN THOUSANDS)	AS OF DECEMBER 31, 2002	2001
Revolving credit agreement due 2004	$ 189,700	$ 60,000
9.375% Senior notes	--	175,000
5.5% Industrial revenue bond due 2008	4,909	5,556
Other	542	1,314
Total	$ 195,151	$ 241,870
Less--current portion	833	782
Long-term portion	$ 194,318	$ 241,088

CREDIT AGREEMENT

In November 1999, Wabtec 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 November 2004 and a 364-day $95 million convertible revolving credit facility maturing in November 2004, with an annual renewal in November 2003. In November 2001, the Company and the banks negotiated a reduction in the 364-day facility from $213 million to $100 million, as a result of the $208 million, net of tax, cash proceeds from the sale of locomotive businesses to GE. In November 2002, the Company negotiated a further reduction in the 364-day facility from $100 million to $95 million. At December 31, 2002, the Company had available bank borrowing capacity, net of letters of credit, of approximately $159 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 LaSalle Bank National Association's prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is based on LIBOR plus a margin that ranges from 87.5 to 200 basis points depending on the Company's consolidated total indebtedness to cash flow ratios. The current margin is 150 basis points. The cost of funds rate is a fluctuating interest rate based on LaSalle Bank National Association'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 the following limitations: incurrence of additional indebtedness; mergers, consolidations and sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; capital expenditures; and imposes a minimum interest expense coverage ratio and a maximum debt to cash flow ratio.

The 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 the indexes described above. The maximum credit agreement borrowings, average credit agreement borrowings and weighted-average contractual interest rate on credit agreement borrowings was $217.7 million, $133.7 million and 3.31%, respectively for 2002. 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, 2002, 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 8.7%. The interest rate swap agreements mature in June 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

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 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 were substantially the same, and the 1995 Notes and the 1999 Notes were issued pursuant to indentures that were substantially the same. The Notes were redeemed at par (face) on July 8, 2002 through the use of cash on hand and additional borrowings under the credit agreement. This redemption resulted in a non-cash loss of $1.9 million relating to a write-off of deferred debt issuance costs which was recorded as interest expense (see Note 25).

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, 2002 are as follows:

(IN THOUSANDS)	
2003	$ 833
2004	190,723
2005	590
2006	309
2007	277
Future years	2,419
Total	$ 195,151

10. EMPLOYEE BENEFIT PLANS

(IN THOUSANDS, EXCEPT PERCENTAGES)	PENSION PLANS 2002	PENSION PLANS 2001	POSTRETIREMENT PLANS 2002	POSTRETIREMENT PLANS 2001
	AS OF OR FOR THE YEARS ENDED DECEMBER 31,			
DEFINED BENEFIT PLANS				
CHANGE IN BENEFIT OBLIGATION				
Obligation at beginning of year	$ (67,239)	$ (58,409)	$ (21,368)	$ (20,434)
Service cost	(1,661)	(1,447)	(232)	(240)
Interest cost	(4,638)	(4,382)	(1,447)	(1,524)
Special termination benefits	(1,241)	(1,602)	--	--
Actuarial loss	(965)	(7,732)	(2,581)	(228)
Benefits paid	5,257	4,389	1,928	1,058
Expenses paid	326	292	--	--
Effect of currency rate changes	136	1,652	--	--
Obligation at end of year	$ (70,025)	$ (67,239)	$ (23,700)	$ (21,368)
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 56,590	$ 65,710	--	--
Actual loss on plan assets	(4,781)	(4,186)	--	--
Employer contribution	2,010	1,642	--	--
Participant contributions	50	41	--	--
Benefits paid	(5,257)	(4,389)	--	--
Administrative expenses	(620)	(564)	--	--
Liabilities assumed through an acquisition	--	(110)	--	--
Effect of currency rate changes	121	(1,554)	--	--
Fair value of plan assets at end of year	$ 48,113	$ 56,590	--	--

(IN THOUSANDS, EXCEPT PERCENTAGES)	PENSION PLANS 2002	PENSION PLANS 2001	POSTRETIREMENT PLANS 2002	POSTRETIREMENT PLANS 2001
	AS OF OR FOR THE YEARS ENDED DECEMBER 31,			
FUNDED STATUS				
Funded status at year end	$(21,854)	$(10,649)	(23,700)	(21,368)
Unrecognized net actuarial (gain) loss	25,628	14,687	3,922	1,342
Unrecognized prior service cost	4,249	3,720	34	31
Unrecognized transition obligation	--	--	216	238
Prepaid (accrued) benefit cost	$ 8,023	$ 7,758	$(19,528)	$(19,757)
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION INCLUDE:				
Prepaid pension cost	$ 110	$ 1,449	$ --	$ --
Reserve for postretirement and pension benefits	(18,738)	(7,787)	(19,528)	(19,757)
Intangible asset	4,357	3,473	--	--
Accumulated other comprehensive loss	22,294	10,623	--	--
Prepaid (accrued) benefit cost	$ 8,023	$ 7,758	$(19,528)	$(19,757)

	PENSION PLANS 2002	PENSION PLANS 2001	PENSION PLANS 2000	POSTRETIREMENT PLANS 2002	POSTRETIREMENT PLANS 2001	POSTRETIREMENT PLANS 2000
NET PERIODIC BENEFIT COST						
Service cost	$ 1,661	$ 1,447	$ 1,492	$ 232	$ 240	$ 231
Interest cost	4,638	4,382	4,572	1,447	1,524	1,430
Expected return on plan assets	(5,270)	(5,846)	(6,708)	--	--	--
Net amortization/deferrals	762	680	219	19	(3)	69
Net periodic benefit (income) cost	$ 1,791	$ 663	$ (425)	$1,698	$1,761	$1,730
ASSUMPTIONS						
Discount rate	6.75%	7%	7.25%	6.75%	7.5%	7.5%
Expected long-term rate of return	8.25%	9%	9%	na	na	Na
Rate of compensation increase	4%	5%	5%	na	na	Na

The assumed health care cost trend rate grades from an initial rate of 9% to an ultimate rate of 4.75% in five years.

A 1% increase in the assumed health care cost trend rate will increase the amount of expense recognized for the postretirement plans by approximately $303,000 for 2003, and increase the accumulated postretirement benefit obligation by approximately $3.5 million. A 1% decrease in the assumed health care cost trend rate will decrease the amount of expense recognized for the postretirement plans by approximately $239,000 for 2003, and decrease 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 2002 and 2001, as a result of an early retirement package offered to certain union employees, the Company incurred charges of approximately $1.2 million and $1.6 million, respectively, reflected above as a special termination benefit.

Included in the above table, the aggregate benefit obligation and fair value of plan assets for the pension plans with plan assets in excess of benefit obligations were $2 million and $2.1 million, respectively, as of December 31, 2002 and $8.3 million and $9.7 million, respectively, as of December 31, 2001 (the total of which was pension plan benefit obligation in excess of plan assets).

DEFINED CONTRIBUTION PLANS

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

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	2001	2000
Multi-employer pension and health & welfare plans.................	$1,310	$ 994	$1,152
401(k) savings and other defined contribution plans...............	6,929	8,172	5,371
Employee stock ownership plan (ESOP)..............................	--	--	1,315
Total..	$8,239	$9,166	$7,838

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, in 2002, allocated shares were distributed to the participants' 401(k) accounts and the unallocated shares were 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:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	2001	2000
Domestic	$ 12,226	$ 10,287	$ 24,740
Foreign	11,678	8,140	13,178
Income from continuing operations	$ 23,904	$ 18,427	$ 37,918

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

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	2001	2000
Current taxes			
Federal	$ 609	$ 28,703	$ --
State	(2,421)	4,919	1,009
Foreign	2,876	3,345	8,999
	$ 1,064	$ 36,967	$ 10,008
Federal	(14,788)	1,106	8,669
State	(4,364)	287	749
Foreign	(2,716)	(325)	2,776
	(21,868)	1,068	12,194
Total provision (credit)	$ (20,804)	$ 38,035	$ 22,202

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

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	2001	2000
Continuing operations	$ 7,594	$ 4,465	$ 18,718
Income (loss) from discontinued operations	(59)	33,570	3,484
Cumulative effect of accounting change for goodwill	(28,339)	--	--
Total provision (credit)	$ (20,804)	$ 38,035	$ 22,202

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:

	YEAR ENDED DECEMBER 31, 2002	2001	2000
U. S. federal statutory rate	35.0%	35.0%	35.0%
State taxes	3.6	3.6	3.2
Foreign	0.3	0.4	2.2
Foreign tax credits	(2.1)	--	--
ESOP	--	--	10.6
Research and development credit	(3.3)	(15.9)	--
Other, net	(1.5)	1.1	(1.6)
Effective rate	32.0%	24.2%	49.4%

Research and development credit for the year 2002 relates to current credits claimed. Research and development credit for the year 2001 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:

(IN THOUSANDS)	AS OF DECEMBER 31, 2002	2001
Accrued expenses and reserves	$ 11,899	$ 13,696
Employee benefits/pension	15,835	14,346
Inventory	3,878	5,911
Accrued warranty	6,062	5,951
Restructuring reserve	1,479	2,730
Deferred debt costs	--	1,316
Net operating loss	303	3,304
Plant, equipment and intangibles	10,139	(21,728)
Other	--	870
	49,595	26,396
Valuation allowance	(8,641)	(8,641)
Net deferred tax assets	$ 40,954	$ 17,755

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, 2002 is $778,000, and will expire in 2010.

13. EARNINGS PER SHARE

The computation of earnings per share from continuing operations is as follows:

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31, 2002	2001	2000
BASIC			
Income from continuing operations before cumulative effect of accounting change applicable to common shareholders	$ 16,310	$ 13,962	$ 19,200
Divided by:			
Weighted average shares outstanding	43,291	42,949	43,318
Basic earnings from continuing operations before cumulative effect of accounting change per share	$ 0.37	$ 0.33	$ 0.45
DILUTED			
Income from continuing operations before cumulative effect of accounting change applicable to common shareholders	$ 16,310	$ 13,962	$ 19,200
Divided by the sum of:			
Weighted average shares outstanding	43,291	42,949	43,318
Assumed conversion of dilutive stock options	326	249	64
Diluted shares outstanding	43,617	43,198	43,382
Diluted earnings from continuing operations before cumulative effect of accounting change per share	$ 0.37	$ 0.32	$ 0.45

Options to purchase approximately 2.1 million, 2.8 million and 4.2 million shares of Common Stock were outstanding in 2002, 2001 and 2000, 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. Under the formula, 1.5% of total common shares outstanding at the end of the preceding fiscal year are added to shares available for grant under the 2000 Plan. Based on the adjustment, the Company had approximately 1.5 million shares available for 2002 grants and has available approximately 1.3 shares through the end of fiscal 2003. The shares available for grants on any given date may not exceed 15% of Wabtec's total common shares outstanding. 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 2002, the Company granted nonqualified stock options to non-employee directors to purchase a total of 80,000 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, 2002 was 172,646 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 set forth in the following table. For purposes of pro forma disclosures, the estimated fair value is amortized to expense over the options' vesting period.

	YEAR ENDED DECEMBER 31,		
(IN THOUSANDS, EXCEPT PER SHARE)	2002	2001	2000
Net income (loss)			
As reported..	$ (45,479)	$ 61,780	$ 25,393
Pro forma..	(47,114)	58,691	20,601
Diluted earnings (loss) per share			
As reported..	$ (1.04)	$ 1.43	$ 0.59
Pro forma..	(1.07)	1.36	0.47

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:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
Dividend yield........................	.30%	.30%	.40%
Risk-free interest rate...............	5.6%	5.9%	5.09%
Stock price volatility................	46.70	47.30	46.74
Expected life (years).................	5.0	5.0	5.0

The Black-Scholes option valuation model was developed for use in estimating fair value of traded options, which are significantly different than employee stock options. Although this valuation model is an acceptable method for use in presenting pro forma information, because of the differences in traded options and employee stock options, the Black-Scholes model does not necessarily provide a single measure of the fair value of employee stock options.

A summary of the Company's stock option activity and related information for the years indicated follows:

	2002		2001		2000	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Beginning of year	4,599,935	$ 13.76	5,389,397	$ 14.74	4,977,008	$ 15.14
Granted	835,500	12.15	512,212	13.22	1,310,000	10.81
Exercised	(192,779)	11.60	(210,660)	10.40	(581,318)	6.20
Canceled	(265,360)	15.41	(1,091,014)	19.00	(316,293)	20.82
End of year	4,977,296	$ 13.44	4,599,935	$ 13.76	5,389,397	$ 14.74
Exercisable at end of year	3,771,366		3,738,562		3,621,317	
Available for future grant	1,343,893		1,432,980		1,150,078	
Weighted average fair value of options granted during the year	$ 5.20		$ 5.98		$ 5.97	

The following table summarizes information about stock options outstanding at December 31, 2002:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF 12/31/02	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AS OF 12/31/02
$ 3.86-$ 8.63	83,766	6.9	$ 5.16	82,100
$ 9.54-$ 9.54	567,000	7.9	9.54	381,015
$ 9.88-$10.86	436,550	7.0	10.63	406,969
$11.00-$12.75	1,405,625	7.7	12.14	470,309
$13.18-$13.97	427,189	8.5	13.25	373,807
$14.00-$14.00	1,287,506	3.1	14.00	1,287,506
$14.63-$19.91	159,400	6.2	17.23	159,400
$20.00-$20.00	457,640	5.8	20.00	457,640
$22.38-$29.61	152,620	5.7	24.78	152,620
	4,977,296	6.2	$ 13.44	3,771,366

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.

15. OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss were:

(IN THOUSANDS)	AS OF DECEMBER 31, 2002	2001
Foreign currency translation adjustment	$ (17,487)	$ (20,652)
Unrealized losses on derivatives designated and qualified as cash flow hedges, net of tax of $615 and $1,370	(1,006)	(2,544)
Additional minimum pension liability, net of tax of $8,695 and $4,144	(13,599)	(6,479)
Total accumulated other comprehensive loss	$ (32,092)	$ (29,675)

16. 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 2002, 2001, and 2000 was $6.2 million, $5.7 million and $6.3 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, $2.8 million and $4 million for the years 2002, 2001 and 2000, respectively.

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

(IN THOUSANDS)	REAL ESTATE	EQUIPMENT	SUBLEASE RENTALS	TOTAL
2003.................	$ 4,374	$ 4,802	$ (2,833)	$ 6,343
2004.................	3,312	4,542	(2,463)	5,391
2005.................	2,904	4,246	(2,431)	4,719
2006.................	2,843	3,913	(2,310)	4,446
2007.................	2,733	1,996	(1,535)	3,194
2008 and after.......	15,850	1,988	(1,535)	16,303

17. WARRANTIES

The following table reconciles the changes in the Company's product warranty reserve as of and for the year ended December 31, 2002.

(IN THOUSANDS)	
Balance at December 31, 2001..	$ 15,373
Accrual for warranty expensed during the year ended December 31, 2002....	17,625
Warranty expenditures made during the year..............................	(15,591)
Balance at December 31, 2002..	$ 17,407

18. STOCKHOLDERS' AGREEMENTS

As of December 31, 2002, the approximate ownership interests in the Company's Common Stock are: management (10%), 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 (77%).

A Stockholders Agreement exists between the Company and Vestar, Charlesbank, and American Industrial Partners 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, and rights to request the registration of the shares.

19. 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, 2002 and 2001 there was no preferred stock issued or outstanding.

20. 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 MotivePower Industries (Boise, Idaho) facility. In compliance with the Permit, the Company has completed the first phase of an accelerated plan for the treatment of contaminated groundwater, and continues onsite and offsite monitoring for hazardous constituents. The Company has accrued $793,000 at December 31, 2002, the estimated remaining costs for remediation. The Company was in compliance with the Permit at December 31, 2002.

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 $543,000, which has been accrued at December 31, 2002.

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 $476,000 at December 31, 2002 as its estimate of remaining restoration costs.

GETS-GS

On November 3, 2000, the Company settled a suit brought against it in 1999 by GE-Harris Railway Electronics, L.L.C. and GE-Harris Railway Electronics Services, L.L.C. (collectively "GE-Harris"). On September 20, 2002, a motion in that lawsuit was filed by the successor to GE Harris, GE Transportation Services Global Signaling, L.L.C. ("GETS-GS"). The motion by GETS-GS contends that the Company is acting beyond authority granted in the parties' November 2000 settlement and license agreement and in contempt of the consent order that concluded the suit at that time. In support of its motion, GETS-GS points principally to sales and offers to sell certain railway brake equipment, including distributed power equipment, to Australian customers. GETS-GS is seeking substantial money damages and has claimed a significant business loss. This matter is in discovery and a hearing on GETS-GS' motion is scheduled for May 13, 2003. 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.

21. 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:

The 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 components and train coupler equipment. Revenues are derived from OEM sales 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.

The Transit Group consists of products for passenger transit vehicles (typically subways, rail and buses) that include braking, coupling 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 2002 is as follows:

(IN THOUSANDS)	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	MERGER AND RESTRUCTURING	TOTAL
Sales to external customers	$ 443,443	$ 252,752	--	--	$ 696,195
Intersegment sales/(elimination)	8,849	567	$ (9,416)		--
Total sales	$ 452,292	$ 253,319	$ (9,416)	--	$ 696,195
Income from operations	$ 48,186	$ 22,237	$(22,889)	--	$ 47,534
Interest expense and other	--	--	(23,630)	--	(23,630)
Income from continuing operations before income taxes and cumulative effect of accounting change	$ 48,186	$ 22,237	$(46,519)	--	$ 23,904
Depreciation and amortization	$ 17,166	$ 5,761	$ 2,586	--	$ 25,513
Capital expenditures	9,134	3,757	1,246	--	14,137
Segment assets	375,032	142,764	71,069	--	588,865

Segment financial information for 2001 is as follows:

(IN THOUSANDS)	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	MERGER AND RESTRUCTURING	TOTAL
Sales to external customers	$ 490,261	$ 293,437	--	--	$ 783,698
Intersegment sales/(elimination)	10,160	788	$ (10,948)	--	--
Total sales	$ 500,421	$ 294,225	$ (10,948)	--	$ 783,698
Income from operations	$ 58,989	$ 32,390	$ (33,598)	$ (3,723)	$ 54,058
Interest expense and other	--	--	(35,631)	--	(35,631)
Income from continuing operations before income taxes and cumulative effect of accounting change	$ 58,989	$ 32,390	$ (69,229)	$ (3,723)	$ 18,427
Depreciation and amortization	$ 23,234	$ 7,337	$ 2,490	--	$ 33,061
Capital expenditures	14,048	4,469	2,157	--	20,674
Segment assets	477,983	175,028	76,941	--	729,952

Segment financial information for 2000 is as follows:

(IN THOUSANDS)	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	MERGER AND RESTRUCTURING	TOTAL
Sales to external customers	$ 532,889	$ 278,289	--	--	$ 811,178
Intersegment sales/(elimination)	10,189	570	$ (10,759)	--	--
Total sales	$ 543,078	$ 278,859	$ (10,759)	--	$ 811,178
Income from operations	$ 87,919	$ 27,440	$ (17,353)	$ (20,215)	$ 77,791
Interest expense and other	--	--	(39,873)	--	(39,873)
Income from continuing operations before income taxes and cumulative effect of accounting change	$ 87,919	$ 27,440	$ (57,226)	$ (20,215)	$ 37,918
Depreciation and amortization	$ 21,896	$ 7,971	$ 2,549	--	$ 32,416
Capital expenditures	13,679	6,742	2,752	--	23,173
Segment assets	734,378	197,487	52,182	--	984,047

In 2001 and 2000, $530,000 and $15.2 million of the above merger and restructuring costs related to the Freight Group. In 2001 and 2000, $2 million and $235,000 of the above merger and restructuring costs related to the Transit Group.

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

	NET SALES			LONG-LIVED ASSETS		
	YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,		
(IN THOUSANDS)	2002	2001	2000	2002	2001	2000

United States	$ 525,724	$ 582,655	$ 620,094	$ 99,292	$ 115,583	$ 146,576
Canada	50,035	73,177	92,001	27,889	32,963	40,136
Mexico	11,487	8,693	8,911	10,979	10,584	19,852
Other international	108,949	119,173	90,172	10,432	8,565	8,081
Total	$ 696,195	$ 783,698	$ 811,178	$148,592	$ 167,695	$ 214,645

Export sales from the Company's United States operations were $61.9 million, $90.3 million and $98.9 million for the years ending December 31, 2002, 2001 and 2000, respectively. The following data reflects income (loss) 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.

(IN THOUSANDS)	INCOME (LOSS) FROM OPERATIONS YEAR ENDED DECEMBER 31, 2002	2001	2000
United States	$ 34,554	$ 41,007	$ 54,331
Canada	496	6,412	17,432
Mexico	(325)	(2,467)	168
Other international	12,809	9,106	5,860
Total	$ 47,534	$ 54,058	$ 77,791

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(IN THOUSANDS)	2002 CARRY VALUE	2002 FAIR VALUE	2001 CARRY VALUE	2001 FAIR VALUE
9.375% Senior Notes	--	--	$ (175,000)	$ (173,250)
Interest rate swaps	$ (1,756)	$ (1,756)	(3,914)	(3,914)

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.

23. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
2002				
Net sales	$ 177,325	$ 179,808	$ 161,422	$ 177,640
Gross profit	44,780	45,356	43,284	46,051
Operating income	10,467	13,300	11,170	12,597
Income from continuing operations before taxes	4,044	7,329	5,910	6,621
Income (loss) from discontinued operations (net of tax)	(405)	57	48	174
Net income (loss)	(59,440)	4,821	3,890	5,250
Basic earnings from continuing operations per common share	$ 0.06	$ 0.11	$ 0.09	$ 0.12
Diluted earnings from continuing operations per common share	$ 0.06	$ 0.11	$ 0.09	$ 0.12
2001				
Net sales	$ 215,305	$ 194,117	$ 185,854	$ 188,422
Gross profit	61,413	53,577	47,782	47,154
Operating income	24,493	18,574	10,932	59
Income (loss) from continuing operations before taxes	12,608	9,618	2,821	(6,620)
Income from discontinued operations (net of tax)	2,292	1,583	2,576	41,367
Net income	10,362	7,961	6,393	37,064
Basic earnings (loss) from continuing operations per common share	$ 0.19	$ 0.15	$ 0.09	$ (0.10)
Diluted earnings (loss) from continuing operations per common share	$ 0.19	$ 0.15	$ 0.09	$ (0.10)

Earnings per share for the year are different than the sum of the quarterly earnings per share due to rounding.

The Company recorded a cumulative effect of accounting change for goodwill, net of tax, of $61.7 million, or $1.41 in the first quarter of 2002. In the fourth quarter of 2002, the Company recorded a $772,000, or $0.02, per diluted share tax benefit due to research and development credits and the utilization of foreign tax credits. Also in the fourth quarter of 2002, the Company's vacation policy was changed so that employees that leave the Company are entitled to a pro rata portion of their vacation for that year instead of their entire vacation for the year. This change resulted in income of $789,000, net of tax, or $0.02 per diluted share.

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, 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.

24. MERGER AND RESTRUCTURING CHARGE

In 2001, the Company completed a merger and restructuring plan with charges totaling $71 million pre-tax, with approximately $2 million of the charge expensed in 2001, $20 million in 2000 and $49 million in 1999. 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, 2002, $647,000 of the merger and restructuring charge was still remaining as accrued on the balance sheet as part of other accrued liabilities. The table below identifies the significant components of the charge and reflects the accrual balance at that date.

(IN THOUSANDS)	LEASE IMPAIRMENTS AND ASSET WRITEDOWNS	SEVERANCE	OTHER	TOTAL
Beginning balance, January 1, 2002............	$ 2,458	$ 525	$ 169	$ 3,152
Amounts paid in 2002..........................	(1,811)	(525)	(169)	(2,505)
Balance at December 31, 2002..................	$ 647	$ --	$ --	$ 647

The lease impairment charges and asset writedowns are associated with the Company's closing of several plants, the consolidation 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 Company began and completed a new restructuring plan for the Transit rail business in 2001. The restructuring plan involved operational realignment and related workforce reductions. The charges in 2001 for the restructuring plan move totaled $2 million pre-tax. 2002 operations still included much of the cost of integration in normal operations.

The $2 million charge in 2001 included costs associated with relocating several production operations from Chicago to Montreal, including severance costs for approximately 103 employees.

25. EARLY EXTINGUISHMENT OF DEBT

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections," which, among other things, eliminates the requirement to report certain extinguishments of debt as extraordinary items. As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The provisions of this Statement are required to be adopted by the Company on January 1, 2003. In connection with the anticipated sale of $150 million of senior notes in July 2003, the Company adopted SFAS No. 145 effective January 1, 2003. Accordingly, the loss on extinguishment of debt of approximately $1.2 million (net of tax provision of approximately $648,000) in 2002 and similar transactions in prior years, all previously recorded as extraordinary items, have been reclassified as interest expense in the accompanying consolidated statements of operations.