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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from to

Commission file number: 033-90866

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

Delaware	**25-1615902**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1001 Air Brake Avenue **Wilmerding, PA**	**15148**
(Address of principal executive offices)	**(Zip code)**

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	x	Accelerated filer	☐	Non-accelerated filer	☐
Emerging growth company	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

As of April 30, 2019, there were 162,817,600 shares of common stock, par value $.01 per share, of the registrant outstanding.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

March 31, 2019

FORM 10-Q

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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands, except shares and par value	Unaudited March 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 512,870	$ 580,908
Restricted cash	—	1,761,446
Accounts receivable	1,271,198	801,193
Unbilled accounts receivable	455,626	345,585
Inventories	1,947,220	844,886
Other current assets	194,223	115,649
Total current assets	4,381,137	4,449,667
Property, plant and equipment	2,133,778	1,036,550
Accumulated depreciation	(498,812)	(472,813)
Property, plant and equipment, net	1,634,966	563,737
Other Assets		
Goodwill	8,142,473	2,396,544
Other intangibles, net	4,364,021	1,129,880
Other noncurrent assets	555,308	109,406
Total other assets	13,061,802	3,635,830
Total Assets	$ 19,077,905	$ 8,649,234
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 1,187,261	$ 589,449
Customer deposits	573,244	373,538
Accrued compensation	273,449	173,183
Accrued warranty	217,752	135,636
Current portion of long-term debt	321,308	64,099
Other accrued liabilities	681,421	310,785
Total current liabilities	3,254,435	1,646,690
Long-term debt	4,641,286	3,792,774
Accrued postretirement and pension benefits	96,533	95,446
Deferred income taxes	176,116	198,269
Accrued warranty	31,563	18,066
Other long-term liabilities	1,097,526	28,914
Total Liabilities	9,297,459	5,780,159
Commitments and contingencies (Note 16)		
Equity		
Convertible preferred stock, $0.01 par value; 1,000,000 shares authorized, 10,000 and no shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized:		
198,131,716 and 132,349,534 shares issued and 162,817,600 and 96,614,946 outstanding		
at March 31, 2019 and December 31, 2018, respectively	1,981	1,323
Additional paid-in capital	7,796,270	914,568
Treasury stock, at cost, 35,314,116 and 35,734,588 shares,		
at March 31, 2019 and December 31, 2018, respectively	(807,214)	(816,145)
Retained earnings	3,005,809	3,021,968
Accumulated other comprehensive income (loss)	(309,000)	(256,583)
Total Westinghouse Air Brake Technologies Corporation shareholders' equity	9,687,846	2,865,131
Noncontrolling interest	92,600	3,944
Total Equity	9,780,446	2,869,075
Total Liabilities and Equity	$ 19,077,905	$ 8,649,234

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

In thousands, except per share data	Unaudited Three Months Ended March 31, 2019	Unaudited Three Months Ended March 31, 2018
Net sales:		
Sales of goods	$ 1,434,509	$ 1,010,677
Sales of services	159,108	45,500
Total net sales	1,593,617	1,056,177
Cost of sales:		
Cost of goods	(1,073,571)	(709,278)
Cost of services	(131,029)	(36,018)
Total cost of sales	(1,204,600)	(745,296)
Gross profit	389,017	310,881
Operating expenses:		
Selling, general and administrative expenses	(259,723)	(147,201)
Engineering expenses	(34,545)	(22,049)
Amortization expense	(27,442)	(10,352)
Total operating expenses	(321,710)	(179,602)
Income from operations	67,307	131,279
Other income and expenses:		
Interest expense, net	(44,569)	(20,284)
Other (expense) income, net	(8,228)	2,586
Income from operations before income taxes	14,510	113,581
Income tax expense	(18,523)	(26,124)
Net (loss) income	(4,013)	87,457
Less: Net (gain) loss attributable to noncontrolling interest	(459)	909
Net (loss) income attributable to Wabtec shareholders	(4,472)	88,366
Earnings Per Common Share		
Basic		
Net (loss) income attributable to Wabtec shareholders	$ (0.04)	$ 0.92
Diluted		
Net (loss) income attributable to Wabtec shareholders	$ (0.04)	$ 0.92
Weighted average shares outstanding		
Basic	121,226	95,810
Diluted	121,226	96,371

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited Three Months Ended March 31,	
In thousands	**2019**	**2018**
Net (loss) income attributable to Wabtec shareholders	$ (4,472)	$ 88,366
Foreign currency translation (loss) gain	(46,553)	77,967
Unrealized (loss) gain on derivative contracts	(4,093)	2,066
Unrealized loss on pension benefit plans and post-retirement benefit plans	(3,622)	(430)
Other comprehensive (loss) income before tax	(54,268)	79,603
Income tax (benefit) expense related to components of other comprehensive income	1,851	(595)
Other comprehensive (loss) income, net of tax	(52,417)	79,008
Comprehensive (loss) income attributable to Wabtec shareholders	$ (56,889)	$ 167,374

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands, except per share data	Unaudited Three Months Ended March 31, 2019	Unaudited Three Months Ended March 31, 2018
Operating Activities		
Net (loss) income	$ (4,013)	$ 87,457
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	55,962	27,854
Stock-based compensation expense	8,526	5,696
Loss (gain) on disposal of property, plant and equipment	1,028	(24)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable and unbilled accounts receivable	(51,614)	(66,347)
Inventories	75,300	(50,755)
Accounts payable	(116,375)	32,096
Accrued income taxes	18,396	14,004
Accrued liabilities and customer deposits	(59,978)	(1,529)
Other assets and liabilities	104,106	(24,252)
Net cash provided by operating activities	31,338	24,200
Investing Activities		
Purchase of property, plant and equipment	(29,720)	(17,466)
Proceeds from disposal of property, plant and equipment	786	7,898
Acquisitions of businesses, net of cash acquired	(2,710,714)	(34,297)
Net cash used for investing activities	(2,739,648)	(43,865)
Financing Activities		
Proceeds from debt	1,736,521	306,610
Payments of debt	(837,744)	(266,347)
Proceeds from exercise of stock options and other benefit plans	25	2,873
Payment of income tax withholding on share-based compensation	(4,125)	(2,937)
Cash dividends ($0.12 and $0.12 per share for the three months ended March 31, 2019 and 2018, respectively)	(11,687)	(11,531)
Net cash provided by financing activities	882,990	28,668
Effect of changes in currency exchange rates	(4,164)	7,482
(Decrease) increase in cash	(1,829,484)	16,485
Cash, cash equivalents and restricted cash beginning of period	2,342,354	233,401
Cash and cash equivalents end of period	$ 512,870	$ 249,886

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In thousands, except share and per share data	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance, December 31, 2017	132,349,534	1,323	906,616	(36,315,182)	(827,379)	2,773,300	(44,992)	19,664	2,828,532
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(11,531)	—	—	(11,531)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(4,511)	193,013	3,222	—	—	—	(1,289)
Stock based compensation	—	—	5,696	—	—	—	—	—	5,696
Net income (loss)	—	—	—	—	—	88,366	—	(909)	87,457
Other comprehensive income, net of tax	—	—	—	—	—	—	79,008	—	79,008
Other owner changes	—	—	—	—	—	—	—	356	356
Balance, March 31, 2018	132,349,534	$ 1,323	$ 907,801	(36,122,169)	$ (824,157)	$ 2,850,135	$ 34,016	$ 19,111	$ 2,988,229
Balance, December 31, 2018	132,349,534	1,323	914,568	(35,734,588)	(816,145)	3,021,968	(256,583)	3,944	2,869,075
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(11,687)	—	—	(11,687)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(14,446)	420,472	8,931	—	—	—	(5,515)
Stock based compensation	—	—	8,526	—	—	—	—	—	8,526
Net (loss) income	—	—	—	—	—	(4,472)	—	459	(4,013)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(52,417)	—	(52,417)
Acquisition of General Electric Transportation	65,782,182	658	6,887,622	—	—	—	—	86,765	6,975,045
Other owner changes	—	—	—	—	—	—	—	1,432	1,432
Balance, March 31, 2019	198,131,716	$ 1,981	$ 7,796,270	(35,314,116)	$ (807,214)	$ 3,005,809	$ (309,000)	$ 92,600	$ 9,780,446

The accompanying notes are an integral part of these statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

1. BUSINESS

Westinghouse Air Brake Technologies Corporation (“Wabtec” or the "Company") is one of the world’s largest providers of value-added, technology-based equipment, systems and services for the global passenger transit and freight rail industries. Our highly engineered products enhance safety, improve productivity and reduce maintenance costs for customers, can be found on most locomotives, freight cars, passenger transit cars and buses around the world and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in over 50 countries and our products can be found in more than 100 countries throughout the world. In the first three months of 2019, approximately 61% of the Company’s revenues came from customers outside the United States.

2. ACCOUNTING POLICIES

Basis of Presentation The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America and the rules and regulations of the Securities and Exchange Commission and include the accounts of Wabtec and its subsidiaries in which Wabtec has a controlling interest. These condensed consolidated interim financial statements do not include all of the information and footnotes required for complete financial statements. In management’s opinion, these financial statements reflect all adjustments of a normal, recurring nature necessary for a fair presentation of the results for the interim periods presented. Results for these interim periods are not necessarily indicative of results to be expected for the full year.

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

The notes included herein should be read in conjunction with the audited consolidated financial statements included in Wabtec’s Annual Report on Form 10-K for the year ended December 31, 2018. The December 31, 2018 information has been derived from the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Revenue Recognition On January 1, 2018, the Company adopted ASC 606 “Revenue from Contracts with Customers”. This new guidance provides a five-step analysis of transactions to determine when and how revenue is recognized, and requires entities to recognize revenue at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

Approximately 75% of the Company’s revenues are derived from performance obligations that are satisfied at a point in time when control passes to the customer. The remaining revenues are earned over time. Generally, for performance obligations satisfied at a point in time control passes at the time of shipment in accordance with agreed upon delivery terms.

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

Contract assets include unbilled amounts resulting from sales under long-term contracts where revenue is recognized over time and revenue exceeds the amount that can be billed to the customer based on the terms of the contract. The current portion of the contract assets are classified as current assets under the caption “Unbilled Accounts Receivable” while the noncurrent contract assets are classified as other assets under the caption "Other Noncurrent Assets" on the consolidated balance sheet. Noncurrent contract assets were $119.2 million at March 31, 2019 and were not material at December 31, 2018, respectively. Included in noncurrent contract assets are certain costs that are specifically related to a contract, however, do not directly contribute to the transfer of control of the tangible product being created, such as non-recurring engineering costs. The Company has elected to use the practical expedient and not consider unbilled amounts anticipated to be paid within one year as significant financing components.

Contract liabilities include customer deposits that are made prior to the incurrence of costs related to a newly agreed upon contract and advanced customer payments that are in excess of revenue recognized. The current portion of contract liabilities are classified as current liabilities under the caption “Customer Deposits” while the noncurrent contract liabilities are classified as noncurrent liabilities under the caption "Other Long-Term Liabilities" on the consolidated balance sheet. Noncurrent contract liabilities were $58.1 million at March 31, 2019 and were not material at December 31, 2018. These contract liabilities are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract or revenue associated with the contract liabilities is expected to be recognized within one year. Contract liabilities also include provisions for estimated losses from uncompleted contracts. Provisions for loss contracts were $81.5 million and $71.2 million at March 31, 2019 and December 31, 2018, respectively. These provisions for estimated losses are classified as current liabilities and included within the caption “Other accrued liabilities” on the consolidated balance sheet.

Due to the nature of work required to be performed on the Company’s long-term projects, the estimation of total revenue and cost at completion is subject to many variables and requires significant judgment. Contract estimates related to long-term projects are based on various assumptions to project the outcome of future events that could span several years. These assumptions include cost of materials; labor availability and productivity; complexity of the work to be performed; and the performance of suppliers, customers and subcontractors that may be associated with the contract. We have a disciplined quarterly estimate-at-completion process where management reviews the progress of long term-projects. As part of this process, management reviews information including key contract matters, progress towards completion, identified risks and opportunities and any other information that could impact the Company’s estimates of revenue and costs. After completing this analysis, any quarterly adjustments to net sales, cost of goods sold, and the related impact to operating income are recognized as necessary in the period they become known.

Generally, the Company’s revenue contains a single performance obligation for each distinct good; however, a single contract may have multiple performance obligations comprising multiple promises to customers. Performance obligations are determined based on customer's intended use of products and services. Less complex products principally result in each completed product being a separate performance obligation recognized at a point in time. More complex products or services principally result in a single performance obligation as a customer is either procuring bundled offering that is managed or utilized on a combined basis or there are multiple complex goods or services in the contract, which are substantially the same and recognized over time. When there are multiple performance obligations, revenue is allocated based on the relative stand-alone selling price. Pricing is defined in our contracts on a line item basis and includes an estimate of variable consideration when required by the terms of the individual customer contract. Types of variable consideration the Company typically has include volume discounts, prompt payment discounts, liquidating damages, and performance bonuses. Sales returns and allowances are also estimated and recognized in the same period the related revenue is recognized, based upon the Company’s experience.

Remaining performance obligations represent the transaction price of firm customer orders subject to standard industry cancellation provisions and substantial scope-of-work adjustments. As of March 31, 2019, the Company's remaining performance obligations were $22.0 billion. The Company expects to recognize revenue of approximately 27% of remaining performance obligation over the next 12 months, with the remainder recognized thereafter.

Reclassifications Certain prior year amounts have been reclassified, where necessary, to conform to the current year presentation. Refer to Recently Adopted Accounting Pronouncements below.

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.

Financial Derivatives and Hedging Activities As part of its risk management strategy, the Company utilizes derivative financial instruments to mitigate the impact of changes in foreign currencies and interest rates on earnings and cash flow. For further information regarding financial derivatives and hedging activities, refer to Footnotes 14 and 15.

Foreign Currency Translation Certain of our international operations have determined that the local currency is the functional currency whereas others have determined the U.S. dollar is their functional currency. Assets and liabilities of foreign subsidiaries where the functional currency is the local currency 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 period. 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 ASC 830 “Foreign Currency Matters.” 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 accumulated other comprehensive loss. The effects of currency exchange rate changes on intercompany transactions that are denominated in a currency other than an entity's functional currency are charged or credited to earnings.

Noncontrolling Interests In accordance with ASC 810 "Consolidation", the Company has classified noncontrolling interests as equity on the condensed consolidated balance sheets as of March 31, 2019 and December 31, 2018. Net income attributable to noncontrolling interests was $0.5 million for the three months ended March 31, 2019. Net loss attributable to noncontrolling interests was $0.9 million for the three months ended March 31, 2018.

Recently Issued Accounting Pronouncements In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". The amendments in this update eliminate the requirement to perform Step 2 of the goodwill impairment test. Instead, an entity should perform a goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value up to the carrying amount of the goodwill. The ASU is effective for public companies in the fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The impact of adopting this guidance could result in a change in the overall conclusion as to whether or not a reporting unit's goodwill is impaired and the amount of an impairment charge recognized in the event a reporting units' carrying value exceeds its fair value. All of the Company's reporting units had fair values that were substantially greater than the carrying value as of the Company's last quantitative goodwill impairment test, which was performed as of October 1, 2018.

Recently Adopted Accounting Pronouncements In February 2018, FASB issued ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The amendments in this update address certain stranded income tax effects in accumulated other comprehensive income ("AOCI") resulting from the Tax Cuts and Jobs Act (the "Tax Act"). Current guidance requires the effect of a change in tax laws or rates on deferred tax balances to be reported in income from continuing operations in the accounting period that includes the period of enactment, even if the related income tax effects were originally charged or credited directly to AOCI. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded effects resulting from the Tax Act. The amount of the reclassification would include the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, if any, at the date of the enactment of the Tax Act related to items in AOCI. The updated guidance became effective for reporting periods beginning after December 15, 2018. The Company adopted this accounting standard at the beginning of the period and elected to not retrospectively apply the new standard. The impact of adopting the new standard was not material to the consolidated statement of income or the consolidated balance sheet.

In February 2016, FASB issued ASU No. 2016-02, "Leases (Topic 814)" which requires lessees to recognize a right of use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. For leases with terms less than 12 months, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize a right of use asset and lease liability. This guidance became effective for the Company on January 1, 2019. The Company elected the practical expedient which does not require the capitalization of leases with terms of 12 months or less. And the Company did not elect the practical expedient which allows hindsight to be used to determine the term of a lease. The Company adopted the standard using the transition alternative, which allowed for the application of the guidance at beginning of the period in which it is adopted, rather than requiring the adjustment of prior comparative periods. For further information regarding the Company's adoption of the new standard, see Footnote 7.

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

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended March 31, 2019 are as follows:

In thousands	**Foreign currency translation**	**Derivative contracts**	**Pension and post retirement benefit plans**	**Total**
Balance at December 31, 2018	$ (202,204)	$ (53)	$ (54,326)	$ (256,583)
Other comprehensive income (loss) before reclassifications	(46,553)	(3,111)	(3,305)	(52,969)
Amounts reclassified from accumulated other comprehensive income	—	—	552	552
Net current period other comprehensive income (loss)	(46,553)	(3,111)	(2,753)	(52,417)
Balance at March 31, 2019	$ (248,757)	$ (3,164)	$ (57,079)	$ (309,000)

Reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2019 are as follows:

In thousands		Amount reclassified from accumulated other comprehensive income	Affected line item in the Condensed Consolidated Statements of Income
Amortization of defined pension and post retirement items			
Amortization of initial net obligation and prior service cost	$	(366)	Other income (expense), net
Amortization of net loss		1,092	Other income (expense), net
		726	Other income (expense), net
		(174)	Income tax expense
	$	552	Net income
Derivative contracts			
Realized loss on derivative contracts	$	—	Interest expense, net
		—	Income tax expense
	$	—	Net income

The changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2018 are as follows:

		Foreign currency translation		Derivative contracts		Pension and post retirement benefit plans		Total
Balance at December 31, 2017	$	5,063	$	4,015	$	(54,070)	$	(44,992)
Other comprehensive income (loss) before reclassifications		77,967		920		(847)		78,040
Amounts reclassified from accumulated other comprehensive income		—		448		520		968
Net current period other comprehensive income (loss)		77,967		1,368		(327)		79,008
Balance at March 31, 2018	$	83,030	$	5,383	$	(54,397)	$	34,016

Reclassifications out of accumulated other comprehensive loss for the three months ended March 31, 2018 are as follows:

In thousands	**Amount reclassified from accumulated other comprehensive income**	**Affected line item in the Condensed Consolidated Statements of Operations**
Amortization of defined pension and post retirement items		
Amortization of initial net obligation and prior service cost	$ (375)	Other income (expense), net
Amortization of net loss	1,093	Other income (expense), net
	718	Other income (expense), net
	(198)	Income tax expense
	$ 520	Net income
Derivative contracts		
Realized loss on derivative contracts	$ 679	Interest expense, net
	(231)	Income tax expense
	$ 448	Net income

3. ACQUISITIONS

General Electric Transportation

Wabtec, General Electric Company ("GE"), GE Transportation, a Wabtec Company formerly known as Transportation System Holdings Inc. ("SpinCo"), which was a newly formed wholly owned subsidiary of GE, and Wabtec US Rail Holdings, Inc. ("Merger Sub"), which was a newly formed wholly owned subsidiary of the Company, entered into the Original Merger Agreement on May 20, 2018, and GE, SpinCo, Wabtec and Wabtec US Rail, Inc. ("Direct Sale Purchaser") entered into the Original Separation Agreement on May 20, 2018, which together provided for the combination of Wabtec and GE Transportation. The Original Merger Agreement and Original Separation Agreement were subsequently amended on January 25, 2019 and the Merger was completed on February 25, 2019.

As part of the Merger, certain assets of GE Transportation ("GET"), including the equity interests of certain pre-Transaction subsidiaries of GE that compose part of GE Transportation, were sold to Direct Sale Purchaser for a cash payment of $2.875 billion, and Direct Sale Purchaser assumed certain liabilities of GE Transportation in connection with this purchase (the "Direct Sale"). Thereafter, GE transferred the SpinCo Business to SpinCo and its subsidiaries (to the extent not already held by SpinCo and its subsidiaries), and SpinCo issued to GE shares of SpinCo Class A preferred stock, SpinCo Class B preferred stock, SpinCo Class C preferred stock and additional shares of SpinCo common stock in the SpinCo Transfer. Following this issuance of additional SpinCo common stock to GE, and immediately prior to the Distribution, GE owned 8,700,000,000 shares of SpinCo common stock, 15,000 shares of SpinCo Class A preferred stock, 10,000 shares of SpinCo Class B preferred stock and one share of SpinCo Class C preferred stock, which constituted all of the outstanding stock of SpinCo.

Following the Direct Sale, GE distributed the Distribution Shares of SpinCo in a spin-off transaction to its stockholder. Immediately after the Distribution, Merger Sub merged with and into SpinCo, whereby the separate corporate existence of Merger Sub ceased and SpinCo continued as the surviving company and a wholly owned subsidiary of Wabtec (except with respect to shares of SpinCo Class A preferred stock held by GE). In the Merger, subject to adjustment in accordance with the Merger Agreement, each share of SpinCo common stock converted into the right to receive a number of shares of Wabtec common stock based on the common stock exchange ratio set forth in the Merger Agreement and the share of SpinCo Class C preferred stock was converted into the right to receive (a) 10,000 shares of Wabtec convertible preferred stock and (b) a number of shares of Wabtec common stock equal to 9.9% of the fully-diluted pro forma Wabtec shares. Immediately prior to the Merger, Wabtec paid $10.0 million in cash to GE in exchange for all of the shares of SpinCo Class B preferred stock.

Upon consummation of the Merger Wabtec issued 46,763,975 shares of common stock to the holders of GE common stock, 19,018,207 shares of common stock to GE and 10,000 shares of preferred stock to GE and made a cash payment to GE of $2.885 billion. As a result and calculated based on Wabtec's outstanding common stock on a fully-diluted, as-converted and as-exercised basis, as of December 31, 2018, approximately 49.2% of the outstanding shares of Wabtec common stock was held collectively by GE and holders of GE common stock (with 9.9% to be held by GE directly in shares of Wabtec common stock and 15% underlying the shares of Wabtec convertible preferred stock to be held by GE) and approximately 50.8% of the outstanding shares of Wabtec common stock would be held by pre-Merger Wabtec stockholders, in each case calculated on a fully-diluted, as-converted and as-exercised basis. Following the Merger, GE also retained 15,000 shares of SpinCo Class A non-voting preferred stock, and Wabtec held 10,000 shares of SpinCo Class B non-voting preferred stock. The shares of Wabtec common stock and Wabtec convertible preferred stock held by GE are subject to GE’s obligations under the Shareholders Agreement, including, among other things, and in each case subject to certain exceptions, (i) restrictions on the ability to sell, transfer or otherwise divest such shares for a period of 30 days and (ii) an obligation to sell, transfer or otherwise divest (A) by no later than 120 days following the closing date of the Merger, GE’s (and its affiliates’) ownership of Wabtec common stock and/or Wabtec convertible preferred stock so that GE (together with its affiliates) beneficially owns not less than 14.9% and not more than 19.9% of the number of shares of Wabtec common stock that were outstanding immediately after the closing of the Merger, (B) by no later than one year following the closing date of the Merger, GE’s (and its affiliates’) ownership of Wabtec common stock and/or Wabtec convertible preferred stock so that GE (together with its affiliates) beneficially owns not more than 18.5% of the number of shares of Wabtec common stock that were outstanding immediately after the closing of the Merger, in each case of clauses (A) and (B) treating the Wabtec convertible preferred stock as the Wabtec common stock into which it is convertible both for purposes of determining the number of shares of Wabtec common stock owned and for purposes of determining the number of shares of Wabtec common stock outstanding and (C) by no later than the third anniversary of the closing date of the Merger, all of the subject shares that GE (together with its affiliates) beneficially owns, and (iii) an obligation to vote all of such shares of Wabtec common stock in the proportion required under the Shareholders Agreement.

After the Merger, SpinCo, which is Wabtec’s wholly owned subsidiary (except with respect to shares of SpinCo Class A preferred stock held by GE), holds the SpinCo Business and Direct Sale Purchaser, which also is Wabtec’s wholly owned subsidiary, holds the assets purchased and the liabilities assumed in connection with the Direct Sale. Together, SpinCo and Direct Sale Purchaser own and operate the post-Transaction GE Transportation. All shares of the Company’s common stock, including those issued in the Merger, are listed on the NYSE under the Company’s current trading symbol “WAB.” On the date of the Distribution, GE or its subsidiaries and SpinCo or the SpinCo Transferred Subsidiaries entered into additional agreements relating to, among other things, intellectual property, employee matters, tax matters, research and development and transition services.

On May 6, 2019, GE completed the sale of approximately 8,780 shares of Wabtec's Series A Preferred stock which converted upon the sale to 25,300,000 shares of Wabtec's common stock. After the sale Wabtec had approximately 1,220 shares of Series A Preferred Stock outstanding convertible to approximately 3,515,500 shares of common stock and GE's aggregate beneficial ownership percentage of the Company was reduced from approximately 24.9% to approximately 11.7% on a fully-diluted, as-converted and as-exercised basis. In conjunction with this secondary offering the Company waived the requirement under the Shareholders Agreement for GE to maintain ownership of at least 14.9% of Wabtec's stock for 120 days following the closing date of the Merger. The Company did not receive any proceeds from the sale of these shares.

Total future consideration to be paid by Wabtec to GE includes a fixed payment of $470.0 million, which is directly related to the timing of tax benefits expected to be realized by Wabtec as a result of the merger. This payment is considered contingent consideration because the timing of cash payments to GE is directly related to the future timing of tax benefits received by the Company as a result of the merger. The estimated total value of the consideration to be paid by Wabtec in the Transactions is approximately $10.3 billion, including the cash paid for the Direct Sales Assets, equity transferred for SpinCo, contingent consideration, assumed debt and net of cash acquired. The estimated consideration is based on the Company’s closing share price of $73.36 on February 22, 2019 and the preliminary fair value of the contingent consideration. The value of the preliminary purchase price consideration could change when the Company has completed the detailed valuation of the contingent consideration and other necessary calculations.

The fair values of the assets acquired and liabilities assumed were determined using the income, cost and market approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market and are considered Level 3. The March 31, 2019 consolidated balance sheet includes the assets and liabilities of GET, which have been initially measured at fair value. The noncontrolling interest includes equity interests in GET's Brazil operations held by third parties on the date of acquisition. At the time of acquisition, quotable market prices of the noncontrolling interest existed; therefore, the noncontrolling interest in the GET Brazil operations were measured using a Level 1 input. In April 2019, the Company acquired the noncontrolling interest in GET's Brazil operations for $56.2 million which approximated the fair value assigned to the noncontrolling interest on the date of acquisition. The remaining noncontrolling interest value was determined based on inputs that are not observable in the market and are considered Level 3.

The following table summarizes the preliminary fair values of the GET assets acquired and liabilities assumed:

In thousands	
Assets acquired	
Cash and cash equivalents	$ 174,334
Accounts receivable	530,054
Inventories	1,179,439
Other current assets	64,464
Property, plant, and equipment	1,071,402
Goodwill	5,783,358
Trade names	50,000
Customer relationships	529,984
Intellectual property	1,219,968
Backlog	1,480,000
Other noncurrent assets	234,823
Total assets acquired	12,317,826
Liabilities assumed	
Current liabilities	1,495,438
Contingent consideration	440,000
Other noncurrent liabilities	523,801
Total liabilities assumed	2,459,239
Net assets acquired	9,858,587
Noncontrolling interest	$ 86,765

These estimates are preliminary in nature and subject to adjustments, which could be material. Any necessary adjustments will be finalized within one year from the date of acquisition. Substantially all of the accounts receivable acquired are expected to be collectible. Trade names, customer relationships, patents and backlog intangible assets are all subject to amortization. Contingent liabilities assumed as part of the transaction were not material. The contingent liabilities are related to legal and tax matters. Contingent liabilities are recorded at fair value in purchase accounting, aside from those pertaining to uncertainty in income taxes which are an exception to the fair value basis of accounting. Included in other noncurrent liabilities are customer contracts whose terms are unfavorable compared to market terms at the date of acquisition.

Goodwill was calculated as the difference between the acquisition date fair value of the consideration transferred and the fair value of the net assets acquired, and represents the future economic benefits, including synergies, assembled workforce, that are expected to be achieved as a result of the acquisition. Substantially all of the purchased goodwill is expected to be deductible for tax purposes. The goodwill has been preliminarily allocated to the Freight segment.

For the 34 day period ended March 31, 2019, the Company's consolidated statement of income included $495.0 million of revenues and $0.5 million of operating income from GET. Acquisition related costs were approximately $58.9 million for the three months ended March 31, 2019 and are included in selling, general and administrative expenses on the consolidated statements of income.

Other Acquisitions

The Company has made the following acquisition operating as a business unit or component of a business unit in the Transit Segment:

- On March 22, 2018, the Company acquired Annax GmbH ("Annax"), a leading supplier of public address and passenger information systems for transit vehicles, for a purchase price of approximately $28.7 million, net of cash acquired, resulting in final goodwill of $27.2 million, none of which will be deductible for tax purposes.

The acquisitions listed above include escrow deposits of $13.2 million, which act as security for indemnity and other claims in accordance with the purchase and related escrow agreements.

The following table summarizes the final fair values of the assets acquired and liabilities assumed at the date of the acquisition for Annax.

In thousands	Annax March 22, 2018
Current assets	$ 32,831
Property, plant & equipment	674
Goodwill	27,188
Other intangible assets	11,715
Total assets acquired	72,408
Total liabilities assumed	(43,741)
Net assets acquired	$ 28,667

The total goodwill and other intangible assets for the acquisition listed in the table above was $38.9 million, of which $27.2 million and $11.7 million was related to goodwill and other intangible assets, respectively. Of the allocation of $11.7 million of total acquired other intangible assets, $3.8 million was assigned to trade names and $7.5 million was assigned to customer relationships. The trade names were determined to have indefinite useful lives, while the customer relationships' average useful lives are 20 years.

The following unaudited pro forma consolidated financial information presents income statement results as if the acquisitions listed above had occurred on January 1, 2018:

In thousands	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net sales	$ 2,079,771	$ 1,881,724
Gross profit	543,480	553,681
Net income attributable to Wabtec shareholders	83,277	77,275
Diluted earnings per share		
As Reported	$ (0.04)	$ 0.92
Pro forma	$ 0.44	$ 0.41

4. INVENTORIES

The components of inventory, net of reserves, were:

In thousands	March 31, 2019	December 31, 2018
Raw materials	$ 822,178	$ 465,873
Work-in-progress	435,565	154,485
Finished goods	689,477	224,528
Total inventories	$ 1,947,220	$ 844,886

5. INTANGIBLES

The change in the carrying amount of goodwill by segment for the three months ended March 31, 2019 is as follows:

In thousands	Freight Segment	Transit Segment	Total
Balance at December 31, 2018	$ 713,391	$ 1,683,153	$ 2,396,544
Additions	5,783,358	—	5,783,358
Foreign currency impact	(15,315)	(22,114)	(37,429)
Balance at March 31, 2019	$ 6,481,434	$ 1,661,039	$ 8,142,473

As of March 31, 2019 and December 31, 2018, the Company’s trade names had a net carrying amount of $624.6 million and $582.8 million, respectively. The Company believes these intangibles have indefinite lives, with the exception of the GET trade name, to which the company has assigned a useful life of 5 years.

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

In thousands	**March 31, 2019**	**December 31, 2018**
Intellectual property, patents, non-compete and other intangibles, net of accumulated amortization of $51,127 and $42,446	$ 2,697,919	$ 15,328
Customer relationships, net of accumulated amortization of $168,774 and $158,533	1,041,551	531,761
Total	$ 3,739,470	$ 547,089

The weighted average remaining useful life of intellectual property, customer relationships and other intangibles were 10 years, 18 years and 13 years, respectively. Amortization expense for intangible assets was $27.4 million for the three months ended March 31, 2019, and $10.4 million for the three months ended March 31, 2018, respectively.

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

Remainder of 2019	$ 191,746
2020	254,053
2021	253,908
2022	253,596
2023	253,258

6. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets include unbilled amounts resulting from sales under long-term contracts where revenue is recognized over time and revenue exceeds the amount that can be billed to the customer based on the terms of the contract. Contract liabilities include customer deposits that are made prior to the incurrence of costs related to a newly agreed upon contract, advanced customer payments that are in excess of revenue recognized, and provisions for estimated losses from uncompleted contracts.

The change in the carrying amount of contract assets and contract liabilities for the three months ended March 31, 2019 is as follows:

In thousands		**Contract Assets**
Balance at beginning of year	$	345,585
Acquisitions		238,665
Recognized in current year		188,299
Reclassified to accounts receivable		(196,973)
Foreign currency impact		(756)
Balance at March 31, 2019	$	574,820

In thousands		**Contract Liabilities**
Balance at beginning of year	$	444,805
Acquisitions		274,054
Recognized in current year		205,272
Amounts in beginning balance reclassified to revenue		(204,388)
Current year amounts reclassified to revenue		(6,421)
Foreign currency impact		(424)
Balance at March 31, 2019	$	712,898

7. LEASES

During the March 2019 quarter, the Company adopted ASU No. 2016-02, "Leases (Topic 842)," which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective approach with an effective date as of the beginning of our fiscal year, January 1, 2019. Prior year financial statements were not recast under the new standard and, therefore, those amounts are not presented below.

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

As most of the Company's leases do not provide a readily stated discount rate, the Company must estimate our incremental borrowing rate to discount lease payments. We have established discount rates by geographic region ranging from 1.19% to 12.26%.

Lease Expense for the quarter is as follows:

(in thousands)	Three Months Ended March 31, 2019
Operating Lease Expense	$ 13,397
Finance Lease Expense	
Amortization of Leased Assets	271
Interest on Lease Liabilities	4
Short-term and Variable Lease Expense	105
Sublease Income	(138)
Total	$ 13,639

Maturity of Lease Liabilities:

(in thousands)	Operating Leases	Finance Leases	Total
Remaining 2019	$ 38,094	$ 278	$ 38,372
2020	44,455	377	44,832
2021	36,350	180	36,530
2022	29,824	121	29,945
2023	25,377	121	25,498
Thereafter	106,069	348	106,417
Total Lease Payments	280,169	1,425	281,594
Less: Present Value Discount	(30,949)	(5)	(30,954)
Present Value Lease Liabilities	$ 249,220	$ 1,420	$ 250,640

Lease Term and Discount Rate:

	Three Months Ended March 31, 2019
Weighted-average remaining lease term (years)	
Operating Leases	8.44
Finance Leases	5.68
Weighted-average discount rate	
Operating Leases	3.00%
Finance Leases	1.19%

8. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	March 31, 2019	December 31, 2018
Floating Senior Notes, due 2021, net of unamortized debt issuance costs of $2,904 and $3,204	$ 497,096	$ 496,796
4.150% Senior Notes, due 2024, net of unamortized debt issuance costs of $6,703 and $7,043	743,297	742,957
4.70% Senior Notes, due 2028, net of unamortized debt issuance costs of $10,076 and $10,343	1,239,924	1,239,657
3.45% Senior Notes, due 2026, net of unamortized debt issuance costs of $1,661 and $1,718	748,339	748,282
4.375% Senior Notes, due 2023, net of unamortized discount and debt issuance costs of $1,113 and $1,177	248,888	248,823
Revolving Credit Facility, net of unamortized debt issuance costs of $2,865 and $3,138	1,226,903	338,112
Other Borrowings	258,147	42,246
Total	4,962,594	3,856,873
Less - current portion	321,308	64,099
Long-term portion	$ 4,641,286	$ 3,792,774

On September 14, 2018, the Company issued $2.5 billion of senior notes with three different maturities.

- *Floating Rate Senior Notes due 2021* - The Company issued $500.0 million of Floating Rate Senior Notes due 2021 (the "Floating Rate Notes"). The Floating Rate Notes, which are non-callable for one year, were issued at 100% of face value. Interest on the Floating Rate Notes accrues at a floating rate per annum equal to three-month Libor plus 105 basis points. The interest rate for the Floating Rate Notes for the initial interest period was the three-month Libor plus 105 basis points determined on September 12, 2018 and is payable quarterly on December 15, March 15, June 15, and September 15 of each year. The Company incurred $3.5 million of deferred financing costs related to the issuance of the Floating Rate Notes.
- *4.15% Senior Notes due 2024* - The Company issued $750.0 million of 4.15% Senior Notes due 2024 (the "2024 Notes"). The 2024 Notes were issued at 99.805% of face value. Interest on the 2024 Notes accrues at a rate of 4.15% per annum and is payable semi-annually on March 15 and September 15 of each year. The Company incurred $7.4 million of deferred financing costs related to the issuance of the 2024 Notes.
- *4.70% Senior Notes Due 2028* - The Company issued $1,250.0 million of 4.70% Senior Notes due 2028 (the "2028 Notes" and together with the Floating Rate Notes and 2024 Notes, the "Senior Notes"). The 2028 Notes were issued at 99.889% of face value. Interest on the 2028 Notes accrues at a rate of 4.70% per annum and is payable semi-annually on March 15 and September 15 of each year. The Company incurred $10.6 million of deferred financing costs related to the issuance of the 2028 Notes.

The net proceeds from the issuance and sale of the Senior Notes were used to finance the cash portion of the GE Transportation acquisition. The principal balances are due in full at maturity. The Senior Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the Senior Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sales of assets, change in control, mergers and consolidations and the incurrence of liens.

On February 12, 2019, the rating assigned by Moody's was decreased to Ba1. Accordingly, pursuant to the respective terms of the Senior Notes issued on September 14, 2018, the interest rate shall be increased by 0.25%. The interest rate increase took effect during the interest period following February 12, 2019.

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

3.45% Senior Notes Due November 2026

On November 3, 2016, the Company issued $750.0 million of 3.45% Senior Notes due in 2026 (the "2016 Notes"). The 2016 Notes were issued at 99.965% of face value. Interest on the 2016 Notes accrues at a rate of 3.45% per annum and is payable semi-annually on May 15 and November 15 of each year. The proceeds were used to finance the cash portion of the Faiveley Transport acquisition, refinance Faiveley Transport's indebtedness, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.7 million of deferred financing costs related to the issuance of the 2016 Notes.

The 2016 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2016 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2016 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

4.375% Senior Notes Due August 2023

In August 2013, the Company issued $250.0 million of 4.375% Senior Notes due in 2023 (the “2013 Notes”). The 2013 Notes were issued at 99.879% of face value. Interest on the 2013 Notes accrues at a rate of 4.375% per annum and is payable semi-annually on February 15 and August 15 of each year. The proceeds were used to repay debt outstanding under the Company’s existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.6 million of deferred financing costs related to the issuance of the 2013 Notes.

The 2013 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2013 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2013 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

2018 Refinancing Credit Agreement

On June 8, 2018, the Company entered into a credit agreement (the “2018 Refinancing Credit Agreement”), which replaced the Company’s then-existing 2016 Refinancing Credit Agreement. As part of the 2018 Refinancing Credit Agreement, the Company entered into (i) a $1.2 billion revolving credit facility (the “Revolving Credit Facility”), which replaced the Company’s revolving credit facility under the 2016 Refinancing Credit Agreement, and includes a letter of credit sub-facility of up to $450.0 million and a swing line sub-facility of $75.0 million, (ii) a $350.0 million term loan (the “Refinancing Term Loan”), which refinanced the term loan under the 2016 Refinancing Credit Agreement, and (iii) a new $400.0 million delayed draw term loan (the “Delayed Draw Term Loan”). The 2018 Refinancing Credit Agreement also provided for a bridge loan facility (the “Bridge Loan Facility”) in an amount not to exceed $2.5 billion, such facility to become effective at the Company’s request. Commitments in respect of the Bridge Loan Facility were terminated upon the issuance and sale of the Senior Notes on September 14, 2018. In addition, the 2018 Refinancing Credit Agreement contains an uncommitted accordion feature allowing the Company to request, in an aggregate amount not to exceed $600.0 million, increases to the borrowing commitments under the Revolving Credit Facility or a new incremental term loan commitment. At March 31, 2019, the Company had approximately $675.1 million of available bank borrowing capacity subject to certain financial covenant restrictions, net of $27.6 million of letters of credit.

The Revolving Credit Facility matures on June 8, 2023 and is unsecured. The Refinancing Term Loan matures on June 8, 2021 and is unsecured. The Delayed Draw Term Loan matures on the third anniversary of the date on which it is borrowed and is unsecured. The applicable interest rate for borrowings under the 2018 Refinancing Credit Agreement includes interest rate spreads based on the lower of the pricing corresponding to (i) the Company’s ratio of total debt (less unrestricted cash up to $300.0 million) to EBITDA (“Leverage Ratio”) or (ii) the Company’s public rating, in each case that range between 1.000% and 1.875% for LIBOR/CDOR-based borrowings and 0.0% and 0.875% for Alternate Base Rate based borrowings. The obligations of the Company under the 2018 Refinancing Credit Agreement have been guaranteed by certain of the Company’s subsidiaries.

The Delayed Draw Term Loan was initially drawn on February 25, 2019. The Company incurred a 17.5 basis point commitment fee from June 8, 2018 until the initial draw.

The 2018 Refinancing Credit Agreement contains customary representations and warranties by the Company and its subsidiaries, including customary use of materiality, material adverse effect, and knowledge qualifiers. The Company and its subsidiaries are also subject to (i) customary affirmative covenants that impose certain reporting obligations on the Company and its subsidiaries and (ii) customary negative covenants, including limitations on: indebtedness; liens; restricted payments; fundamental changes; business activities; transactions with affiliates; restrictive agreements; changes in fiscal year; and use of proceeds. In addition, the Company is required to maintain (i) an Interest Coverage ratio at least 3.00 to 1.00 over each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter and (ii) a Leverage Ratio, calculated as of the last day of a fiscal quarter for a period of four consecutive fiscal quarters, of 3.25 to 1.00 or less; *provided* that, in the event the Company completes the Direct Sale and the Merger or any other material acquisition in which the cash consideration paid exceeds $500.0 million, the maximum Leverage Ratio permitted will be 3.75 to 1.00 at the end of the fiscal quarter in which such acquisition is consummated and each of the three fiscal quarters immediately following such fiscal quarter and 3.50 to 1.00 at the end of each of the fourth and fifth full fiscal quarters after the consummation of such acquisition. The Company is in compliance with the restrictions and covenants of the 2018 Refinancing Credit Agreement and does not expect that these measurements will limit the Company in executing its operating activities.

At March 31, 2019, the weighted average interest rate on the Company’s variable rate debt was 3.46%. On June 5, 2014, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement was November 7, 2016, and the termination date was December 19, 2018.

2016 Refinancing Credit Agreement

On June 22, 2016, the Company amended its existing revolving credit facility with a consortium of commercial banks. This 2016 Refinancing Credit Agreement provided the Company with a $1.2 billion, 5 year revolving credit facility and a $400 million delayed draw term loan (the “Term Loan”). The Company incurred approximately $3 million of deferred financing cost related to the 2016 Refinancing Credit Agreement. The 2016 Refinancing Credit Agreement borrowings bore variable interest rates indexed as described below.

Under the 2016 Refinancing Credit Agreement, the Company could elect a Base Rate of interest for U.S. Dollar denominated loans or, for certain currencies, an interest rate based on the London Interbank Offered Rate (“LIBOR”) of interest, or other rates appropriate for such currencies (in any case, “the Alternate Rate”). The Base Rate adjusted on a daily basis and was the greater of the Federal Funds Effective Rate plus 0.50% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points, plus a margin that ranged from 0 to 75 basis points. The Alternate Rate was based on the quoted rates specific to the applicable currency, plus a margin that ranged from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins were dependent on the Company’s consolidated total indebtedness to EBITDA ratios. The initial Base Rate margin was 0 basis points and the Alternate Rate margin is 175 basis points.

9. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans

The Company sponsors defined benefit pension plans that cover certain U.S., Canadian, German and United Kingdom employees and which provide benefits of stated amounts for each year of service of the employee. The Company uses a December 31 measurement date for the plans.

The following tables provide information regarding the Company's defined benefit pension plans summarized by U.S. and international components.

	U.S.		International	
	Three Months Ended March 31,		Three Months Ended March 31,	
In thousands, except percentages	2019	2018	2019	2018
Net periodic benefit cost				
Service cost	$ 71	$ 87	$ 611	$ 691
Interest cost	372	333	1,711	1,834
Expected return on plan assets	(433)	(445)	(2,927)	(3,466)
Net amortization/deferrals	207	243	641	554
Net periodic benefit cost (credit)	$ 217	$ 218	$ 36	$ (387)
Assumptions				
Discount Rate	4.30%	3.56%	2.53%	2.40%
Expected long-term rate of return	5.35%	5.15%	5.01%	5.10%
Rate of compensation increase	3.00%	3.00%	2.60%	2.60%

The Company's funding methods are based on governmental requirements and differ from those methods used to recognize pension expense. The Company expects to contribute $6.4 million to the international plans during 2019. The Company does not expect to make contributions to the U.S. plans during 2019.

Post Retirement Benefit Plans

In addition to providing pension benefits, the Company has provided certain unfunded postretirement health care and life insurance benefits for a portion of North American employees. The Company is not obligated to pay health care and life insurance benefits to individuals who had retired prior to 1990. The Company uses a December 31 measurement date for all post retirement plans.

The following tables provide information regarding the Company's postretirement benefit plans summarized by U.S. and international components.

	U.S.		International	
	Three Months Ended March 31,		Three Months Ended March 31,	
In thousands, except percentages	2019	2018	2019	2018
Net periodic benefit cost				
Service cost	$ 1	$ 1	$ 2	$ 8
Interest cost	89	81	20	26
Net amortization/deferrals	(101)	(76)	(22)	(4)
Net periodic benefit cost	$ (11)	$ 6	$ 0	$ 30
Assumptions				
Discount Rate	4.17%	3.43%	3.49%	3.21%

10. STOCK-BASED COMPENSATION

As of March 31, 2019, the Company maintains employee stock-based compensation plans for stock options, restricted stock, and incentive stock units as governed by the 2011 Stock Incentive Compensation Plan, as amended and restated (the "2011 Plan") and the 2000 Stock Incentive Plan, as amended (the "2000 Plan"). The 2011 Plan has a term through May 10, 2027 and provides a maximum of 3,800,000 shares for grants or awards, plus any shares which remain available under the 2000 Plan. The amendment and restatement of the 2011 Plan was approved by stockholders of Wabtec on May 10, 2017. The Company also maintains a 1995 Non-Employee Directors' Fee and Stock Option Plan as amended and restated ("the Directors Plan").

Stock-based compensation expense was $8.5 million and $5.7 million for the three months ended March 31, 2019 and 2018, respectively. Included in stock-based compensation expense for the three months ended March 31, 2019 is $0.4 million of expense related to stock options, $2.7 million related to restricted stock, $0.8 million related to restricted stock units, $4.3 million related to incentive stock units and $0.3 million related to units issued for Directors' fees. At March 31, 2019, unamortized compensation expense related to stock options, non-vested restricted shares and incentive stock units expected to vest totaled $75.6 million.

Stock Options Stock options are granted to eligible employees at an exercise price equivalent to the stock's fair market value, which is the average of the high and low Wabtec stock price on the date of grant. Under the 2011 Plan and the 2000 Plan, options granted prior to 2019 become exercisable over a four-year vesting period, while options granted in 2019 become exercisable over a three-year vesting period. Both vesting periods expire 10 years from the date of grant.

The following table summarizes the Company's stock option activity and related information for the 2011 Plan, the 2000 Plan and the Directors Plan for the three months ended March 31, 2019:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic value (in thousands)
Outstanding at December 31, 2018	466,677	$ 61.04	5.7	$ 5,917
Granted	128,555	72.85		112
Exercised	(734)	64.54		7
Canceled	(228)	74.38		—
Outstanding at March 31, 2019	594,270	63.58	6.4	6,027
Exercisable at March 31, 2019	355,222	56.00	5.2	6,295

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Dividend yield	0.66%	0.33%
Risk-free interest rate	2.63%	2.70%
Stock price volatility	25.8%	23.9%
Expected life (years)	5.0	5.0

The dividend yield is based on the Company's dividend rate and the current market price of the underlying common stock at the date of grant. Expected life in years is determined from historical stock option exercise data. Expected volatility is based on the historical volatility of the Company's stock. The risk-free interest rate is based on the U.S. Treasury bond rates for the expected life of the option.

Restricted Stock, Restricted Units and Incentive Stock Beginning in 2006, the Company adopted a restricted stock program. As provided for under the 2011 Plan and 2000 Plan, eligible employees are granted restricted stock that generally vests over four years from the date of grant. Under the Directors Plan, restricted stock units vest one year from the date of grant.

In addition, the Company has issued incentive stock units to eligible employees that vest upon attainment of certain cumulative three-year performance goals. Based on the Company's performance for each three-year period then ended, the incentive stock units can vest, with underlying shares of common stock being awarded in an amount ranging from 0% to 200% of the amount of initial incentive stock units granted. The incentive stock units included in the table below represent the number of incentive stock units that are expected to vest based on the Company's estimate for meeting those established performance targets. As of March 31, 2019, the Company estimates that it will achieve 100%, 100% and 100% for the incentive stock awards expected to vest based on performance for the three-year periods ending December 31, 2019, 2020, and 2021, respectively, and has recorded incentive compensation expense accordingly. If our estimate of the number of these incentive stock units expected to vest changes in a future accounting period, cumulative compensation expense could increase or decrease and will be recognized in the current period for the elapsed portion of the vesting period and would change future expense for the remaining vesting period.

Compensation expense for the non-vested restricted stock and incentive stock units is based on the average of the high and low Wabtec stock price on the date of grant and recognized over the applicable vesting period.

The following table summarizes the restricted stock activity and related information for the 2011 Plan, the 2000 Plan and the Directors Plan, and incentive stock units activity for the 2011 Plan and the 2000 Plan with related information for the three months ended March 31, 2019:

	Restricted Stock and Units	Incentive Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2018	445,089	415,243	$ 75.51
Granted	535,873	258,600	70.64
Vested	(105,651)	(119,835)	68.62
Adjustment for incentive stock awards expected to vest	—	18,398	81.20
Canceled	(6,733)	(5,350)	80.17
Outstanding at March 31, 2019	868,578	567,056	73.93

11. INCOME TAXES

The overall effective tax rate was 127.7% and 23.0% for the three months ended March 31, 2019 and 2018. The increase in the effective rate for the three months ended March 31, 2019 is primarily the result of non-deductible transaction related expenses incurred as a result of the acquisition of GE Transportation.

As of March 31, 2019, the liability for income taxes associated with uncertain tax positions was $12.1 million, of which $10.2 million, if recognized, would favorably affect the Company's effective income tax rate. As of December 31, 2018, the liability for income taxes associated with unrecognized tax benefits was $9.5 million, of which $8.4 million, if recognized, would favorably affect the Company's effective tax rate.

The Company includes interest and penalties related to uncertain tax positions in income tax expense. As of March 31, 2019, the total interest and penalties accrued was approximately $1.0 million. As of December 31, 2018, the total interest and penalties accrued was approximately was $0.9 million.

At this time, the Company believes it is reasonably possible that unrecognized tax benefits of approximately $6.2 million may change within the next 12 months due to the expiration of statutory review periods and current examinations.

12. EARNINGS PER SHARE

The computation of basic and diluted earnings per share for net income attributable to Wabtec shareholders is as follows:

In thousands, except per share data	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Numerator		
Numerator for basic and diluted earnings per common share - net income attributable to Wabtec shareholders	$ (4,472)	$ 88,366
Less: dividends declared - common shares and non-vested restricted stock	(11,687)	(11,531)
Undistributed earnings	(16,159)	76,835
Percentage allocated to common shareholders (1)	99.7%	99.7%
	(16,111)	76,604
Add: dividends declared - common shares	11,646	11,497
Numerator for basic and diluted earnings per common share	$ (4,465)	$ 88,101
Denominator		
Denominator for basic earnings per common share - weighted average shares	121,226	95,810
Effect of dilutive securities:		
Assumed conversion of dilutive stock-based compensation plans	—	561
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversion	121,226	96,371
Net income attributable to Wabtec shareholders per common share		
Basic	$ (0.04)	$ 0.92
Diluted	$ (0.04)	$ 0.92
(1) Basic weighted-average common shares outstanding	121,226	95,810
Basic weighted-average common shares outstanding and non-vested restricted stock expected to vest	121,565	96,091
Percentage allocated to common shareholders	99.7%	99.7%

The Company's non-vested restricted stock contains rights to receive nonforfeitable dividends, and thus are participating securities requiring the two-class method of computing earnings per share. The calculation of earnings per share for common stock shown above excludes the income attributable to the non-vested restricted stock from the numerator and excludes the dilutive impact of those shares from the denominator.

For the three months ended March 31, 2019, basic weighted average shares outstanding and diluted shares outstanding were the same because the effect of assumed conversion of preferred shares and assumed conversion of shares related to stock-based compensation plans were anti-dilutive since the Company generated a net loss.

13. WARRANTIES

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

In thousands	2019	2018
Balance at beginning of year	$ 153,702	$ 153,063
Acquisitions	89,919	1,975
Warranty expense	34,627	11,677
Warranty claim payments	(27,841)	(11,282)
Foreign currency impact/other	(1,092)	2,138
Balance at March 31	$ 249,315	$ 157,571

14. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Foreign Currency Hedging The Company uses forward contracts to mitigate its foreign currency exchange rate exposure due to forecasted sales of finished goods and future settlement of foreign currency denominated assets and liabilities. Derivatives used to hedge forecasted transactions and specific cash flows associated with foreign currency denominated financial assets and liabilities that meet the criteria for hedge accounting are designated as cash flow hedges. The effective portion of gain and losses is deferred as a component of accumulated other comprehensive income and is recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item. The contracts are scheduled to mature within two years. For the three months ended March 31, 2019 and March 31, 2018, the amounts reclassified into income were not material.

Other Activities The Company enters into certain derivative contracts in accordance with its risk management strategy that do not meet the criteria for hedge accounting but which have the impact of largely mitigating foreign currency exposure. These foreign exchange contracts are accounted for on a full mark to market basis through earnings, with gains and losses recorded as a component of other expense, net. The net unrealized loss related to these contracts was $3.0 million for the three months ended March 31, 2019. These contracts are scheduled to mature within one year.

The following table summarizes the gross notional amounts and fair values of the designated and non-designated hedges discussed in the above sections as of March 31, 2019.

In millions	Designated	Non-Designated	Total
Gross notional amount	$ 1,727.0	$ 524.0	$ 2,251.0
Fair Value:			
Other current assets	$ 4.3	$ —	$ 4.3
Other current liabilities	—	(3.3)	(3.3)
Total	$ 4.3	$ (3.3)	$ 1.0

The following table summarizes the gross notional amounts and fair values of the designated and non-designated hedges discussed in the above sections as of December 31, 2018.

In millions	Designated	Non-Designated	Total
Gross notional amount	$ 863.0	$ 834.0	$ 1,697.0
Fair Value:			
Other current assets	$ —	$ 1.3	$ 1.3
Other current liabilities	(2.3)	—	(2.3)
Total	$ (2.3)	$ 1.3	$ (1.0)

Interest Rate Hedging The Company has historically used interest rate swaps to manage interest rate exposures. The Company is exposed to interest rate volatility with regard to existing floating rate debt. Primary exposure includes the London Interbank Offered Rates (LIBOR). Derivatives used to hedge risk associated with changes in the fair value of certain variable-rate debt were primarily designated as fair value hedges. Consequently, changes in the fair value of these derivatives, along with changes in the fair value of debt obligations were recognized in current period earnings. Refer to footnote 15 for further information on interest rate swaps.

15. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820 “Fair Value Measurements and Disclosures” defines fair value, establishes a framework for measuring fair value and explains the related disclosure requirements. ASC 820 indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability and defines fair value based upon an exit price model.

Valuation Hierarchy ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company’s assumptions used to measure assets and liabilities at fair value. A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

To reduce the impact of interest rate changes on a portion of its variable-rate debt, the Company historically entered into interest rate swaps which effectively converted a portion of the debt from variable to fixed-rate borrowings during the term of the swap contracts. For certain derivative contracts whose fair values are based upon trades in liquid markets, such as interest rate swaps, valuation model inputs can generally be verified and valuation techniques do not involve significant management judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

As a result of our global operating activities the Company is exposed to market risks from changes in foreign currency exchange rates, which may adversely affect our operating results and financial position. When deemed appropriate, the Company mitigates these risks through entering into foreign currency forward contracts. The foreign currency forward contracts are valued using broker quotations, or market transactions in either the listed or over-the counter markets. As such, these derivative instruments are classified within Level 2.

The Company’s cash and cash equivalents are highly liquid investments purchased with an original maturity of three months or less and are considered Level 1 on the fair value valuation hierarchy. The fair value of cash and cash equivalents approximated the carrying value at March 31, 2019 and December 31, 2018. The Company’s defined benefit pension plan assets consist primarily of equity security funds, debt security funds and temporary cash and cash equivalent investments. Generally, all plan assets are considered Level 2 based on the fair value valuation hierarchy. These investments are comprised of a number of investment funds that invest in a diverse portfolio of assets including equity securities, corporate and governmental bonds, and money markets. Trusts are valued at the net asset value (“NAV”) as determined by their custodian. NAV represent the accumulation of the unadjusted quoted close prices on the reporting date for the underlying investments divided by the total shares outstanding at the reporting dates. The 2013 and 2016 Notes are considered Level 2 based on the fair value valuation hierarchy.

The estimated fair values and related carrying values of the Company’s financial instruments are as follows:

	March 31, 2019		December 31, 2018	
In thousands	Carrying Value	Fair Value	Carrying Value	Fair Value
4.375% Senior Notes	248,888	250,108	248,823	254,218
3.45% Senior Notes	748,339	698,258	748,282	675,075
Floating Rate Notes 2021	497,096	500,495	496,796	497,425
4.15% Senior Notes	743,298	762,870	742,957	729,350
4.7% Senior Notes	1,239,924	1,267,750	1,239,657	1,179,625

The fair value of the Company’s interest rate swap agreements and the 2013 and 2016 Notes were based on dealer quotes and represent the estimated amount the Company would pay to the counterparty to terminate the agreement.

16. COMMITMENTS AND CONTINGENCIES

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Further information and detail on these claims is described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, in Note 21 therein, filed on February 27, 2019. During the first three months of 2019, there were no material changes to the information described in the Form 10-K related to claims arising from asbestos exposure.

From time to time, the Company is involved in litigation related to claims arising out of the Company's operations in the ordinary course of business, including claims based on product liability, contracts, intellectual property, or other causes of action. Further information and detail on any potentially material litigation is as described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, in Note 21 therein, filed on February 27, 2019. Except as described below, there have been no material changes to the information described in the Form 10-K related to claims arising from Company's ordinary operations.

On April 21, 2016, Siemens Industry, Inc. filed a lawsuit against the Company in federal district court in Delaware alleging that the Company has infringed seven patents owned by Siemens related to the Company's Positive Train Control (PTC) technology. On November 2, 2016, Siemens amended its complaint to add six additional patents they also claim are infringed by the Company's PTC Products or End of Train (EOT) Products (Siemen Patent Case). The Company has filed Answers, and asserted counterclaims, in response to Siemens’ complaints. Additionally, after filings by the Company, the US Patent & Trademark Office’s Patent Trail and Appeal Board (PTAB) has granted Inter-Parties Review (IPR) proceedings on eight (8) of the patents asserted by Siemens to contest their validity. Following pre-trial rulings that greatly reduced Siemens’ alleged damages, a jury trial was held in federal district court in Delaware in January 2019 on eight patents, two of which were still subject to an IPR decision on validity from the PTAB. At the conclusion of the trial, the jury awarded Siemens damages of $5.6 million related to PTC patents and $1.1 million related to EOT patents. Since the jury’s verdict was issued, one of the PTC patents found to be infringed was held to be invalid by the PTAB. All PTAB proceedings have been now been completed, pending appeals; five (5) of the (8) Siemens patents reviewed by the PTAB were found to be invalid. On February 26, 2019, the Court entered a Judgment on the verdict, subject to post-trial motions. Both parties have since filed post-trial motions, potentially affecting the Judgment, and a hearing is scheduled for May 28, 2019. Following the hearing, a final Judgment will be entered, and either party may file appeals to the Federal Circuit.

On March 20, 2019, Siemens filed a new action in federal district court in Delaware alleging violations of federal antitrust and state trade practices laws since before 2008, related to Wabtec’s PTC sales, including on-board, back-office, wayside and aftermarket support systems (Siemens originally raised these antitrust claims as counterclaims in a separate DE patent case filed by Wabtec alleging that Siemens has violated three (3) of Wabtec’s patents; the antitrust claims were ultimately severed from that case in January, 2019, resulting in Siemens re-filing them as another separate proceeding in DE.) Wabtec believes Siemens’ antitrust claims are without merit and will vigorously defend itself against these claims.

Xorail, Inc., a wholly owned subsidiary of the Company (“Xorail”), has received notices from Denver Transit Constructors (“DTC”) alleging breach of contract related to the operating of constant warning wireless crossings, and late delivery of the Train Management & Dispatch System (“TMDS”) for the Denver Eagle P3 Project, which is owned by the Denver Regional Transit District ("RTD"). No damages have been asserted for the alleged late delivery of the TMDS, and no formal claim has been filed. Xorail is in the final stages of successfully implementing a recovery plan concerning the TMDS issues. With regard to the wireless crossing issue, as of September 8, 2017, DTC alleged that total damages were $36.8 million through July 31, 2017 and are continuing to accumulate. The majority of the damages stems from a delay in approval of the wireless crossing system by the Federal Railway Administration ("FRA") and the Public Utility Commission ("PUC"), resulting in the use of flaggers at all of the crossings pending approval of the wireless crossing system and certification of the crossings. DTC has alleged that the delay is due to Xorail's failure to achieve constant warning times for the crossings in accordance with the approval requirements imposed by the FRA and PUC. Xorail has denied DTC's assertions, stating that its system satisfied the contractual requirements. Xorail has worked with DTC to modify its system an implement the FRA's and PUC's previously undefined approval requirements; the FRA and PUC have both approved modified wireless crossing system, and as of August 2018, DTC completed the process of certifying the crossings and eliminated the use of flaggers. On September 21, 2018, DTC filed a complaint against RTD in Colorado state court for breach of contract related to non-payments and the costs for the flaggers, asserting a change-in-law arising from the FRA/PUC’s new certification requirements; a jury trial is scheduled to begin on May 18, 2019. DTC’s complaint generally supports Xorail’s position and does not name or implicate Xorail; DTC has not updated its notices against Xorail, nor have they filed any formal claim against Xorail.

17. SEGMENT INFORMATION

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

Freight Segment primarily manufactures and services components for new and existing freight cars and locomotives, builds new switcher locomotives, rebuilds freight locomotives, supplies railway electronics, positive train control equipment, signal design and engineering services, and provides related heat exchange and cooling systems. Customers include large, publicly traded railroads, leasing companies, manufacturers of original equipment such as locomotives and freight cars, and utilities.

Transit Segment primarily manufactures and services components for new and existing passenger transit vehicles, typically regional trains, high speed trains, subway cars, light-rail vehicles and buses, builds new commuter locomotives, refurbishes subway cars, provides heating, ventilation, and air conditioning equipment, and doors for buses and subways. Customers include public transit authorities and municipalities, leasing companies, and manufacturers of subway cars and buses around the world.

The Company evaluates its business segments' operating results based on income from operations. Intersegment sales are accounted for at prices that are generally established by reference to similar transactions with unaffiliated customers. Corporate activities include general corporate expenses, elimination of intersegment transactions, interest income and expense and other unallocated charges. Since certain administrative and other operating expenses have not been allocated to business segments, the results in the following tables are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

Segment financial information for the three months ended March 31, 2019 is as follows:

In thousands	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 876,434	$ 717,183	$ —	$ 1,593,617
Intersegment sales/(elimination)	16,704	6,122	(22,826)	—
Total sales	$ 893,138	$ 723,305	$ (22,826)	$ 1,593,617
Income (loss) from operations	$ 75,210	$ 58,933	$ (66,836)	$ 67,307
Interest expense and other, net	—	—	(52,797)	(52,797)
Income (loss) from operations before income taxes	$ 75,210	$ 58,933	$ (119,633)	$ 14,510

Segment financial information for the three months ended March 31, 2018 is as follows:

In thousands	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 379,554	$ 676,623	$ —	$ 1,056,177
Intersegment sales/(elimination)	12,002	3,889	(15,891)	—
Total sales	$ 391,556	$ 680,512	$ (15,891)	$ 1,056,177
Income (loss) from operations	$ 69,623	$ 68,083	$ (6,427)	$ 131,279
Interest expense and other, net	—	—	(17,698)	(17,698)
Income (loss) from operations before income taxes	$ 69,623	$ 68,083	$ (24,125)	$ 113,581

Sales by product line are as follows:

	Three Months Ended March 31,	
In thousands	2019	2018
Remanufacturing, Overhaul & Build	$ 582,177	$ 135,713
Specialty Products & Electronics	418,114	386,548
Transit Products	294,817	274,265
Brake Products	242,222	215,618
Other	56,287	44,033
Total sales	$ 1,593,617	$ 1,056,177

18. GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION

The obligations under the Company's 2016 Notes, 2013 Notes and Revolving Credit Facility and Term Loan are fully and unconditionally guaranteed by all U.S. subsidiaries as guarantors. Each guarantor is 100% owned by the parent company. In accordance with positions established by the Securities and Exchange Commission, the following shows separate financial information with respect to the parent, the guarantor subsidiaries and the non-guarantor subsidiaries. The principal elimination entries eliminate investment in subsidiaries and certain intercompany balances and transactions.

Balance Sheet for March 31, 2019:

In thousands	**Parent**	**Guarantors**	**Non-Guarantors**	**Elimination**	**Consolidated**
Cash and cash equivalents	$ 5,288	$ (38)	$ 507,620	$ —	$ 512,870
Receivables, net	137,358	69,745	1,519,721	—	1,726,824
Inventories	139,550	62,766	1,744,904	—	1,947,220
Current assets - other	11,335	920	181,968	—	194,223
Total current assets	293,531	133,393	3,954,213	—	4,381,137
Property, plant and equipment, net	54,641	25,550	1,554,775	—	1,634,966
Goodwill	503,700	283,241	7,355,532	—	8,142,473
Investment in subsidiaries	16,575,061	5,258,593	—	(21,833,654)	—
Other intangibles, net	28,924	77,924	4,257,173	—	4,364,021
Other long-term assets	26,262	6,772	522,274	—	555,308
Total assets	$ 17,482,119	$ 5,785,473	$ 17,643,967	$ (21,833,654)	$ 19,077,905
Current liabilities	$ 467,702	$ 84,137	$ 2,702,596	$ —	$ 3,254,435
Inter-company	2,557,628	(1,458,674)	(1,098,954)	—	—
Long-term debt	4,387,180	—	254,106	—	4,641,286
Long-term liabilities - other	381,763	54,560	965,415	—	1,401,738
Total liabilities	7,794,273	(1,319,977)	2,823,163	—	9,297,459
Shareholders' equity	9,672,846	7,105,450	14,743,204	(21,833,654)	9,687,846
Non-controlling interest	15,000	—	77,600	—	92,600
Total shareholders' equity	$ 9,687,846	$ 7,105,450	$ 14,820,804	$ (21,833,654)	$ 9,780,446
Total Liabilities and Shareholders' Equity	$ 17,482,119	$ 5,785,473	$ 17,643,967	$ (21,833,654)	$ 19,077,905

Balance Sheet for December 31, 2018:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash and cash equivalents	$ 1,782,682	$ (119)	$ 559,791	$ —	$ 2,342,354
Receivables, net	106,815	61,513	978,450	—	1,146,778
Inventories	149,622	69,116	626,148	—	844,886
Current assets - other	11,884	690	103,075	—	115,649
Total current assets	2,051,003	131,200	2,267,464	—	4,449,667
Property, plant and equipment, net	51,551	24,755	487,431	—	563,737
Goodwill	25,275	283,241	2,088,028	—	2,396,544
Investment in subsidiaries	6,707,979	4,022,107	—	(10,730,086)	—
Other intangibles, net	29,254	78,547	1,022,079	—	1,129,880
Other long-term assets	8,775	149	100,482	—	109,406
Total assets	$ 8,873,837	$ 4,539,999	$ 5,965,484	$ (10,730,086)	$ 8,649,234
Current liabilities	$ 264,630	$ 91,004	$ 1,291,056	$ —	$ 1,646,690
Inter-company	1,947,504	(1,436,222)	(511,282)	—	—
Long-term debt	3,779,627	—	13,147	—	3,792,774
Long-term liabilities - other	16,945	48,714	275,036	—	340,695
Total liabilities	6,008,706	(1,296,504)	1,067,957	—	5,780,159
Shareholders' equity	2,865,131	5,836,503	4,893,583	(10,730,086)	2,865,131
Non-controlling interest	—	—	3,944	—	3,944
Total shareholders' equity	$ 2,865,131	$ 5,836,503	$ 4,897,527	$ (10,730,086)	$ 2,869,075
Total Liabilities and Shareholders' Equity	$ 8,873,837	$ 4,539,999	$ 5,965,484	$ (10,730,086)	$ 8,649,234

Income Statement for the Three Months Ended March 31, 2019:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Sales	$ 193,066	$ 128,803	$ 1,327,249	$ (55,501)	$ 1,593,617
Cost of sales	(157,650)	(82,015)	(998,019)	33,084	(1,204,600)
Gross profit	35,416	46,788	329,230	(22,417)	389,017
Total operating expenses	(97,540)	(15,321)	(208,849)	—	(321,710)
Income from operations	(62,124)	31,467	120,381	(22,417)	67,307
Interest (expense) income, net	(41,646)	3,478	(6,401)	—	(44,569)
Other income (expense), net	20,333	(2,485)	(26,076)	—	(8,228)
Equity earnings	91,482	79,759	—	(171,241)	—
Pretax income	8,045	112,219	87,904	(193,658)	14,510
Income tax (expense) benefit	(12,517)	—	(6,006)	—	(18,523)
Net income	(4,472)	112,219	81,898	(193,658)	(4,013)
Less: Net income attributable to noncontrolling interest	—	—	(459)	—	(459)
Net income attributable to Wabtec shareholders	$ (4,472)	$ 112,219	$ 81,439	$ (193,658)	$ (4,472)
Comprehensive income attributable to Wabtec shareholders	$ (4,472)	$ 112,219	$ 29,022	$ (193,658)	$ (56,889)

Income Statement for the Three Months Ended March 31, 2018:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Sales	$ 161,301	$ 301,706	$ 641,663	$ (48,493)	$ 1,056,177
Cost of sales	(118,658)	(179,090)	(488,233)	40,685	(745,296)
Gross profit	42,643	122,616	153,430	(7,808)	310,881
Total operating expenses	(35,627)	(37,327)	(106,648)	—	(179,602)
Income from operations	7,016	85,289	46,782	(7,808)	131,279
Interest (expense) income, net	(20,394)	2,301	(2,191)	—	(20,284)
Other income (expense), net	8,729	(2,469)	(3,674)	—	2,586
Equity earnings	106,698	28,720	—	(135,418)	—
Pretax income	102,049	113,841	40,917	(143,226)	113,581
Income tax expense	(13,682)	1,194	(13,636)	—	(26,124)
Net income	88,367	115,035	27,281	(143,226)	87,457
Less: Net income attributable to noncontrolling interest	—	215	694	—	909
Net income attributable to Wabtec shareholders	$ 88,367	$ 115,250	$ 27,975	$ (143,226)	$ 88,366
Comprehensive income attributable to Wabtec shareholders	$ 88,649	$ 115,250	$ 106,701	$ (143,226)	$ 167,374

Condensed Statement of Cash Flows for the Three Months Ended March 31, 2019:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net cash (used for) provided by operating activities	$ (118,411)	$ 24,140	$ 148,026	$ (22,417)	$ 31,338
Net cash provided by (used for) investing activities	6,898,021	(1,601)	(9,636,068)	—	(2,739,648)
Net cash (used for) provided by financing activities	(8,557,004)	(22,458)	9,440,035	22,417	882,990
Effect of changes in currency exchange rates	—	—	(4,164)	—	(4,164)
(Decrease) increase in cash	(1,777,394)	81	(52,171)	—	(1,829,484)
Cash, cash equivalents, and restricted cash beginning of period	1,782,682	(119)	559,791	—	2,342,354
Cash and cash equivalents, end of period	$ 5,288	$ (38)	$ 507,620	$ —	$ 512,870

Condensed Statement of Cash Flows for the Three Months Ended March 31, 2018:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net cash (used for) provided by operating activities	$ (9,439)	$ 50,789	$ (9,342)	$ (7,808)	$ 24,200
Net cash (used for) provided by investing activities	(1,759)	(3,693)	(38,413)	—	(43,865)
Net cash provided by (used for) financing activities	22,973	(49,808)	47,695	7,808	28,668
Effect of changes in currency exchange rates	—	—	7,482	—	7,482
Increase (decrease) in cash	11,775	(2,712)	7,422	—	16,485
Cash, cash equivalents and restricted cash, beginning of period	933	4,802	227,666	—	233,401
Cash and cash equivalents, end of period	$ 12,708	$ 2,090	$ 235,088	$ —	$ 249,886

19. OTHER INCOME (EXPENSE), NET

The components of other income (expense) are as follows:

	Three Months Ended March 31,	
In thousands	2019	2018
Foreign currency (loss) gain	$ (12,682)	$ (1,032)
Equity income	929	629
Expected return on pension assets/amortization	3,376	3,023
Other miscellaneous expense (income)	149	(34)
Total other (expense) income, net	$ (8,228)	$ 2,586

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and Westinghouse Air Brake Technologies Corporation’s Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in its Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on February 27, 2019.

OVERVIEW

Wabtec is one of the world’s largest providers of value-added, technology-based equipment, systems and services for the global freight rail and passenger transit industries. Our highly engineered products enhance safety, improve productivity and reduce maintenance costs for customers, can be found on most locomotives, freight cars, passenger transit cars and buses around the world. Many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 50 countries and our products can be found in more than 100 countries throughout the world. In the three months ended March 31, 2019, approximately 61% of the Company’s revenues came from customers outside the United States.

Management Review and Future Outlook

Wabtec’s long-term financial goals are to generate cash flow from operations in excess of net income, maintain a strong credit profile while minimizing our overall cost of capital, increase margins through strict attention to cost controls and implementation of the Wabtec Excellence Program, and increase revenues through a focused growth strategy, including product innovation and new technologies, global and market expansion, aftermarket products and services, and acquisitions. In addition, Management evaluates the Company’s current operational performance through measures such as quality and on-time delivery.

The Company primarily serves the global freight rail and passenger transit industries. As such, our operating results are largely dependent on the level of activity, financial condition and capital spending plans of freight railroads and passenger transit agencies around the world, and transportation equipment manufacturers who serve those markets. Many factors influence these industries, including general economic conditions; traffic volumes, as measured by freight carloadings and passenger ridership; government spending on public transportation; and investment in new technologies. In general, trends such as increasing urbanization and growth in developing markets, a focus on sustainability and environmental awareness, increasing investment in technology solutions, an aging equipment fleet, and growth in global trade are expected to drive continued investment in freight rail and passenger transit.

According to the 2018 bi-annual edition of a market study by UNIFE, the Association of the European Rail Industry, the accessible global market for railway products and services was more than $100 billion and was expected to grow at a compounded annual growth rate of 2.6% through 2023. The three largest geographic markets, which represented about 80% of the total accessible market, were Europe, North America and Asia Pacific. UNIFE projected above-average growth rates in North America, Latin America and Africa/Middle East, with Asia Pacific and Europe growing at about the industry average. UNIFE said trends such as urbanization and increasing mobility, deregulation, investments in new technologies, energy and environmental issues, and increasing government support continue to drive investment. The largest product segments of the market were rolling stock, services and infrastructure, which represent almost 90% of the accessible market. UNIFE projected spending on turnkey management projects and infrastructure to grow at above-average rates. UNIFE estimated that the global installed base of locomotives was about 114,000 units, with about 33% in Asia Pacific, about 26% in North America and about 18% in Russia-CIS (Commonwealth of Independent States). Wabtec estimates that about 2,500 new locomotives were delivered worldwide in 2018, and we expect deliveries of about 2,900 in 2019. UNIFE estimated the global installed base of freight cars was about 5.1 million, with about 33% in North America, about 26% in Asia Pacific and about 24% in Russia-CIS. Wabtec estimates that about 175,000 new freight cars were delivered worldwide in 2018, and we expect deliveries of about 174,000 in 2019. UNIFE estimated the global installed base of passenger transit vehicles to be about 600,000 units, with about 45% in Asia Pacific, about 33% in Europe and about 12% in Russia-CIS. Wabtec estimates that about 30,000 new passenger transit vehicles were ordered worldwide in 2018, and we expect orders of about the same number in 2019.

In Europe, the majority of the rail system serves the passenger transit market, which is expected to continue growing as energy and environmental factors encourage continued investment in public mass transit. According to UNIFE, France, Germany and the United Kingdom were the largest Western European transit markets, representing almost two-thirds of industry spending in the European Union. UNIFE projected the accessible Western European rail market to grow at about 2.3% annually, led by investments in new rolling stock in France and Germany. About 75% of freight traffic in Europe is hauled by truck, while rail accounts for about 20%. The largest freight markets in Europe are Germany, Poland and the United Kingdom. In recent years, the European Commission has adopted a series of measures designed to increase the efficiency of the European rail network by standardizing operating rules and certification requirements. UNIFE believes that adoption of these measures should have a positive effect on ridership and investment in public transportation over time.

In North America, railroads carry about 40% of intercity freight, as measured by ton-miles, which is more than any other mode of transportation. Through direct ownership and operating partnerships, U.S. railroads are part of an integrated network that includes railroads in Canada and Mexico, forming what is regarded as the world’s most-efficient and lowest-cost freight rail service. There are more than 500 railroads operating in North America, with the largest railroads, referred to as “Class I,” accounting for more than 90% of the industry’s revenues. The railroads carry a wide variety of commodities and goods, including coal, metals, minerals, chemicals, grain, and petroleum. These commodities represent about 50% of total rail carloadings, with intermodal carloads accounting for the rest. Railroads operate in a competitive environment, especially with the trucking industry, and are always seeking ways to improve safety, cost and reliability. New technologies offered by Wabtec and others in the industry can provide some of these benefits. Demand for our freight related products and services in North America is driven by a number of factors, including rail traffic, and production of new locomotives and new freight cars. In the U.S., the passenger transit industry is dependent largely on funding from federal, state and local governments, and from fare box revenues. Demand for North American passenger transit products is driven by a number of factors, including government funding, deliveries of new subway cars and buses, and ridership. The U.S. federal government provides money to local transit authorities, primarily to fund the purchase of new equipment and infrastructure for their transit systems.

Growth in the Asia Pacific market has been driven mainly by the continued urbanization of China and India, and by investments in freight rail rolling stock and infrastructure in Australia to serve its mining and natural resources markets. India is making significant investments in rolling stock and infrastructure to modernize its rail system; for example, the country has awarded a 1,000-unit locomotive order to GE Transportation, now part of Wabtec.

Other key geographic markets include Russia-CIS and Africa-Middle East. With about 1.2 million freight cars and about 20,000 locomotives, Russia-CIS is among the largest freight rail markets in the world, and it’s expected to invest in both freight and transit rolling stock. PRASA, the Passenger Rail Agency of South Africa, is expected to continue to invest in new transit cars and new locomotives. According to UNIFE, emerging markets were expected to grow at above-average rates as global trade led to increased freight volumes and urbanization led to increased demand for efficient mass-transportation systems. As this growth occurs, Wabtec expects to have additional opportunities to provide products and services in these markets.

In its study, UNIFE also said it expected increased investment in digital tools for data and asset management, and in rail control technologies, both of which would improve efficiency in the global rail industry. UNIFE said data-driven asset management tools have the potential to reduce equipment maintenance costs and improve asset utilization, while rail control technologies have been focused on increasing track capacity, improving operational efficiency and ensuring safer railway traffic. Wabtec offers products and services to help customers make ongoing investments in these initiatives.

In 2019 and beyond, general global economic and market conditions will have an impact on our sales and operations. To the extent that these factors cause instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected. In addition, we face risks associated with our four-point growth strategy including the level of investment that customers are willing to make in new technologies developed by the industry and the Company and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to reflect changes in market conditions and risks.

MERGER OF WABTEC WITH GE TRANSPORTATION

Wabtec, General Electric Company ("GE"), GE Transportation, a Wabtec Company formerly known as Transportation System Holdings Inc. ("SpinCo"), which was a newly formed wholly owned subsidiary of GE, and Wabtec US Rail Holdings, Inc. ("Merger Sub"), which was a newly formed wholly owned subsidiary of the Company, entered into the Original Merger Agreement on May 20, 2018, and GE, SpinCo, Wabtec and Wabtec US Rail, Inc. ("Direct Sale Purchaser") entered into the Original Separation Agreement on May 20, 2018, which together provided for the combination of Wabtec and GE Transportation. The Original Merger Agreement and Original Separation Agreement were subsequently amended on January 25, 2019 and the Merger was completed on February 25, 2019.

As part of the Merger, certain assets of GE Transportation ("GET"), including the equity interests of certain pre-Transaction subsidiaries of GE that compose part of GE Transportation, were sold to Direct Sale Purchaser for a cash payment of $2.875 billion, and Direct Sale Purchaser assumed certain liabilities of GE Transportation in connection with this purchase (the "Direct Sale"). Thereafter, GE transferred the SpinCo Business to SpinCo and its subsidiaries (to the extent not already held by SpinCo and its subsidiaries), and SpinCo issued to GE shares of SpinCo Class A preferred stock, SpinCo Class B preferred stock, SpinCo Class C preferred stock and additional shares of SpinCo common stock in the SpinCo Transfer. Following this issuance of additional SpinCo common stock to GE, and immediately prior to the Distribution, GE owned 8,700,000,000 shares of SpinCo common stock, 15,000 shares of SpinCo Class A preferred stock, 10,000 shares of SpinCo Class B preferred stock and one share of SpinCo Class C preferred stock, which constituted all of the outstanding stock of SpinCo.

Following the Direct Sale, GE distributed the Distribution Shares of SpinCo in a spin-off transaction to its stockholder. Immediately after the Distribution, Merger Sub merged with and into SpinCo, whereby the separate corporate existence of Merger Sub ceased and SpinCo continued as the surviving company and a wholly owned subsidiary of Wabtec (except with respect to shares of SpinCo Class A preferred stock held by GE). In the Merger, subject to adjustment in accordance with the Merger Agreement, each share of SpinCo common stock converted into the right to receive a number of shares of Wabtec common stock based on the common stock exchange ratio set forth in the Merger Agreement and the share of SpinCo Class C preferred stock was converted into the right to receive (a) 10,000 shares of Wabtec convertible preferred stock and (b) a number of shares of Wabtec common stock equal to 9.9% of the fully-diluted pro forma Wabtec shares. Immediately prior to the Merger, Wabtec paid $10.0 million in cash to GE in exchange for all of the shares of SpinCo Class B preferred stock.

Upon consummation of the Merger Wabtec issued 46,763,975 shares of common stock to the holders of GE common stock, 19,018,207 shares of common stock to GE and 10,000 shares of preferred stock to GE and made a cash payment to GE of $2.885 billion. As a result and calculated based on Wabtec's outstanding common stock on a fully-diluted, as-converted and as-exercised basis, as of December 31, 2018, approximately 49.2% of the outstanding shares of Wabtec common stock was held collectively by GE and holders of GE common stock (with 9.9% to be held by GE directly in shares of Wabtec common stock and 15% underlying the shares of Wabtec convertible preferred stock to be held by GE) and approximately 50.8% of the outstanding shares of Wabtec common stock would be held by pre-Merger Wabtec stockholders, in each case calculated on a fully-diluted, as-converted and as-exercised basis. Following the Merger, GE also retained 15,000 shares of SpinCo Class A non-voting preferred stock, and Wabtec held 10,000 shares of SpinCo Class B non-voting preferred stock. The shares of Wabtec common stock and Wabtec convertible preferred stock held by GE are subject to GE's obligations under the Shareholders Agreement, including, among other things, and in each case subject to certain exceptions, (i) restrictions on the ability to sell, transfer or otherwise divest such shares for a period of 30 days and (ii) an obligation to sell, transfer or otherwise divest (A) by no later than 120 days following the closing date of the Merger, GE's (and its affiliates') ownership of Wabtec common stock and/or Wabtec convertible preferred stock so that GE (together with its affiliates) beneficially owns not less than 14.9% and not more than 19.9% of the number of shares of Wabtec common stock that were outstanding immediately after the closing of the Merger, (B) by no later than one year following the closing date of the Merger, GE's (and its affiliates') ownership of Wabtec common stock and/or Wabtec convertible preferred stock so that GE (together with its affiliates) beneficially owns not more than 18.5% of the number of shares of Wabtec common stock that were outstanding immediately after the closing of the Merger, in each case of clauses (A) and (B) treating the Wabtec convertible preferred stock as the Wabtec common stock into which it is convertible both for purposes of determining the number of shares of Wabtec common stock owned and for purposes of determining the number of shares of Wabtec common stock outstanding and (C) by no later than the third anniversary of the closing date of the Merger, all of the subject shares that GE (together with its affiliates) beneficially owns, and (iii) an obligation to vote all of such shares of Wabtec common stock in the proportion required under the Shareholders Agreement.

After the Merger, SpinCo, which is Wabtec's wholly owned subsidiary (except with respect to shares of SpinCo Class A preferred stock held by GE), holds the SpinCo Business and Direct Sale Purchaser, which also is Wabtec's wholly owned subsidiary, holds the assets purchased and the liabilities assumed in connection with the Direct Sale. Together, SpinCo and Direct Sale Purchaser own and operate the post-Transaction GE Transportation. All shares of the Company's common stock, including those issued in the Merger, are listed on the NYSE under the Company's current trading symbol "WAB." On the date of the Distribution, GE or its subsidiaries and SpinCo or the SpinCo Transferred Subsidiaries entered into additional agreements relating to, among other things, intellectual property, employee matters, tax matters, research and development and transition services.

On May 6, 2019, GE completed the sale of approximately 8,780 shares of Wabtec's Series A Preferred stock which converted upon the sale to 25,300,000 shares of Wabtec's common stock. After the sale Wabtec had approximately 1,220 shares of Series A Preferred Stock outstanding convertible to approximately 3,515,500 shares of common stock and GE's aggregate beneficial ownership percentage of the Company was reduced from approximately 24.9% to approximately 11.7% on a fully-diluted, as-converted and as-exercised basis. In conjunction with this secondary offering the Company waived the requirement under the Shareholders Agreement for GE to maintain ownership of at least 14.9% of Wabtec's stock for 120 days following the closing date of the Merger. The Company did not receive any proceeds from the sale of these shares.

Total future consideration to be paid by Wabtec to GE includes a fixed payment of $470.0 million, which is directly related to the timing of tax benefits expected to be realized by Wabtec as a result of the merger. This payment is considered contingent consideration because the timing of cash payments to GE is directly related to the future timing of tax benefits received by the Company as a result of the merger. The estimated total value of the consideration to be paid by Wabtec in the Transactions is approximately $10.3 billion, including the cash paid for the Direct Sales Assets, equity transferred for SpinCo, contingent consideration, assumed debt and net of cash acquired. The estimated consideration is based on the Company's closing share price of $73.36 on February 22, 2019 and the preliminary fair value of the contingent consideration. The value of the preliminary purchase price consideration could change when the Company has completed the detailed valuation of the contingent consideration and other necessary calculations.

RESULTS OF OPERATIONS

Consolidated Results

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

In thousands	Three Months Ended March 31, 2019	2018	Percent Change
Net sales:			
Sales of goods	$ 1,434,509	$ 1,010,677	41.9 %
Sales of services	159,108	45,500	249.7 %
Total net sales	1,593,617	1,056,177	50.9 %
Cost of sales:			
Cost of goods	(1,073,571)	(709,278)	51.4 %
Cost of services	(131,029)	(36,018)	263.8 %
Total cost of sales	(1,204,600)	(745,296)	61.6 %
Gross profit	389,017	310,881	25.1 %
Operating expenses:			
Selling, general and administrative expenses	(259,723)	(147,201)	76.4 %
Engineering expenses	(34,545)	(22,049)	56.7 %
Amortization expense	(27,442)	(10,352)	165.1 %
Total operating expenses	(321,710)	(179,602)	79.1 %
Income from operations	67,307	131,279	(48.7)%
Other income and expenses:			
Interest expense, net	(44,569)	(20,284)	119.7 %
Other (expense) income, net	(8,228)	2,586	(418.2)%
Income from operations before income taxes	14,510	113,581	(87.2)%
Income tax expense	(18,523)	(26,124)	(29.1)%
Net (loss) income	(4,013)	87,457	(104.6)%
Less: Net (gain) loss attributable to noncontrolling interest	(459)	909	(150.5)%
Net (loss) income attributable to Wabtec shareholders	(4,472)	88,366	(105.1)%

The following table shows the major components of the change in sales in the first quarter of 2019 from the first quarter of 2018:

In thousands	Freight Segment	Transit Segment	Total
First Quarter 2018 Net Sales	$ 379,554	$ 676,623	$ 1,056,177
Acquisitions	494,976	14,748	509,724
Change in Sales by Product Line:			
Brake Products	292	97,675	97,967
Specialty Products & Electronics	9,242	(9,211)	31
Remanufacturing, Overhaul & Build	(171)	(1,635)	(1,806)
Transit Products	—	(12,283)	(12,283)
Other	(56)	2,063	2,007
Foreign exchange	(7,403)	(50,797)	(58,200)
First Quarter 2019 Net Sales	$ 876,434	$ 717,183	$ 1,593,617

Net sales

Net sales for the three months ended March 31, 2019 increased by $537 million, or 50.9%, to $1.59 billion. The increase is primarily due to sales from acquisitions of $510 million, mainly, the acquisition of GE Transportation. GE Transportation contributed $495 million of net sales in the quarter primarily from the locomotive equipment and service product lines. Additionally, sales for Brake Products increased $98 million due to increased deliveries on contracts of original equipment brake and coupler systems for transit customers. Unfavorable changes in foreign exchange rates reduced sales by $58 million.

Cost of sales

Cost of sales increased by $459 million to $1.20 billion in 2019 compared to $745 million in 2018. The increase is primarily due to $431 million of incremental costs from acquisitions. In 2019, cost of sales as a percentage of sales was 75.6% compared to 70.6% in 2018. Cost of sales in 2019 includes an $80 million non-recurring charge related to purchase price accounting for the step-up of GE Transportation inventory on the date of acquisition. Excluding this non-recurring charge, cost of sales as a percentage of sales was 70.6% in 2019, comparable to the prior year as cost improvements in the Freight Segment were offset by increased costs in the Transit Segment.

Operating expenses

Total operating expenses as a percentage of sales increased to 20.2% of sales in the first quarter of 2019 compared to 17.0% during the first quarter of 2018. Selling, general, and administrative expenses increased $113 million or 76.4%, primarily due to $59 million in transaction and restructuring costs related to the acquisition of GE Transportation, $42 million in incremental expense from acquisitions, mainly GE Transportation, and $16 million in increased employee benefit costs. Engineering expense increased $12 million and amortization expense increased $17 million due to incremental expense from the GE Transportation acquisition.

Interest expense, net

Interest expense, net, increased $24 million in 2019 attributable to higher overall debt balances in 2019, related to the GE Transportation acquisition.

Other expense, net

Other expense/(income), net, totaled $8 million of expense in 2019 compared to $3 million of income in 2018 primarily due to losses on the remeasurement of certain foreign currency denominated original locomotive equipment contracts.

Income taxes

The effective income tax rate was 127.7% and 23.0% for the first quarter of 2019 and 2018, respectively. The increase in the effective rate for the three months ended March 31, 2019 is primarily the result of non-deductible transaction related expenses incurred as a result of the acquisition of GE Transportation.

Freight Segment

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

In thousands	Three Months Ended March 31, 2019	2018	Percent Change
Net sales:			
Sales of goods	$ 729,161	$ 345,863	110.8%
Sales of services	147,273	33,691	337.1%
Total net sales	876,434	379,554	130.9%
Cost of sales:			
Cost of goods	(547,988)	(230,238)	138.0%
Cost of services	(122,060)	(26,741)	356.5%
Total cost of sales	(670,048)	(256,979)	160.7%
Gross profit	206,386	122,575	68.4%
Operating expenses	(131,176)	(52,952)	147.7%
Income from operations ($)	75,210	69,623	8.0%
Income from operations (%)	8.6%	18.3%	

Net sales

Freight Segment sales increased by $497 million, or 131%, to $876 million, due to the acquisition of GE Transportation which contributed $495 million of net sales in the quarter primarily from the locomotive equipment and services product lines. Additionally, Specialty Products and Electronics sales increased $9 million from increased demand for freight car original equipment rail products. Unfavorable foreign exchange decreased sales by $7 million.

Cost of sales

Freight Segment cost of sales increased by $413 million to $670 million in 2019. The increase is primarily due to $419 million of incremental cost of sales and services from the GE Transportation acquisition. In 2019, total cost of sales as a percentage of total net sales was 76.5% compared to 67.7% in 2018. Total cost of sales in 2019 includes an $80 million non-recurring charge related to purchase price accounting for the step-up of GE Transportation inventory on the date of acquisition. Excluding this non-recurring charge, total cost of sales as a percentage of sales was 67.3% in 2019, a 0.4% improvement over 2018. This improvement is attributable to a favorable product mix and cost reduction programs.

Operating expenses

Freight Segment operating expenses increased $78 million, or 148%, in 2019 and increased 100 basis points to 15% of sales. Selling, general, and administrative expenses increased $49 million due to $40 million in incremental expense from the GE Transportation acquisition and $5 million for transaction and restructuring costs. Engineering expense increased $11 million and amortization expense increased $18 million, both due to the GE Transportation acquisition.

Transit Segment

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

In thousands	Three Months Ended March 31, 2019	2018	Percent Change
Net sales	$ 717,183	$ 676,623	6.0 %
Cost of sales	(534,552)	(488,317)	9.5 %
Gross profit	182,631	188,306	(3.0)%
Operating expenses	(123,698)	(120,223)	2.9 %
Income from operations ($)	58,933	68,083	(13.4)%
Income from operations (%)	8.2%	10.1%	

Net sales

Transit Segment sales increased by $41 million, or 6%, primarily due to increased Brake Product sales of $98 million and acquisitions of $15 million. The increase in Brake Product sales was due to increased deliveries on contracts for original equipment brake and coupler systems. These increases were partially offset by unfavorable foreign exchange of $51 million, a $12 million decrease in transit access systems, and a $9 million decrease in Specialty Products and Electronics due to completion of several large train control and signaling projects in the prior year.

Cost of sales

Transit Segment cost of sales increased by $46 million to $535 million in 2019. In 2019, cost of sales as a percentage of sales was 75% compared to 72% in 2018. The increase in cost of sales was driven by an organic increase of $72 million primarily due to an unfavorable product mix towards more original equipment products which typically carry lower margins and certain discrete project adjustments primarily related to warranty cost and $12 million of incremental costs for acquisitions. Foreign exchange rates decreased cost of sales by $38 million. The higher demand for original equipment brake and coupler systems also led to higher material and labor costs as a percentage of revenue.

Operating expenses

Transit Segment operating expenses increased $3 million to $124 million, or 3%, in 2019 and decreased 60 basis points to 17% of sales primarily due to $2 million of incremental expenses from acquisitions. Selling, general, and administrative expenses increased $3 million in 2019, consisting of a $7 million organic increase to support the higher sales volumes, $2 million of incremental expense for acquisitions partially offset by a $6 million decrease due to foreign exchange rates. Engineering and amortization expense increased a negligible amount over 2018.

Liquidity and Capital Resources

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

	Three Months Ended March 31,	
In thousands	**2019**	**2018**
Cash provided by (used for):		
Operating activities	$ 31,338	$ 24,200
Investing activities	(2,739,648)	(43,865)
Financing activities	882,990	28,668
(Decrease)/increase in cash	$ (1,829,484)	$ 16,485

Operating activities In the first quarter of 2019, cash provided by operations was $31 million compared to $24 million in the first quarter of 2018. The increase is due to favorable working capital performance as follows: a favorable change of $128 million in other assets and liabilities primarily due to the timing of payments related to acquisition costs and accrued expenses, a favorable change in inventory of $126 million due to better control over inventory levels, and a favorable change in accounts receivable of $15 million. These favorable changes were partially offset by an unfavorable change in accounts payable of $148 million due to the timing of payments to suppliers, and lower results from operations of $91 million primarily due to transaction and restructuring charges for the GE Transportation acquisition noted above.

Investing activities In the first quarter of 2019 and 2018, cash used for investing activities was $2.74 billion and $44 million, respectively. The major components of the cash outflow in 2019 were $2.71 billion in net cash paid for acquisitions and $30 million in additions to property, plant and equipment for investments in our facilities and manufacturing processes. This compares to $34 million in net cash paid for acquisitions and $17 million in property, plant, and equipment for investments in the first quarter of 2018. Refer to Note 3 of the “Notes to Condensed Consolidated Financial Statements” for additional information on acquisitions.

Financing activities In the first quarter of 2019, cash provided by financing activities was $883 million which included $1.74 billion in proceeds from the revolving credit facility, $838 million in repayments of debt and $12 million of dividend payments. In the first quarter of 2018, cash used for financing activities was $28.7 million, which included $307 million in proceeds from the revolving credit facility, $266 million in repayments of debt on the revolving credit facility, $12 million of dividend payments, and $3 million related to payment of income tax withholding on share-based compensation.

On September 14, 2018, the Company issued $2.5 billion of senior notes with three different maturities.

- *Floating Rate Senior Notes due 2021* - The Company issued $500.0 million of Floating Rate Senior Notes due 2021 (the "Floating Rate Notes"). The Floating Rate Notes, which are non-callable for one year, were issued at 100% of face value. Interest on the Floating Rate Notes accrues at a floating rate per annum equal to three-month Libor plus 105 basis points. The interest rate for the Floating Rate Notes for the initial interest period was the three-month Libor plus 105 basis points determined on September 12, 2018 and is payable quarterly on December 15, March 15, June 15, and September 15 of each year. The Company incurred $3.5 million of deferred financing costs related to the issuance of the Floating Rate Notes.
- *4.15% Senior Notes due 2024* - The Company issued $750.0 million of 4.15% Senior Notes due 2024 (the "2024 Notes"). The 2024 Notes were issued at 99.805% of face value. Interest on the 2024 Notes accrues at a rate of 4.15% per annum and is payable semi-annually on March 15 and September 15 of each year. The Company incurred $7.4 million of deferred financing costs related to the issuance of the 2024 Notes.
- *4.70% Senior Notes Due 2028* - The Company issued $1,250.0 million of 4.70% Senior Notes due 2028 (the "2028 Notes" and together with the Floating Rate Notes and 2024 Notes, the "Senior Notes"). The 2028 Notes were issued at 99.889% of face value. Interest on the 2028 Notes accrues at a rate of 4.70% per annum and is payable semi-annually on March 15 and September 15 of each year. The Company incurred $10.6 million of deferred financing costs related to the issuance of the 2028 Notes.

The net proceeds from the issuance and sale of the Senior Notes were used to finance the cash portion of the GE Transportation acquisition. The principal balances are due in full at maturity. The Senior Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the Senior Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sales of assets, change in control, mergers and consolidations and the incurrence of liens.

On February 12, 2019, the rating assigned by Moody's was decreased to Ba1. Accordingly, pursuant to the respective terms of the Senior Notes issued on September 14, 2018, the interest rate shall be increased by 0.25%. The interest rate increase took effect during the interest period following February 12, 2019.

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

3.45% Senior Notes Due November 2026

On November 3, 2016, the Company issued $750.0 million of 3.45% Senior Notes due in 2026 (the "2016 Notes"). The 2016 Notes were issued at 99.965% of face value. Interest on the 2016 Notes accrues at a rate of 3.45% per annum and is payable semi-annually on May 15 and November 15 of each year. The proceeds were used to finance the cash portion of the Faiveley Transport acquisition, refinance Faiveley Transport's indebtedness, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.7 million of deferred financing costs related to the issuance of the 2016 Notes.

The 2016 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2016 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2016 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

4.375% Senior Notes Due August 2023

In August 2013, the Company issued $250.0 million of 4.375% Senior Notes due in 2023 (the “2013 Notes”). The 2013 Notes were issued at 99.879% of face value. Interest on the 2013 Notes accrues at a rate of 4.375% per annum and is payable semi-annually on February 15 and August 15 of each year. The proceeds were used to repay debt outstanding under the Company’s existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.6 million of deferred financing costs related to the issuance of the 2013 Notes.

The 2013 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2013 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2013 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

2018 Refinancing Credit Agreement

On June 8, 2018, the Company entered into a credit agreement (the “2018 Refinancing Credit Agreement”), which replaced the Company’s then-existing 2016 Refinancing Credit Agreement. As part of the 2018 Refinancing Credit Agreement, the Company entered into (i) a $1.2 billion revolving credit facility (the “Revolving Credit Facility”), which replaced the Company’s revolving credit facility under the 2016 Refinancing Credit Agreement, and includes a letter of credit sub-facility of up to $450.0 million and a swing line sub-facility of $75.0 million, (ii) a $350.0 million term loan (the “Refinancing Term Loan”), which refinanced the term loan under the 2016 Refinancing Credit Agreement, and (iii) a new $400.0 million delayed draw term loan (the “Delayed Draw Term Loan”). The 2018 Refinancing Credit Agreement also provided for a bridge loan facility (the “Bridge Loan Facility”) in an amount not to exceed $2.5 billion, such facility to become effective at the Company’s request. Commitments in respect of the Bridge Loan Facility were terminated upon the issuance and sale of the Senior Notes on September 14, 2018. In addition, the 2018 Refinancing Credit Agreement contains an uncommitted accordion feature allowing the Company to request, in an aggregate amount not to exceed $600.0 million, increases to the borrowing commitments under the Revolving Credit Facility or a new incremental term loan commitment. At March 31, 2019, the Company had approximately $675.1 million of available bank borrowing capacity subject to certain financial covenant restrictions, net of $27.6 million of letters of credit.

The Revolving Credit Facility matures on June 8, 2023 and is unsecured. The Refinancing Term Loan matures on June 8, 2021 and is unsecured. The Delayed Draw Term Loan matures on the third anniversary of the date on which it is borrowed and is unsecured. The applicable interest rate for borrowings under the 2018 Refinancing Credit Agreement includes interest rate spreads based on the lower of the pricing corresponding to (i) the Company's ratio of total debt (less unrestricted cash up to $300.0 million) to EBITDA ("Leverage Ratio") or (ii) the Company's public rating, in each case that range between 1.000% and 1.875% for LIBOR/CDOR-based borrowings and 0.0% and 0.875% for Alternate Base Rate based borrowings. The obligations of the Company under the 2018 Refinancing Credit Agreement have been guaranteed by certain of the Company's subsidiaries.

The Delayed Draw Term Loan was initially drawn on February 25, 2019. The Company incurred a 17.5 basis point commitment fee from June 8, 2018 until the initial draw.

The 2018 Refinancing Credit Agreement contains customary representations and warranties by the Company and its subsidiaries, including customary use of materiality, material adverse effect, and knowledge qualifiers. The Company and its subsidiaries are also subject to (i) customary affirmative covenants that impose certain reporting obligations on the Company and its subsidiaries and (ii) customary negative covenants, including limitations on: indebtedness; liens; restricted payments; fundamental changes; business activities; transactions with affiliates; restrictive agreements; changes in fiscal year; and use of proceeds. In addition, the Company is required to maintain (i) an Interest Coverage ratio at least 3.00 to 1.00 over each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter and (ii) a Leverage Ratio, calculated as of the last day of a fiscal quarter for a period of four consecutive fiscal quarters, of 3.25 to 1.00 or less; *provided* that, in the event the Company completes the Direct Sale and the Merger or any other material acquisition in which the cash consideration paid exceeds $500.0 million, the maximum Leverage Ratio permitted will be 3.75 to 1.00 at the end of the fiscal quarter in which such acquisition is consummated and each of the three fiscal quarters immediately following such fiscal quarter and 3.50 to 1.00 at the end of each of the fourth and fifth full fiscal quarters after the consummation of such acquisition. The Company is in compliance with the restrictions and covenants of the 2018 Refinancing Credit Agreement and does not expect that these measurements will limit the Company in executing its operating activities.

At March 31, 2019, the weighted average interest rate on the Company's variable rate debt was 3.46%. On June 5, 2014, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement was November 7, 2016, and the termination date was December 19, 2018.

2016 Refinancing Credit Agreement

On June 22, 2016, the Company amended its existing revolving credit facility with a consortium of commercial banks. This 2016 Refinancing Credit Agreement provided the Company with a $1.2 billion, 5 year revolving credit facility and a $400 million delayed draw term loan (the "Term Loan"). The Company incurred approximately $3 million of deferred financing cost related to the 2016 Refinancing Credit Agreement. The 2016 Refinancing Credit Agreement borrowings bore variable interest rates indexed as described below.

Under the 2016 Refinancing Credit Agreement, the Company could elect a Base Rate of interest for U.S. Dollar denominated loans or, for certain currencies, an interest rate based on the London Interbank Offered Rate ("LIBOR") of interest, or other rates appropriate for such currencies (in any case, "the Alternate Rate"). The Base Rate adjusted on a daily basis and was the greater of the Federal Funds Effective Rate plus 0.50% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points, plus a margin that ranged from 0 to 75 basis points. The Alternate Rate was based on the quoted rates specific to the applicable currency, plus a margin that ranged from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins were dependent on the Company's consolidated total indebtedness to EBITDA ratios. The initial Base Rate margin was 0 basis points and the Alternate Rate margin is 175 basis points.

Company Stock Repurchase Plan

On February 8, 2016, the Board of Directors amended its stock repurchase authorization to $350 million of the Company's outstanding shares. This new stock repurchase authorization supersedes the previous authorization of $350 million of which about $33 million remained. During the first three months of 2019, the Company did not repurchase any shares, leaving $138 million remaining under the authorization. The Company intends to purchase shares on the open market or in negotiated block trades from time to time depending on market conditions. No time limit was set for the completion of the programs which conforms to the requirements under the 2016 Refinancing Credit Agreement, as well as the Senior Notes currently outstanding.

Forward Looking Statements

We believe that all statements other than statements of historical facts included in this report, including certain statements under "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that our assumptions made in connection with the forward-looking statements are reasonable, we cannot assure that our assumptions and expectations are correct.

These forward-looking statements are subject to various risks, uncertainties and assumptions about us, including, among other things:

Economic and industry conditions

- prolonged unfavorable economic and industry conditions in the markets served by us, including North America, South America, Europe, Australia, Asia and South Africa;
- decline in demand for freight cars, locomotives, passenger transit cars, buses and related products and services;
- reliance on major original equipment manufacturer customers;
- original equipment manufacturers' program delays;
- demand for services in the freight and passenger rail industry;
- demand for our products and services;
- orders either being delayed, canceled, not returning to historical levels, or reduced or any combination of the foregoing;
- consolidations in the rail industry;
- continued outsourcing by our customers;
- industry demand for faster and more efficient braking equipment;
- fluctuations in interest rates and foreign currency exchange rates; or
- availability of credit;

Operating factors

- supply disruptions;
- technical difficulties;
- changes in operating conditions and costs;
- increases in raw material costs;
- successful introduction of new products;
- performance under material long-term contracts;
- labor relations;
- the outcome of our existing or any future legal proceedings, including litigation involving our principal customers and any litigation with respect to environmental matters, asbestos-related matters, pension liabilities, warranties, product liabilities or intellectual property claims;
- completion and integration of acquisitions, including the acquisition of Faiveley Transport and GE Transportation; or
- the development and use of new technology;

Competitive factors

- the actions of competitors; or
- the outcome of negotiations with partners, suppliers, customers or others;

Political/governmental factors

- political stability in relevant areas of the world;
- future regulation/deregulation of our customers and/or the rail industry;
- levels of governmental funding on transit projects, including for some of our customers;
- political developments and laws and regulations, including those related to Positive Train Control; or
- federal and state income tax legislation; and
- the outcome of negotiations with governments.

Statements in this Quarterly Report on Form 10-Q apply only as of the date on which such statements are made, and we undertake no obligation to update any statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. Reference is also made to the risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Critical Accounting Policies

A summary of critical accounting policies is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. In particular, judgment is used in areas such as accounts receivable and the allowance for doubtful accounts, inventories, goodwill and indefinite-lived intangibles, warranty reserves, pensions and postretirement benefits, income taxes and revenue recognition. The Company's lease accounting policy has been updated due to the adoption of ASU No. 2016-02. There have been no other significant changes in accounting policies since December 31, 2018.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

In the ordinary course of business, Wabtec is exposed to risks that increases in interest rates may adversely affect interest expense associated with its variable-rate debt. The Company's variable rate debt represents 40% and 22% of total long-term debt at March 31, 2019 and December 31, 2018, respectively. Refer to Note 8 – Long Term Debt of "Notes to Condensed Consolidated Financial Statements" for additional information regarding interest rate risk.

Foreign Currency Exchange Risk

The Company is subject to certain risks associated with changes in foreign currency exchange rates to the extent our operations are conducted in currencies other than the U.S. dollar. For the first three months of 2019, approximately 39% of Wabtec's net sales were to customers in the United States, 11% in Canada, 6% in the United Kingdom, 5% in France, 5% in Germany, 5% in India, 4% in Mexico, 4% in Australia 3% in China, 3% in Italy, and 15% in other international locations. To reduce the impact of changes in currency exchange rates on earnings and cash flows, the Company has periodically entered into foreign currency forward contracts. Refer to "Financial Derivatives and Hedging Activities" in Note 2 of "Notes to Condensed Consolidated Financial Statements" for more information regarding foreign currency exchange risk.

Item 4. CONTROLS AND PROCEDURES

Wabtec's principal executive officer and its principal financial officer have evaluated the effectiveness of Wabtec's "disclosure controls and procedures," (as defined in Exchange Act Rule 13a-15(e)) as of March 31, 2019. Based upon their evaluation, the principal executive officer and principal financial officer concluded that Wabtec's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by Wabtec in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by Wabtec in such reports is accumulated and communicated to Wabtec's Management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The business combination of Wabtec and GE Transportation, which was completed on February 25, 2019, resulted in a material change in the combined company's internal controls over financial reporting. The Company is in the process of designing and integrating policies, processes, operations, technology, and other components of internal controls over financial reporting of the combined company. Management will monitor the implementation of new controls and test the operating effectiveness when instances are available in future periods.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Further information and detail on these claims is described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, in Note 21 therein, filed on February 27, 2019. During the first three months of 2019, there were no material changes to the information described in the Form 10-K related to claims arising from asbestos exposure.

From time to time, the Company is involved in litigation related to claims arising out of the Company's operations in the ordinary course of business, including claims based on product liability, contracts, intellectual property, or other causes of action. Further information and detail on any potentially material litigation is as described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, in Note 21 therein, filed on February 27, 2019. Except as described below, there have been no material changes to the information described in the Form 10-K related to claims arising from Company's ordinary operations.

On April 21, 2016, Siemens Industry, Inc. filed a lawsuit against the Company in federal district court in Delaware alleging that the Company has infringed seven patents owned by Siemens related to the Company's Positive Train Control (PTC) technology. On November 2, 2016, Siemens amended its complaint to add six additional patents they also claim are infringed by the Company's PTC Products or End of Train (EOT) Products (Siemen Patent Case). The Company has filed Answers, and asserted counterclaims, in response to Siemens’ complaints. Additionally, after filings by the Company, the US Patent & Trademark Office’s Patent Trail and Appeal Board (PTAB) has granted Inter-Parties Review (IPR) proceedings on eight (8) of the patents asserted by Siemens to contest their validity. Following pre-trial rulings that greatly reduced Siemens’ alleged damages, a jury trial was held in federal district court in Delaware in January 2019 on eight patents, two of which were still subject to an IPR decision on validity from the PTAB. At the conclusion of the trial, the jury awarded Siemens damages of $5.6 million related to PTC patents and $1.1 million related to EOT patents. Since the jury’s verdict was issued, one of the PTC patents found to be infringed was held to be invalid by the PTAB. All PTAB proceedings have been now been completed, pending appeals; five (5) of the (8) Siemens patents reviewed by the PTAB were found to be invalid. On February 26, 2019, the Court entered a Judgment on the verdict, subject to post-trial motions. Both parties have since filed post-trial motions, potentially affecting the Judgment, and a hearing is scheduled for May 28, 2019. Following the hearing, a final Judgment will be entered, and either party may file appeals to the Federal Circuit.

On March 20, 2019, Siemens filed a new action in federal district court in Delaware alleging violations of federal antitrust and state trade practices laws since before 2008, related to Wabtec’s PTC sales, including on-board, back-office, wayside and aftermarket support systems (Siemens originally raised these antitrust claims as counterclaims in a separate DE patent case filed by Wabtec alleging that Siemens has violated three (3) of Wabtec’s patents; the antitrust claims were ultimately severed from that case in January, 2019, resulting in Siemens re-filing them as another separate proceeding in DE.) Wabtec believes Siemens’ antitrust claims are without merit and will vigorously defend itself against these claims.

Xorail, Inc., a wholly owned subsidiary of the Company (“Xorail”), has received notices from Denver Transit Constructors (“DTC”) alleging breach of contract related to the operating of constant warning wireless crossings, and late delivery of the Train Management & Dispatch System (“TMDS”) for the Denver Eagle P3 Project, which is owned by the Denver Regional Transit District ("RTD"). No damages have been asserted for the alleged late delivery of the TMDS, and no formal claim has been filed. Xorail is in the final stages of successfully implementing a recovery plan concerning the TMDS issues. With regard to the wireless crossing issue, as of September 8, 2017, DTC alleged that total damages were $36.8 million through July 31, 2017 and are continuing to accumulate. The majority of the damages stems from a delay in approval of the wireless crossing system by the Federal Railway Administration ("FRA") and the Public Utility Commission ("PUC"), resulting in the use of flaggers at all of the crossings pending approval of the wireless crossing system and certification of the crossings. DTC has alleged that the delay is due to Xorail's failure to achieve constant warning times for the crossings in accordance with the approval requirements imposed by the FRA and PUC. Xorail has denied DTC's assertions, stating that its system satisfied the contractual requirements. Xorail has worked with DTC to modify its system an implement the FRA's and PUC's previously undefined approval requirements; the FRA and PUC have both approved modified wireless crossing system, and as of August 2018, DTC completed the process of certifying the crossings and eliminated the use of flaggers. On September 21, 2018, DTC filed a complaint against RTD in Colorado state court for breach of contract related to non-payments and the costs for the flaggers, asserting a change-in-law arising from the FRA/PUC’s new certification requirements; a jury trial is scheduled to begin on May 18, 2019. DTC’s complaint generally supports Xorail’s position and does not name or implicate Xorail; DTC has not updated its notices against Xorail, nor have they filed any formal claim against Xorail.

Item 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

The following table summarizes the Company's stock repurchase activity for the three months ended March 31, 2019:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Programs (1)
January 2019	—	—	—	$ 137,824
February 2019	—	$ —	—	$ 137,824
March 2019	—	$ —	—	$ 137,824
Total quarter ended March 31, 2019	—	$ —	—	$ 137,824

(1) On February 9, 2016, the Board of Directors amended its stock repurchase authorization to $350.0 million of the Company's outstanding shares. No time limit was set for the completion of the programs which conforms to the requirements under the 2016 Refinancing Credit Agreement, as well as the senior notes currently outstanding.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable

Item 6. EXHIBITS

The following exhibits are being filed with this report:

10.1	Separation Agreement between Stephane Rambaud-Measson and Westinghouse Air Brake Technologies Corporation, dated as of February 13, 2019
10.2	Transition Agreement between Raymond T. Betler and Westinghouse Air Brake Technologies Corporation, dated as of April 24, 2019
10.3	Westinghouse Air Brake Technologies Corporation Summary of Employment Terms of Rafael Santana dated as of February 25, 2019
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

By: /s/ PATRICK D. DUGAN

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

(Duly Authorized Officer and Principal Financial Officer)

DATE: May 9, 2019

SEPARATION AGREEMENT

This Separation Agreement (including all Exhibits attached hereto, this "Separation Agreement") is made and entered into on February 13, 2019, by and between Stéphane Rambaud-Measson ("Executive") and Westinghouse Air Brake Technologies Corporation (the "Company"). Capitalized terms used and not defined herein shall have the meaning provided in the Amended and Restated Employment Agreement entered into by and between Executive and the Company, dated as of the 24th day of October, 2016, as modified and clarified by that assignment letter dated January 1, 2018, from Scott Wahlstrom to Executive (as modified and clarified, the "Employment Agreement").

The Company and the Executive agree as follows:

a) Date of Termination. Executive's employment with the Company terminated for Good Reason effective as of February 12, 2019 (the "Date of Termination"). Both parties agree that the requirement to supply a notice of termination for Good Reason (as defined in the Employment Agreement or otherwise) has been waived or satisfied as of the date hereof. In addition, Executive resigns, effective as of the Date of Termination, from his position as a Director of the Company and Chief Operating Officer of the Company, and, effective on or prior to the Date of Termination, from all other positions Executive holds as an officer, director or employee of the Company or any of its subsidiaries and affiliates. Executive will execute such other documents and take such other actions as may be necessary or reasonably requested by the Company or any of its subsidiaries or affiliates to effectuate or memorialize the resignation of such positions, with any such requests to be made before the Date of Termination to the extent reasonably practicable.

b) Severance Benefits. In consideration for Executive's (i) execution of this Separation Agreement, (ii) execution, no earlier than the Date of Termination and no later than 52 days following the Date of Termination, of the release of claims attached hereto as **Exhibit A** (the "Release"), and (iii) non-revocation of the Release, (x) for purposes of the Employment Agreement, Company and Executive agree that Executive's termination of employment from the Company constitutes a termination of employment for Good Reason entitling Executive to the payments under Section 4(a) of the Employment Agreement, and (y) Executive will receive the payments and benefits as specified on the attached **Exhibit B** and the Consulting Agreement in the attached **Exhibit C**, all subject to applicable tax withholding (collectively, the "Severance Benefits"). A lump-sum cash payment of 270,000 Euros (the "Cash Payment") and the Severance Benefits are in full satisfaction of all payment obligations of the Company and its subsidiaries under the Employment Agreement, the Company 2011 Stock Incentive Plan (as amended or amended and restated from time to time, the "Equity Plan"), the Company Long Term Incentive Plan and other compensation arrangements of the Company and its subsidiaries, including but not limited to, Executive's positions with any of the Company's subsidiaries in France.

c) Faiveley Transport Shares. The parties acknowledge that Executive currently owns 10,000 shares of stock issued by Faiveley Transport, a subsidiary of the Company, (the "Faiveley Transport Shares"), and that Executive has the right to sell the Faiveley Transport Shares to the Company at a defined price of 103.96 Euros per share (the "Faiveley Transport Share Price"). Executive shall sell the Faiveley Transport Shares to the Company, and the Company shall purchase the Faiveley Transport Shares from

Executive, at the Faiveley Transport Share Price and in accord with selling procedures previously agreed between the parties on a date selected by Executive before December 31, 2019.

d) Consulting Agreement. Executive and the Company agree to enter into the Consulting Agreement, attached hereto as **Exhibit C**, effective as of the Date of Termination.

e) Non-Disparagement. Executive agrees that he shall not talk about or otherwise communicate to any third parties in a malicious, disparaging or defamatory manner regarding the Company or its past or present employees, officers, directors, managers, board members, stockholders, subsidiaries, successors, and anyone acting on its or their joint or several behalf (the "Company Parties"), or any aspect of his employment with the Company or its subsidiaries. Further, Executive shall not make or authorize to be made any written or oral statement that may disparage or damage the reputation of the Company or the Company Parties. Similarly, the Company agrees that it shall use its best efforts to cause its executive officers, directors, members of the Executive Office and Group Executives (the "Company Individuals") to refrain from talking about or otherwise communicating to any third parties in a malicious, disparaging or defamatory manner regarding Executive. Company shall indemnify Executive for any economic damages caused to him as a result of any Company Individual who communicates in writing or orally about Executive in an intentionally or recklessly malicious, disparaging or defamatory manner.

f) Indemnification Obligation. The Company shall indemnify Executive, including, but not limited to, advancing expenses as provided in the Company's By-Laws, to the maximum extent permitted under applicable law for acts taken within the scope of his employment and his service as an officer or director of the Company or any of its subsidiaries or affiliates. To the extent that the Company obtains coverage under a director and officer indemnification policy, Executive will be entitled to such coverage on a basis that is no less favorable than the coverage provided to any other officer or director of the Company.

In the event the Company is obligated to advance the expenses for any proceeding against Executive in accordance with the foregoing paragraph, the Company shall be entitled to assume the defense of such proceeding upon the delivery to Executive of written notice of its election so to do. After delivery of such notice and the retention of such counsel by the Company, the Company will not be liable to Executive for any fees of counsel subsequently incurred by Executive with respect to the same proceeding, provided that (i) Executive shall have the right to employ his counsel in any such proceeding at Executive's expense; and (ii) if (A) the employment of counsel by Executive has been previously authorized by the Company, (B) Executive shall have reasonably concluded that there may be a conflict of interest between the Company and Executive in the conduct of any such defense or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, the fees and expenses of Executive's counsel shall be at the expense of the Company.

g) Company Property. Executive affirms that he has, or will have within a reasonable time after the Date of Termination, returned to the Company in reasonable working order all Company Property, as described more fully below. "Company Property" includes Company (or its subsidiary)-owned or leased motor vehicles, equipment, supplies and documents. Such documents may include but are not limited to customer lists, financial statements, cost data, price lists, invoices, forms, passwords, electronic files and media, mailing lists, contracts, reports, manuals, personnel files, correspondence, drawings, employee lists or directories, lists of vendors, photographs, maps, surveys, and the like, including copies, notes or compilations made therefrom, whether such documents are embodied on "hard copies" or contained on computer disk or any other medium. Executive further agrees that he will not retain any copies or duplicates of any such Company Property. However, this paragraph shall be subject to the terms of the Consulting Agreement in **Exhibit C** so that Executive shall, for example, retain such documents as may be necessary or appropriate in order to render the services required of him under the Consulting Agreement, subject to their return to the Company as provided in such Consulting Agreement. Further, Executive may retain any such Company Property to the extent that it consists solely of information that, through no fault of Executive, is available to the public as of the expiration of the Consulting Agreement.

h) Acknowledgements. Nothing in this Separation Agreement prevents Executive from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations. Furthermore, no Company policy or individual agreement between the Company and Executive shall prevent Executive from providing information to government authorities regarding possible legal violations, participating in investigations, testifying in proceedings regarding the Company's past or future conduct, engaging in any future activities protected under the whistleblower statutes administered by any government agency (e.g., the Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.) or receiving a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by such privilege.

i) Nature of Agreement. This Separation Agreement, including any documents executed pursuant to paragraph (a) of the Separation Agreement contains the entire agreement between the Company (including its subsidiaries) and Executive regarding Executive's departure from the Company. This Separation Agreement may not be altered, modified, waived or amended except by a written document signed by a duly authorized representative of the Company and Executive. The headings in this document are for reference only and shall not in any way affect the meaning or interpretation of this Separation Agreement.

j) Choice of Law. Except as expressly provided in an Exhibit hereto with respect to such Exhibit, this Separation Agreement will be governed by and construed in accordance with the laws of the state of New York, without giving effect to any choice of law or conflicting provision or rule (whether of the state of New York or any other jurisdiction) that would cause the laws of any jurisdiction other than the state of New York to be applied. In furtherance of the foregoing, the internal law of the state of New York will control the interpretation and construction of this Separation Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

[*Signatures on the following page.*]

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

By:

Name: Scott E. Wahlstrom
Title: Executive Vice President, Human Resources

Stéphane Rambaud-Measson

<u>**Exhibit A**</u>

Release of Claims

(see attached)

Mutual Release

THIS MUTUAL RELEASE (the "Release") is entered into between Stéphane Rambaud-Measson ("Executive") and Westinghouse Air Brake Technologies Corporation (the "Company"), for the benefit of Executive and the Company. The entering into and non-revocation of this Release is a condition to Executive's right to receive certain payments and benefits under Sections 4(a)(ii), (a)(iii), and (a)(iv) of the Amended and Restated Employment Agreement entered into by and between Executive and the Company, dated as of the 24th day of October, 2016, as modified and clarified by that assignment letter dated January 1, 2018, from Scott Wahlstrom to Executive (as modified and clarified, the "Employment Agreement"), and Executive's services and undertakings set forth in the Separation Agreement and the Consulting Agreement, dated as of February 12, 2019 (the "Consulting Agreement"). Capitalized terms used and not defined herein shall have the meaning provided in the Employment Agreement.

Accordingly, Executive and the Company agree as follows.

1. In consideration for the payments and other benefits provided by the Company to Executive and by Executive to the Company in the Separation Agreement, to which Executive and the Company are not otherwise entitled, and the sufficiency of which Executive and the Company acknowledge, Executive and the Company represent and agrees, as follows:

(a) Executive, for himself, his heirs, administrators, representatives, executors, successors and assigns (collectively "Releasers"), hereby irrevocably and unconditionally releases, acquits and forever discharges and agrees not to sue the Company or any of its parents, subsidiaries, divisions, affiliates and related entities and their current and former directors, officers, shareholders, trustees, employees, consultants, independent contractors, representatives, agents, servants, successors and assigns and all persons acting by, through or under or in concert with any of them (collectively "Releasees"), from all claims, rights and liabilities up to and including the date of this Release arising from or relating to Executive's employment with the Company, its subsidiaries, and affiliates or the termination thereof and from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected and any claims of wrongful discharge, breach of contract, implied contract, promissory estoppel, defamation, slander, libel, tortious conduct, employment discrimination or claims under any federal, state, foreign, or local employment statute, law, order, ordinance, or common law doctrine, including any rights or claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § 621 et seq. ("ADEA"), the Older Workers Benefit Protection Act, or any other federal, state, foreign, or municipal statute, law, order, ordinance or common law doctrine relating to discrimination in employment. Nothing contained herein shall restrict the parties' rights to enforce the terms of the Separation Agreement, the Consulting Agreement and/or this Release.

(b) To the maximum extent permitted by law, Executive agrees that he has not filed, nor will he ever file, a lawsuit asserting any claims which are released by this Release, or to accept any benefit from any lawsuit which might be filed by another person or government entity based in whole or in part on any event, act, or omission which is the subject of this Release.

(c) Executive acknowledges that the Company has specifically advised him of the right to seek the advice of an attorney concerning the terms and conditions of this Release. Executive further acknowledges that he has been furnished with a copy of this Release, and he has been afforded twenty-one (21) days in which to consider the terms and conditions set forth above prior to executing this

Release. By executing this Release, Executive affirmatively states that he has had sufficient and reasonable time to review this Release and to consult with an attorney concerning his legal rights prior to the final execution of this Release. Executive further agrees that he has carefully read this Release and fully understands its terms. Executive understands that he may revoke this Release within seven (7) days after signing this Release. Revocation of this Release must be made in writing and must be received by Scott Wahlstrom at the Company, 1001 Air Brake Avenue, Wilmerding, Pennsylvania, 15148, within the time period set forth above.

(d) (i) Subject to the exclusions set forth in paragraph (1)(d)(ii), the Company hereby irrevocably and unconditionally releases, acquits and forever discharges and agrees not to sue Executive from all claims, rights and liabilities up to and including the date of this Release arising from or relating to Executive's employment with the Company, its subsidiaries, and affiliates or the termination thereof and from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected and any claims of wrongful discharge, breach of contract, implied contract, promissory estoppel, defamation, slander, libel, tortious conduct, employment discrimination or claims under any federal, state, foreign, or local employment statute, law, order, ordinance, or common law doctrine, including any rights or claims arising under Title VII of the Civil Rights Act of 1964, as amended, the ADEA, the Older Workers Benefit Protection Act, or any other federal, state, foreign, or municipal statute, law, order, ordinance or common law doctrine relating to discrimination in employment. Nothing contained herein shall restrict the parties' rights to enforce the terms of the Separation Agreement, the Consulting Agreement and/or this Release.

(i) The following are excluded from paragraph (1)(d)(i) of this Release: (a) any claim arising from any criminal or unlawful action by Executive; (b) any claim arising from Executive's intentional misconduct (including but not limited to fraud, misrepresentation, embezzlement, or misappropriation) or bad faith; (c) any claim for an intentional and/or reckless material violation of the Company's Code of Conduct by the Executive during his term of employment with the Company, including Executive's engaging in intentional and/or reckless material breaches of the Company's information security, failure to maintain material aspects of the Company's books and records in a reasonably accurate manner where Executive had an affirmative duty to maintain such books and records accurately, and/or any failure to report intentional and material violations of the Company's Code of Conduct by others when such violation was known to Executive at the time it occurred; (d) any clawback or other recovery of compensation from Executive under law, governmental regulation, stock exchange listing requirement, the Wabtec Corporation 2013 Recoupment Policy, or clauses (i), (ii) or (iii) contained in the last sentence of Section 2.4 of the Company 2011 Stock Incentive Plan (as amended or amended and restated from time to time); (e) any claim initiated by a third party; (f) any claim that arises from events that occur after the execution of this Release; (g) any claim relating to the Separation Agreement; or (h) any claim that as a matter of law is non-waivable. For the avoidance of doubt, the exceptions to the Company's release of Executive do not include any potential claims arising out of the first two sentences of Section 2.4 or clause (iv) of the last sentence of Section 2.4 of the Equity Plan, and any such claims are hereby released.

(ii) To the maximum extent permitted by law, the Company agrees that it has not filed, nor will it ever file, a lawsuit asserting any claims which are released by paragraph 1(d) of this Release, or to accept any benefit from any lawsuit which might be filed by another person or government entity based in whole or in part on any event, act, or omission which is the subject of paragraph 1(d) of this Release.

(iii) The effectiveness of this paragraph 1(d) of the Release is expressly conditioned upon paragraph 1(a) of this Release becoming irrevocable. If the condition set forth in the preceding sentence is not satisfied, paragraph 1(d) of this Release shall be null and void.

2. This Release specifically excludes (i) Executive's rights and the Company's obligations under Sections 4(a)(ii), (a)(iii), (a)(iv), and (a)(vii) of the Employment Agreement, (ii) any right of Executive to enforce the Separation Agreement and the Consulting Agreement, (iii) any rights or claims with respect to indemnification and advancement of fees and costs for actions taken within the scope of his employment and his service as an officer and/or director of the Company and/or any of its subsidiaries, which shall include the availability of all insurance coverage that may apply to such claims, (iv) any vested rights or benefits under any employee benefit plan or program of the Company or any of its subsidiaries and (v) any right of Executive or obligation of the Company under a Sub-Agreement that survives the termination of Executive's employment.

3. The parties agree that this Release shall not affect the rights and responsibilities of the US Equal Employment Opportunity Commission ("EEOC") to enforce the ADEA and other laws. In addition, the parties agree that this Release shall not be used to justify interfering with Executive's protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC. The parties further agree that Executive knowingly and voluntarily waives all rights or claims (that arose prior to Executive's execution of this Release) the Releasers may have against the Releasees, or any of them, to receive any benefit or remedial relief (including, but not limited to, reinstatement, back pay, front pay, damages, attorneys' fees, experts' fees) as a consequence of any investigation or proceeding conducted by the EEOC.

4. This Release will be governed by and construed in accordance with the laws of the state of New York, without giving effect to any choice of law or conflicting provision or rule (whether of the state of New York or any other jurisdiction) that would cause the laws of any jurisdiction other than the state of New York to be applied. In furtherance of the foregoing, the internal law of the state of New York will control the interpretation and construction of this agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply. The provisions of this Release are severable, and if any part or portion of it is found to be unenforceable, the other paragraphs shall remain fully valid and enforceable. This Release shall become effective and enforceable on the eighth day following its execution by Executive, provided he does not exercise his right of revocation as described above. If Executive fails to sign and deliver this Release or revokes his signature, this Release will be without force or effect, and Executive shall not be entitled to the payments and benefits set forth in the Separation Agreement.

Stéphane Rambaud-Measson

Date:

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

Date: _____________________________ By: ______________________________

Name: Scott E. Wahlstrom Title: Executive Vice President, Human Resources

<u>Exhibit B</u>

Severance Benefits

1. Within 30 days after the Date of Termination, the Company shall pay to Executive a lump sum cash amount equal to U.S. $________, which reflects the sum of (a) Executive's annual Base Salary of U.S. $900,000 through the Date of Termination to the extent not heretofore paid, in full satisfaction of Section 4(a)(i)(A) of the Employment Agreement; and (b) Executive's accrued vacation pay through February 12, 2019, in full satisfaction of Section 4(a)(i)(D) of the Employment Agreement. Within 30 days after the Date of Termination, Executive shall submit to the Company his business expenses that are reimbursable under the Employment Agreement, and the Company shall pay to Executive, in U.S. dollars, a lump sum cash amount equal to those expenses, in full satisfaction of Section 4(a)(i)(B) of the Employment Agreement. In December, 2018, the Company pre-paid to Executive a lump sum cash payment in the amount of U.S. $900,000 in respect of his Annual Bonus for 2018. The Company represents that, in the exercise of good faith, it has calculated the performance of the Company in 2018 such that Executive is entitled to be paid the $900,000 already paid and no additional amount in connection with his Annual Bonus for 2018. Thus, this payment is in full satisfaction of Section 4(a)(i)(C) of the Employment Agreement. Executive and the Company agree that Executive is not entitled to any additional amounts with respect to his Annual Bonus for 2018.

2. On March 30, 2019, the Company shall pay to Executive a lump sum cash amount equal to U.S. $3,600,000, in full satisfaction of Section 4(a)(ii) of the Employment Agreement.

3. At such time as the Company pays annual bonuses to senior executives of the Company for calendar year 2019 (and paid by December 31, 2019 to the extent reasonably possible), the Company shall pay to Executive, in U.S. dollars, in full satisfaction of Section 4(a)(iii) of the Employment Agreement, a lump sum cash amount equal to the product obtained by multiplying (A) the full year bonus that Executive would have earned pursuant to the Employment Agreement had Executive remained employed through the end of 2019 based on the degree of satisfaction of the applicable performance targets (but assuming target performance with respect to any subjective criteria), by (B) a fraction, the numerator of which is the total number of days that have elapsed from January 1, 2019 through the Date of Termination and the denominator of which is 365.

4. With respect to the performance units of the Company granted to Executive on February 7, 2017 and February 6, 2018 (collectively, the "<u>Performance Units</u>"), Executive will be entitled to receive, at such time that the Performance Units would otherwise be paid under the terms of the applicable award agreement and the Equity Plan governing such Performance Units, a lump-sum cash payment in U.S. dollars equal to the product of (A) the total number of Performance Units Executive would have earned based on actual performance assuming Executive remained employed through the end of the applicable performance cycle, multiplied by (B) a fraction, the numerator of which is the total number of days that have elapsed during the applicable performance period through February 29, 2019 and the denominator of which is 1095, multiplied by (C) the Fair Market Value (as defined in the Equity Plan) of a share of Common Stock (as defined in the Equity Plan) as of the payment date designated by the Board of Directors of the Company for payment of performance units to all other performance unit award holders with respect to the applicable performance period. In determining the number and value of Performance Units that Executive will receive, the Company agrees that the Executive will not be treated any worse than the other top five executives at the Company with respect to any factors

considered by the Company and/or the Committee (as defined in the Equity Plan), and upon Executive's reasonable request in writing, the Company shall provide Executive with the calculations and other analysis used to determine the number and value of performance units that such top five executives of the Company received for the applicable performance period. Notwithstanding anything to the contrary in the Equity Plan, the applicable award agreement or the Company Long Term Incentive Plan, if a Section 11 Event (as defined in the Equity Plan) occurs prior to the end of the applicable performance period for the Performance Units, Section 3C of the applicable award agreement shall apply to such Performance Units to the extent amounts are due in excess of the amount in the preceding sentence.

5. With respect to the restricted stock units of the Company granted to Executive under the Equity Plan and applicable award agreement (collectively, the "Restricted Stock Units"), Executive will receive a lump sum cash payment in U.S. dollars equal to the Fair Market Value (as defined in the Equity Plan) as of May 1, 2019 of 35,183 Restricted Stock Units, with payment to be made by May 6, 2019.

6. For the avoidance of any doubt, (a) the first and second sentence of Section 2.4 of the Equity Plan will not apply to any award granted under the Equity Plan that the Company has issued or may issue to Executive, including but not limited to the Performance Units that Executive has, will and/or may receive, any performance units that Executive has previously received, the Restricted Stock Units, and any shares of the Company previously issued to Executive, and (b) clause (iv) in the last sentence of Section 2.4 of the Equity Plan refers solely to the Wabtec Corporation 2013 Recoupment Policy.

7. If Executive dies before all payments due to Executive under the Separation Agreement or this **Exhibit B** have been paid, the amounts remaining due shall be paid to his surviving spouse who is Alexandra Rambaud-Measson (or, if none, his estate), at the same time such amounts would have otherwise been paid to Executive.

8. With respect to Executive's taxes for calendar years 2018, 2019 and 2020, the Company will, at Executive's request, arrange for Executive (or his estate if he has died) to obtain tax planning advice and tax return preparation services from Deloitte pursuant to preexisting arrangements for expatriate personnel whose primary work location is at the Company's headquarters. Any such services for tax returns related to calendar years 2018, 2019 and 2020 will be provided between the Date of Termination and December 31, 2022.

9. The Company will, consistent with its relocation policy as in effect from time to time, reimburse Executive for all reasonable and customary relocation expenses incurred by Executive prior to February 1, 2020 in connection with Executive's relocation to Germany. Executive shall provide the Company with appropriate documentation relating to expenses incurred in connection with Executive's relocation within 30 days after incurring such expense, and the Company will provide such reimbursement within 30 days after Executive submits such documentation, but in any event by March 15, 2020.

10. The Company will reimburse Executive for the cost of a business class round trip flight from Berlin, Germany to Pittsburgh, Pennsylvania, for both Executive and his wife, to be completed in 2019. Executive shall provide the Company with appropriate documentation of the expense of such flight within 30 days after incurring such expense, and the Company will provide such reimbursement within 30 days after Executive submits such documentation.

11. Payments due to Executive under this Exhibit B after March 15, 2019 shall be made to Executive's bank account in Germany (Commerzbank) unless otherwise directed by Executive, provided that Executive provides the Company with 3 days' advance written notice of such direction. The current wire instructions for Executive's bank account at Commerzbank are as follows:

Owner: Stephane Rambaud-Measson

<u>Exhibit C</u>

Consulting Agreement

(see attached)

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement"), dated as of February 12, 2019 (the "Effective Date"), is entered into by and between Westinghouse Air Brake Technologies Corporation (the "Company"), and Stéphane Rambaud-Measson ("Consultant").

RECITALS

WHEREAS, the Company believes that Consultant's expertise and knowledge will enhance the Company's business; and

WHEREAS, the Company wishes to retain Consultant to perform consulting services and fulfill certain related duties and obligations under the terms and conditions of this Agreement, commencing on the Effective Date.

NOW, THEREFORE, in consideration of (a) the mutual covenants and agreements set forth in this Agreement, and (b) other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Consulting Services.

(a) Capacity. The Company hereby retains Consultant on a non-exclusive basis with respect to the business of the Company and its subsidiaries for the purpose of advising the Company with respect to transition issues relating to the Company's transit business, as determined by the Executive Chairman of the Board of Directors of the Company (the "Board"). Consultant hereby accepts such position upon the terms and the conditions set forth herein, and shall perform such duties as may be mutually agreed upon by the Executive Chairman of the Board and Consultant, provided that Consultant shall make himself available in any event to provide consulting services for 40 hours per month, or such other time commitment as may be mutually agreed upon by the parties. The Company may request consulting services from Consultant during the Term (as defined below) of this Agreement consistent with Consultant's time commitment set forth in the preceding sentence. During the Term of this Agreement, Consultant shall report to Albert J. Neupaver (the Executive Chairman of the Board).

(b) Term and Operation. This Agreement will commence on the Effective Date and shall continue until, and shall end upon, February 11, 2020 (the "Term"). This Agreement will terminate automatically on the death of Consultant. However, any amounts due to Consultant for periods before his death shall be payable to his surviving spouse, who is Alexandra Rambaud-Measson (or, if none, to his estate).

(c) Compensation. In consideration of Consultant's performance of the consulting services, during the Term of this Agreement the Company will make a monthly payment to Consultant in an amount equal to $16,500.

(d) Reimbursement of Expenses. The Company shall reimburse Consultant for all expenses incurred by Consultant in the performance of Consultant's duties under this Agreement that are determined to be reasonable by Mr. Neupaver. Consultant shall not be obligated to make any advance to or for the account of the Company, nor shall Consultant be obligated to incur any expense for the account of the Company without assurance that the necessary funds for the discharge of such expense will be provided.

2. Competitive Activity; Confidentiality; Nonsolicitation.

(a) Acknowledgements and Agreements. Consultant hereby acknowledges and agrees that in the performance of Consultant's services for the Company during the Term of this Agreement, Consultant may be brought into frequent contact with existing and potential customers of the Company throughout the world. Consultant also agrees that trade secrets and confidential information of the Company, more fully described in subparagraph 2(e)(i), gained by Consultant during Consultant's association with the Company, may have been developed by the Company through substantial expenditures of time, effort and money and may constitute valuable and unique property of the Company. Consultant further understands and agrees that the foregoing makes it necessary for the protection of the Company's business that Consultant not compete with the Company during the Term of this Agreement, as further provided in the following subparagraphs.

(b) Covenants.

(i) Covenants During the Term of this Agreement. During the Term of this Agreement, Consultant will not compete with the Company anywhere in the world. In accordance with this restriction, but without limiting its terms, during the Term of this Agreement, Consultant will not:

(A) enter into or engage in any business which competes with the Company's business;

(B) solicit customers, business, patronage or orders for, or sell, any products or services in competition with, or for any business that competes with, the Company's business;

(C) divert, entice or otherwise take away any customers, business, patronage or orders of the Company or attempt to do so; or

(D) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Company's business.

(ii) Indirect Competition. For the purposes of subparagraph 2(b)(i), but without limitation thereof, except to the extent approved in writing by Mr. Neupaver, Consultant will be in violation thereof if, during the Term of this Agreement, Consultant engages in any or all of the activities set forth therein directly as an individual on Consultant's own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer, manager and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which Consultant or Consultant's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than 5% of the outstanding stock.

(iii) During the Term of this Agreement, Consultant may, but is not required to, advise Mr. Neupaver or his designee of any activities that Consultant is, or intends to be, participating in. Mr. Neupaver or his designee shall promptly advise Consultant whether the Company agrees that the activities do not constitute a violation of subparagraph 2(b)(i), and Mr. Neupaver or his designee shall not unreasonably delay or withhold his approval.

(c) The Company. For purposes of this paragraph 2, the Company shall include any and all direct and indirect subsidiary, parent, affiliated, or related companies of the Company.

(d) Non-Solicitation. During the Term of this Agreement, Consultant will not directly or indirectly solicit, recruit or hire any of the Company's employees for employment, or assist any other person or entity in soliciting, recruiting or hiring any employees of the Company for employment.

(e) Further Covenants.

(i) Consultant will keep in strict confidence, and will not, directly or indirectly, at any time, disclose, furnish, disseminate, make available or, except in the course of Consultant's performance of services for the Company, use any trade secrets or confidential business and technical information of the Company or its customers or vendors, without limitation as to when or how Consultant may have acquired such information ("Confidential Information"). Such Confidential Information shall include, without limitation, the Company's unique, secret and/or confidential selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information and other business information. Consultant specifically acknowledges that all such Confidential Information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of Consultant and whether compiled by the Company, and/or Consultant, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Company to maintain the secrecy of such information, that such information is the sole property of the Company and that any retention and use of such information by Consultant during the Term of this Agreement (except in the course of performing services for the Company) or after the termination of this Agreement shall constitute a misappropriation of the Company's trade secrets.

(ii) Notwithstanding the foregoing, Confidential Information will not include any information that (a) Consultant obtained or learned about before he became employed by the Company or after the termination of this Agreement, (b) has become known to the public or otherwise non-confidential through no fault of Consultant, or (c) the Consultant has no good faith reason to believe is considered confidential by the Company ("Non-Confidential Information"). This Agreement does not set any limit on Consultant's ability to use any Non-Confidential Information after the Term of this Agreement.

(iii) The U.S. Defend Trade Secrets Act of 2016 ("DTSA") provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, the DTSA provides that an individual who files a lawsuit for retaliation for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(iv) Consultant agrees that upon termination of Consultant's service with the Company, for any reason, Consultant shall return to the Company, in good condition, all property of the Company, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any Confidential Information listed in subparagraph 2(e)(i) of this Agreement. In the event that such items are not so returned, the Company will have the right to charge Consultant for all reasonable damages, costs, attorneys' fees and other expenses incurred in searching for, taking, removing and/or recovering such property.

(v) Nothing in this Agreement prevents Consultant from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations.

(f) Discoveries and Inventions; Work Made for Hire.

(i) Consultant agrees that upon conception and/or development during his prior employment with the Company and/or during the Term of this Agreement of any idea, discovery, invention, improvement, software, writing or other material or design that: (A) relates directly to the business of the Company, or (B) relates directly to the Company's actual or demonstrably anticipated research or development, or (C) results from any services performed by Consultant for the Company, Consultant will assign to the Company the entire right, title and interest in and to any such idea, discovery, invention, improvement, software, writing or other material or design ("Company Invention").

(ii) Notwithstanding the foregoing, Consultant has no obligation to assign any idea, discovery, invention, improvement, software, writing or other material or design that Consultant conceived, developed, conceives and/or develops entirely on Consultant's own time without using the Company's equipment, supplies, facilities, or trade secret information unless the idea, discovery, invention, improvement, software, writing or other material or design either: (x) relates directly to the business of the Company, or (y) relates directly to the Company's actual or demonstrably anticipated research or development, or (z) results from any work performed by Consultant for the Company ("Consultant Invention").

(iii) In order to determine the rights of Consultant and the Company in any idea, discovery, invention, improvement, software, writing or other material, and to insure the protection of the same, Consultant agrees that during the Term of this Agreement, Consultant will disclose immediately and fully to Mr. Neupaver any idea, discovery, invention, improvement, software, writing or other material or design conceived, made or developed by Consultant during his prior employment with the Company and/or during the Term of this Agreement as described in paragraphs (f)(i) and (ii) solely or jointly with others. The Company agrees to keep any such disclosures confidential and that the fact that Consultant has made this required disclosure is not evidence that the information disclosed is a Company Invention. The Company agrees that it will promptly and in good faith confirm whether, from the Company's perspective, the disclosed idea, discovery, invention, improvement, software, writing or other material or design is a Company Invention or a Consultant Invention.

(iv) With respect to any disagreement between the Company and the Consultant about whether a disclosed idea, discovery, invention, improvement, software, writing or other material or design is a Company Invention or a Consultant Invention, the parties agree to promptly and in good faith engage in a mediation proceeding in an effort to resolve the dispute.

(v) Consultant also agrees to record descriptions of all work for the Company in the manner directed by the Company and agrees that all such records and copies, samples and experimental materials will be the exclusive property of the Company.

(vi) Consultant agrees that at the request of and without charge to the Company, but at the Company's expense, Consultant will execute a written assignment of any Company Invention to the Company and will assign to the Company any application for letters patent or for trademark registration made thereon, and to any common law or statutory copyright therein; and that Consultant will do whatever may be necessary or desirable to enable the Company to secure any patent, trademark, copyright, or other property right therein in the United States and in any foreign country, and any division, renewal, continuation, or continuation in part thereof, or for any reissue of any patent issued thereon. The Company agrees that at the request of and without charge to Consultant, but at the Consultant's expense, Company will execute a written assignment of any Consultant Invention to Consultant and will assign to the Consultant any application for letters patent or for trademark registration made thereon, and to any common law or statutory copyright therein.

(vii) Consultant acknowledges that, to the extent permitted by law, all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by Consultant for the Company during the Term of this Agreement shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Company. The item will recognize the Company as the copyright owner, will contain all proper copyright notices, e.g., "(creation date) Westinghouse Air Brake Technologies Corporation, All Rights Reserved," and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(g) Non-Competitive Work. For the avoidance of any doubt, and notwithstanding anything else in this Agreement, during the Term of this Agreement Consultant may on his own time work individually and/for any entity, joint venture or partnership on any project which does not compete with the business of the Company. During the Term of this Agreement, Consultant shall disclose any such work to Mr. Neupaver or his designee and seek from Mr. Neupaver or his designee agreement that such work does not constitute a violation of this Section 2, which agreement shall not be unreasonably delayed and/or withheld.

(h) Communication of Contents of Agreement. During the Term of this Agreement, Consultant will communicate the material contents of paragraph 2 of this Agreement to any person, firm, association, partnership, corporation or other entity that Consultant intends to be employed by, associated with, or represent.

(i) Relief. The parties acknowledge and agree that the remedy at law available to the parties for breach of any of the other party's obligations under this Agreement would be inadequate. The parties therefore agree that, in addition to any other rights or remedies that the parties may have at law or in equity, temporary and permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision contained in subparagraphs 2(b), 2(d), 2(e), 2(f), and 2(g) inclusive, of this Agreement, without the necessity of proof of actual damage.

(j) Reasonableness. Consultant and the Company acknowledge that their obligations under this paragraph 2 are reasonable in the context of the nature of the Company's business and the competitive injuries likely to be sustained by the Company and Consultant if the other party were to violate such obligations. Consultant and the Company further acknowledge that this Agreement is made in consideration of, and is adequately supported by the agreement of Consultant and the Company to perform their respective obligations under this Agreement and by other consideration, which Consultant and the Company acknowledge constitutes good, valuable and sufficient consideration.

3. Independent Contractor. During the Term of this Agreement, Consultant will at all times be and remain an independent contractor. Consultant shall not hold himself out as an employee or agent of the Company or of any subsidiary, division or affiliate with authority to perform any legally binding act. Consultant will be free to exercise Consultant's own judgment as to the manner and method of providing the consulting services to the Company, subject to applicable laws and requirements reasonably imposed by the Company. Consultant acknowledges and agrees that, during the Term of this Agreement, Consultant will not be treated as an employee of the Company or any of its affiliates for purposes of federal, state, local or foreign income tax withholding, nor unless otherwise specifically provided by law, for purposes of the U.S. Federal Insurance Contributions Act, the U.S. Social Security Act, the U.S. Federal Unemployment Tax Act or any worker's compensation law of any state or country and for purposes of benefits provided to employees of the Company or any of its affiliates under any employee benefit plan. Consultant acknowledges and agrees that as an independent contractor, Consultant will be required, during the Term of this Agreement, to pay any applicable taxes on the fees paid to Consultant. Consultant shall indemnify, hold harmless and defend the Company for all tax and other liabilities (including, without limitation, reasonable fees and expenses of attorneys and other professionals) arising out of or relating to Consultant's failure to report and pay all employment income taxes or other taxes due on taxable amounts paid to or on behalf of Consultant by the Company.

4. Survival. Subject to any limits on applicability contained therein, paragraph 2 hereof shall survive and continue in full force in accordance with its terms notwithstanding any termination of this Agreement. Notwithstanding the foregoing or any provision of any other agreement with the Company, the Company agrees that, in consideration of this Agreement (including Consultant's commitments in Sections 2(b) and (d) hereof during the Term of this Agreement), the noncompetition and nonsolicitation provisions in Sections 2(b) and (d) hereof shall cease to apply after February 11, 2020.

5. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid or unenforceable in any respect under any applicable law, such invalidity or unenforceability shall not affect any other provision, but this Agreement shall be reformed, construed and enforced as if such invalid or unenforceable provision had never been contained herein.

6. Complete Agreement. This Agreement, the Separation Agreement, dated February 13, 2019, by and between Consultant and the Company, including all exhibits thereto, embody the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of the Effective Date supersede and preempt any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

7. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed to be an original and both of which taken together shall constitute one and the same agreement.

8. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by Consultant, the Company and their respective heirs, executors, personal representatives, successors and assigns, except that neither party may assign any rights or delegate any obligations hereunder without the prior written consent of the other party. Consultant hereby consents to the assignment by the Company of all of its rights and obligations hereunder to any successor to the Company by merger or consolidation or purchase of all or substantially all of the Company's assets, provided such transferee or successor assumes the liabilities of the Company hereunder.

9. Choice of Law. This Agreement shall be governed by, and construed in accordance with, the internal, substantive laws of the State of New York. Consultant agrees that the state and federal courts located in the State of New York shall have jurisdiction in any action, suit or proceeding against Consultant based on or arising out of this Agreement and Consultant hereby: (a) submits to the personal jurisdiction of such courts; (b) consents to service of process in connection with any action, suit or proceeding against Consultant; and (c) waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction, venue or service of process.

10. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Consultant, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION

By:

Name: Scott. E. Wahlstrom
Title: Executive Vice President, Human Resources

Stéphane Rambaud-Measson

TRANSITION AGREEMENT

This Transition Agreement (including the Exhibits attached hereto, this "Transition Agreement") is made and entered into on April 24, 2019 (the "Effective Date"), by and between Raymond T. Betler ("Executive") and Westinghouse Air Brake Technologies Corporation (the "Company").

WHEREAS, Executive has been employed by the Company as President and Chief Executive Officer, and Executive and the Company are parties to an Employment Continuation Agreement, dated as of June 30, 2009 (the "Employment Agreement");

WHEREAS, both Executive and the Company desire and intend to amicably sever the employment relationship between them;

WHEREAS, both Executive and the Company have read and understand the terms of this Transition Agreement, and both Executive and the Company have been provided with reasonable opportunities to consult with their respective legal counsel prior to entering into this Transition Agreement; and

WHEREAS, capitalized terms used and not defined herein shall have the meaning provided in the Employment Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Transition Agreement, the Company and Executive agree as follows:

a) Date of Termination. Executive's employment with the Company will terminate effective as of July 1, 2019 (the "Date of Termination"). Executive shall resign, effective as of the Date of Termination, from his position as President and Chief Executive Officer of the Company and from all other positions Executive holds as an officer, director or employee of the Company or any of its subsidiaries and affiliates. Executive will promptly execute such documents and take such actions as may be necessary or reasonably requested by the Company or any of its subsidiaries or affiliates to effectuate or memorialize the resignation of such positions.

b) Severance Benefits. In consideration for Executive's (i) execution of this Transition Agreement, (ii) continuing employment with the Company through the Date of Termination, (iii) execution, on the Date of Termination, of the release of claims attached hereto as **Exhibit A** (the "Release"), (iv) non-revocation of the Release, and (v) compliance with the post-employment restrictions set forth in Section 11 of the Employment Agreement, as modified by this Transition Agreement, Executive will receive the payments and benefits as specified on the attached **Exhibit B**, subject to applicable tax withholding (collectively, the "Severance Benefits"). Notwithstanding the foregoing, if Executive dies prior to the Date of Termination, the Severance Benefits shall vest and be paid pursuant to **Exhibit B** to Executive's surviving spouse or, if Executive has no surviving spouse, Executive's estate, at the same time and in such amounts as otherwise would have been received by Executive; provided Executive's surviving spouse or the executor of Executive's estate, as applicable, executes, and does not revoke, the Release (with such changes thereto as the Company deems necessary to reflect that Executive's surviving spouse or the executor of Executive's estate, as applicable, and not Executive, is executing such Release). The Severance Benefits are in full satisfaction of all payment obligations of the Company and its subsidiaries under the Employment Agreement, the Company 2011 Stock Incentive Plan (as amended or amended and restated from time to time, the "Equity Plan"), the Company Long Term Incentive Plan and other compensation arrangements of the Company and its subsidiaries.

c) Transition Period. From the Effective Date through the Date of Termination or, if earlier, the date of Executive's death or voluntary resignation (the "Transition Period"), Executive shall continue to be paid his current base salary and receive his current employee benefits. During the Transition Period, Executive may only be terminated by the Company for Cause. For purposes of this Transition Agreement, "Cause" is defined as (i) Executive's willful and repeated failure to perform his duties (other than any such failure resulting from incapacity due to physical or mental illness); (ii) Executive's willful engagement in dishonesty, illegal conduct, or gross misconduct, which is, in each case, materially injurious to the Company; (iii) Executive's embezzlement, misappropriation, or fraud, whether or not related to Executive's employment with the Company; (iv) Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude, if such felony or other crime is work-related, materially impairs Executive's ability to perform services for the Company or results in material reputational or financial harm to the Company; or (v) any material failure by Executive to comply with the Company's written polices or rules. No act or failure to act on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. For purposes of this Transition Agreement, termination of Executive's employment will not be deemed to be for Cause unless and until the Company delivers to Executive a written notice of the conduct that the Company finds constitutes Cause. Except for Cause that by its nature cannot reasonably be expected to be cured, Executive will have ten (10) business days from the delivery of written notice by the Company within which to cure the Cause.

d) Non-Disparagement. Executive agrees that he shall not talk about or otherwise communicate to any third parties in a malicious, disparaging or defamatory manner regarding the Company or its past or present officers, directors, board members, affiliates, parent entities, subsidiaries, administrators, successors, and assigns (the "Company Parties"), or any aspect of his employment with the Company or its subsidiaries. The Company agrees that it shall use its best efforts and take all reasonable measures to cause its officers and directors to refrain from talking about or otherwise communicating to any third parties in a malicious, disparaging or defamatory manner regarding Executive. Further, Executive shall not make or authorize to be made any written or oral statement that may disparage or damage the reputation of the Company or the Company Parties, and the Company shall use its best efforts and take all reasonable measures to cause its officers and directors to not make or authorize to be made any written or oral statement that may disparage or damage Executive's reputation.

e) Post-Employment Restrictive Covenants. Executive reaffirms that Executive's post-employment restrictions set forth in Section 11 of the Employment Agreement expressly survive termination of Executive's employment, will remain in full force and effect notwithstanding the termination of Executive's employment, and are hereby incorporated by reference into this Transition Agreement; provided, however, that Sections 11(c) and 11(d) of the Employment Agreement are hereby amended by replacing the phrase "a period of one year", in each instance where it appears therein, with "a period of twenty four (24) months." For the avoidance of doubt, this amendment shall not affect any references in Section 11(d) to the phrase "one year period preceding Executive's separation from the Company". Executive acknowledges that breach of any post-employment restrictive covenant in the Employment Agreement, as modified by this Transition Agreement, will constitute a breach of this Transition Agreement. Executive recognizes the legitimate business interests of the Company in protecting its goodwill or other business interests and represents that the post-employment restrictions outlined in the Employment Agreement, as modified herein, do not unduly restrict or curtail his legitimate efforts to earn a livelihood in light of the substantial consideration Executive will receive. The covenants in Section 2.4 of the Equity Plan and any non-competition, non-solicitation (employee or customer) or non-interference covenants in any Award (as defined in the Equity Plan) agreement will continue to apply to Executive after the Date of Termination, but the covenants set forth in the first two sentences of Section 2.4 of the Equity Plan and any non-competition, non-solicitation (employee or customer) or non-interference covenants in any Award agreement will cease to apply to Executive after July 1, 2021.

f) Indemnification Obligation. The Company reaffirms its obligations set forth in Section 5(g) of the Employment Agreement.

g) Company Property. Executive affirms that he has, or will have within a reasonable time after the Date of Termination, returned to the Company in reasonable working order all Company Property, as described more fully below. "Company Property" includes equipment, supplies and documents of the Company or any subsidiary of the Company. Such documents may include but are not limited to customer lists, financial statements, cost data, price lists, invoices, forms, passwords, electronic files and media, mailing lists, contracts, reports, manuals, personnel files, correspondence, business cards, drawings, employee lists or directories, lists of vendors, photographs, maps, surveys, and the like, including copies, notes or compilations made therefrom, whether such documents are embodied on "hard copies" or contained on computer disk or any other medium. Executive further agrees that he will not retain any copies or duplicates of any such Company Property.

h) Future Cooperation. Executive agrees that, for a period of 24 months following the Date of Termination, he will fully cooperate with the Company in effecting an orderly transition of his duties and in ensuring that the business of the Company is conducted in a professional, positive and competent manner including, without limitation, by making himself available to answer questions posed by the Company. Executive agrees that he shall, without any additional compensation, respond to reasonable requests for information from the Company regarding matters that may arise in the Company's business. Executive further agrees to fully and completely cooperate with the Company, its advisors and its legal counsel with respect to any litigation that is pending against the Company and any claim or action that may be filed against the Company in the future. Such cooperation shall include making himself available at reasonable times and places for interviews, reviewing documents, testifying in a deposition or a legal or administrative proceeding, and providing advice to the Company in preparing defenses to any pending or potential future claims against the Company. Executive and the Company shall use reasonable and appropriate diligence to schedule such cooperation with due regard for Executive's then existing professional and personal commitments. The Company agrees to pay/reimburse Executive for his reasonable out-of-pocket expenses incurred as a result of his cooperation with the Company.

i) Acknowledgements. Nothing in this Transition Agreement prevents Executive from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations. Furthermore, no Company policy or individual agreement between the Company and Executive shall prevent Executive from providing information to government authorities regarding possible legal violations, participating in investigations, testifying in proceedings regarding the Company's past or future conduct, engaging in any future activities protected under the whistleblower statutes administered by any government agency (e.g., the Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, etc.) or receiving a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by such privilege.

j) Nature of Agreement. This Transition Agreement contains the entire agreement between the Company (including its subsidiaries) and Executive regarding Executive's departure from the Company, except that the post-employment covenants of Executive contained in the Employment Agreement, the Equity Plan and in any Award agreements, in each case as modified by this Transition Agreement, will remain in full force and effect. This Transition Agreement may not be altered, modified, waived or amended except by a written document signed by a duly authorized representative of the Company and Executive. The headings in this document are for reference only and shall not in any way affect the meaning or interpretation of this Transition Agreement.

k) Choice of Law. This Transition Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflicting provision or rule (whether of the Commonwealth of Pennsylvania or any other jurisdiction) that would cause the laws of any jurisdiction other than the Commonwealth of Pennsylvania to be applied. In furtherance of the foregoing, the internal law of the Commonwealth of Pennsylvania will control the interpretation and construction of this Transition Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply. Further, to the extent that Executive or the Company is required to initiate legal action to enforce any right or obligation under this Transition Agreement, Executive and the Company agree that any such litigation shall be filed and determined by the United States District Court for the Western District of Pennsylvania or the Court of Common Pleas for Allegheny County; and both Executive and the Company consent to the exclusive personal jurisdiction of such courts.

[*Signatures on the following page.*]

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

By:

Name: Scott E. Wahlstrom
Title: Executive Vice President, Human Resources

Exhibit A

Release of Claims

(see attached)

Release

THIS RELEASE (the "Release") is executed by Raymond T. Betler ("Executive") for the benefit of Westinghouse Air Brake Technologies Corporation (the "Company").

WHEREAS, the entering into and non-revocation of this Release is a condition to Executive's right to receive certain payments and benefits under the Transition Agreement, dated as of April 24, 2019, by and between the Company and Executive (the "Transition Agreement"). Capitalized terms used and not defined herein shall have the meaning provided in the Transition Agreement.

NOW, THEREFORE, in consideration for Severance Benefits, to which Executive is not otherwise entitled, and the sufficiency of which Executive acknowledges, Executive represents and agrees, as follows:

1. **Release in Full of All Claims.** Executive, for himself, his heirs, administrators, representatives, executors, successors and assigns (collectively "Releasers"), hereby irrevocably and unconditionally releases, acquits and forever discharges the Company or any of its parents, subsidiaries, divisions, affiliates and related entities and their current and former directors, officers, shareholders, trustees, employees, consultants, independent contractors, representatives, agents, servants, successors and assigns and all persons acting by, through or under or in concert with any of them (collectively "Releasees"), from all claims, rights and liabilities up to and including the date of this Release arising from or relating to Executive's employment with the Company, its subsidiaries, and affiliates or the termination thereof and from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected ("Claims"). Executive acknowledges that the Claims released under this paragraph might arise under many different foreign, domestic, national, state, or local laws (including statutes, regulations, other administrative guidance, and common law doctrines), including, but not limited to, the following:

(a) Claims of breach of contract, whether express, implied or implied-in-fact, promissory estoppel, wrongful discharge, retaliatory discharge, interference with contractual relations or prospective economic advantage or violation of any duties of good faith and fair dealing;

(b) Claims for salary, bonus compensation, incentive compensation, commissions, deferred compensation, premium payments, overtime compensation, stock rights, stock options, vacation, paid time off, sick leave, family leave, medical leave, fringe benefits or remuneration of any kind arising out of or relating to Executive's employment by the Company up through the Date of Termination;

(c) Claims under or pursuant to the Americans with Disabilities Act, as amended, the Age Discrimination in Employment Act, as amended (the "ADEA"), Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Equal Pay Act, United States Presidential Executive Orders 11246 and 11375, 42 U.S.C. § 1981, as amended, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Worker Adjustment and Retraining Notification Act, the Genetic Information Nondiscrimination Act, and the Fair Labor Standards Act (including Claims for salary, bonus compensation, commissions, deferred compensation or remuneration of any kind), as well as any other federal law, statute, ordinance, rule, regulation or executive order relating to employment and/or discrimination in employment, and/or any Claims to attorneys' fees or costs under such statutes and laws;

(d) Claims under the Pennsylvania Human Relations Act, 43 PA. CONS. STAT. §§ 951 – 963, the Pennsylvania Minimum Wage Act, 43 PA. CONS. STAT. §§333.101 -333.115, the Pennsylvania Wage Payment and Collection Law, 43 PA. CONS. STAT. § 260.1 et seq., and any other Claims under any Pennsylvania statutes, as well as any other state or local law, statute, ordinance, rule, regulation or executive order relating to employment and/or discrimination in employment, and/or any Claims to attorneys' fees or costs under such statutes and laws;

(e) Claims for intentional torts, negligence, negligent or intentional infliction of emotional distress, personal, emotional or physical injury, fraud, defamation, libel, slander, misrepresentation, violation of public policy, invasion of privacy, or any other statutory or common law tort theory of recovery; and

(f) Claims arising under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or pertaining to ERISA-regulated benefits, including any claims for severance pay, welfare benefits, unvested retirement benefits or other remuneration or benefits of any kind or character.

2. **Unknown Claims**. Executive acknowledges that Executive is releasing claims that Executive may not know about, and that Executive does so with knowing and voluntary intent. Executive expressly waives all rights that Executive may have under any law that is intended to protect Executive from waiving unknown Claims. Executive further acknowledges that Executive understands the significance of doing so.

3. **No Claims Filed**. Executive affirms that, as of the date of execution of this Release, Executive has filed no lawsuit, charge, claim or complaint with any governmental agency or in any court against the Company or any of the other Releasees.

4. **Exclusions for Certain Claims**. Notwithstanding the foregoing, Executive and the Company agree that this Release specifically excludes (i) Executive's rights and the Company's obligations under the Transition Agreement, (ii) applicable statutory rights to indemnification for actions taken within the scope of his employment and his service as an officer or director of the Company or any of its subsidiaries, which shall include

the availability of all insurance coverage that may apply to such claims, and (iii) claims that may not, as a matter of law, be released. Further, Executive and the Company agree that nothing herein shall be construed to prevent Executive from enforcing rights, if any, under ERISA to recover any vested benefits or instituting any action to enforce the terms of this Release.

5. **Government Investigations**. The parties agree that nothing in this Release shall be construed to prohibit Executive from filing a charge with the Equal Employment Opportunity Commission (hereinafter "EEOC") to enforce the ADEA and other laws, the Securities Exchange Commission or other similar governmental agency, or from participating in investigations with such entities. However, Executive acknowledges that by executing this Release, Executive waives his right to seek or accept individual remedies or monetary damages in any such action or lawsuit arising from such charges or investigations, or in connection with any complaint or charge that Executive may file with an administrative agency, including, but not limited to, reinstatement, back pay, front pay, damages, attorneys' fees or experts' fees, except with respect to any monetary recovery under the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002 or Section 21F of the Securities Exchange Act of 1934. Executive further agrees that if any person, organization or other entity should bring a claim against the Releasees involving any matter covered by this Release, Executive will not accept any personal relief in any such action, including damages, attorneys' fees, costs and all other legal or equitable relief.

Executive further understands that nothing contained herein is intended to interfere with or discourage Executive's good faith disclosure to any governmental entity regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and nothing contained herein waives or releases Executive's right to receive money for disclosing such information to a government agency. Executive further understands that Executive will not be subject to retaliation by the Company for a disclosure made pursuant to this paragraph.

6. **ADEA/OWBPA Waiver and Acknowledgement**. Executive and the Company desire and intend that this Release comply with the terms of the Older Workers' Benefit Protection Act. Accordingly, Executive acknowledges that Executive has been advised of the following rights:

(a) Executive understands that state and federal laws, including the AGE DISCRIMINATION IN EMPLOYMENT ACT, prohibit employment discrimination based upon age, sex, race, color, national origin, ethnicity, religion, or disability. Executive further understands and agrees that, by signing this Release, Executive agrees to waive any and all such claims and releases the Company from any and all such claims.

(b) Executive acknowledges that Executive has been advised in writing to consult with an attorney and has been provided with a reasonable opportunity to consult with an attorney concerning the terms and conditions of this Release prior to signing this Release, which contains a general release and waiver of claims.

(c) Executive acknowledges that the Severance Benefits being provided to Executive pursuant to the terms of the Transition Agreement constitute benefits to which Executive otherwise would not be entitled, and that Executive has been provided with adequate and valuable consideration for signing this Release.

(d) Executive acknowledges that Executive has at least TWENTY-ONE (21) DAYS after receiving this Release to consider whether to sign this Release.

(e) Executive acknowledges that, in the event that Executive signs this Release, Executive has another SEVEN (7) DAYS to revoke it. To revoke this Release, Executive must deliver a written notice of revocation to Mr. Scott E. Wahlstrom, Executive Vice President-Human Resources, Wabtec Corp., 1001 Air Brake Avenue, Wilmerding, Pennsylvania 15148, prior to 5 PM Eastern Time on the seventh day after signing this Release. THIS RELEASE SHALL NOT BECOME EFFECTIVE UNTIL AFTER THE EXPIRATION OF THIS SEVEN (7) DAY PERIOD.

7. **Governing Law**. This Release will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflicting provision or rule (whether of the Commonwealth of Pennsylvania or any other jurisdiction) that would cause the laws of any jurisdiction other than the Commonwealth of Pennsylvania to be applied. In furtherance of the foregoing, the internal law of the Commonwealth of Pennsylvania will control the interpretation and construction of this Release, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply. Further, to the extent that Executive or the Company is required to initiate legal action to enforce any right or obligation under this Release, Executive and the Company agree that any such litigation shall be filed and determined by the United States District Court for the Western District of Pennsylvania or the Court of Common Pleas for Allegheny County; and both Executive and the Company consent to the exclusive personal jurisdiction of such courts.

8. **Severability**. The provisions of this Release are severable, and if any part or portion of it is found to be unenforceable, the other paragraphs shall remain fully valid and enforceable. The waiver of a breach of any of the provisions of this Release shall not operate or be construed as a waiver of any other provision of this Release or a waiver of any subsequent breach of the same provision.

9. **Voluntary Execution**. Executive acknowledges that Executive is executing this Release voluntarily and of Executive's own free will and that Executive fully understands and intends to be bound by the terms of this Release. Further, Executive acknowledges that Executive received a copy of this Release on April 24, 2019, that Executive has carefully read and fully understands all of the provisions and effects of this Release; that Executive has been advised to consult with an attorney prior to executing this Release; that Executive participated in the creation of and is voluntarily entering into this Release; and that neither the Company nor its agents or attorneys have made any representations or promises as to the terms or effects of this Release other than those contained in this Release.

10. **No Assignment of Claims**. Executive represents and warrants that Executive has not previously assigned or purported to assign or transfer to any person or entity any of the claims or causes of action herein released.

THIS RELEASE SHALL BECOME EFFECTIVE AND ENFORCEABLE ON THE EIGHTH DAY FOLLOWING ITS EXECUTION BY EXECUTIVE, PROVIDED HE DOES NOT EXERCISE HIS RIGHT OF REVOCATION AS DESCRIBED ABOVE. IF EXECUTIVE FAILS TO SIGN AND DELIVER THIS RELEASE OR REVOKES HIS SIGNATURE, THIS RELEASE WILL BE WITHOUT FORCE OR EFFECT, AND EXECUTIVE SHALL NOT BE ENTITLED TO THE SEVERANCE BENEFITS.

[Signature on Following Page]

IN WITNESS WHEREOF, Executive has executed and delivered this Release on the date set forth below.

Dated: ______________________________ __________________________________

Name:

Raymond T. Betler

Acknowledged and Agreed:

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

By:__________________________

Name: Scott E. Wahlstrom

Title: Executive Vice President, Human Resources

Exhibit B

Severance Benefits

1. On January 2, 2020, the Company shall pay to Executive a lump sum cash amount equal to $5,000,000, which equals two times the sum of (a) Executive's annual Base Salary of $1,250,000 and (b) Executive's target bonus amount for fiscal year 2018, which was $1,250,000.

2. Executive shall be entitled to continue participation in the Company's healthcare plan for a period of 24 months following the Date of Termination. During such period, the Company will pay the same portion of Executive's premiums as it pays for similarly situated active employees, and such premiums paid with respect to Executive will be treated as taxable to Executive in accordance with applicable law. Executive's continued eligibility to participate in the Company's healthcare plan following the Date of Termination will count towards, and run concurrently with, the Company's obligation to provide Executive with COBRA continuation coverage under Section 4980B of the Internal Revenue Code and Sections 601-607 of the Employee Retirement Income Security Act of 1974, as amended.

3. The nonstatutory stock options granted to Executive on February 10, 2015, February 9, 2016, February 7, 2017, February 6, 2018 and March 6, 2019 (itemized below) shall be fully vested and exercisable as of June 30, 2019, and shall, in accordance with Section 5.8(b) of the Equity Plan, be exercisable at any time prior to July 1, 2020.

Date of Grant	**Total Number of Unexercised Shares Subject to the Stock Option as of the Effective Date**	**Total Number of Unvested Shares Subject to the Stock Option as of the Effective Date**
February 10, 2015	2,750	0
February 9, 2016	8,050	4,025
February 7, 2017	7,875	5,250
February 6, 2018	14,000	10,500
March 6, 2019	14,000	14,000
Total	*46,675*	*33,775*

4. The shares of common stock of the Company subject to Restricted Stock Agreements granted to Executive on February 9, 2016, December 13, 2016, February 7, 2017, February 6, 2018 and March 6, 2019 (itemized below) shall be fully vested as of June 30, 2019.

Date of Grant	**Total Number of Unvested Shares Subject to the Restricted Stock Award as of the Effective Date**
February 9, 2016	4,025
December 13, 2016	10,000
February 7, 2017	5,250
February 6, 2018	10,500
March 6, 2019	10,000
March 6, 2019	14,000
Total	*53,775*

5. With respect to the performance units of the Company granted to Executive on February 7, 2017, February 6, 2018 and March 6, 2019 (itemized below) (collectively, the "Performance Units"), Executive will be entitled to receive, at such time that the Performance Units would

otherwise be paid under the terms of the applicable award agreement and the Equity Plan governing such Performance Units, a number of shares of common stock of the Company equal to the product of (A) the total number of Performance Units Executive would have earned based on actual performance assuming Executive remained employed through the end of the applicable performance cycle (or, if a Section 11 Event (as defined in the Equity Plan) occurs prior to the end of the applicable performance cycle, the total number that would have been considered earned under the applicable award agreement as a result of the Section 11 Event), multiplied by (B) a fraction (the "Proration Fraction"), the numerator of which is the total number of whole months that have elapsed during the applicable performance period through the Date of Termination and the denominator of which is 36.

Date of Grant	**Total Number of Performance Units Subject to the Award at Target Level**	**Proration Fraction**
February 7, 2017	15,000	30/36
February 6, 2018	20,000	18/36
March 6, 2019	20,000	6/36
Total	*55,000*	

6. If Executive dies before all payments due to Executive under this Transition Agreement have been paid, the amounts remaining due shall be paid to his surviving spouse (or, if none, his estate), at the same time such amounts would have otherwise been paid to Executive.

Each payment under this **Exhibit B** shall be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Internal Revenue Code of 1986, as amended.

Westinghouse Air Brake Technologies Corporation

Summary of Employment Terms of Rafael Santana

Annual Base Salary	$1,000,000 per year
Bonus	Rafael Santana ("Executive") will participate in the Wabtec Executive Bonus Plan with a target annual incentive payment equal to 100% of Executive's annual base salary and a maximum annual incentive payment equal to 225% of Executive's annual base salary. Such bonus will be based on the overall financial performance of Westinghouse Air Brake Technologies Corporation (the "Company") and Executive's personal performance and will be subject to approval by the Board of Directors of the Company (the "Board").
Annual Equity Awards	Subject to approval by the Compensation Committee of the Board, the Company will issue Executive annual equity awards with an aggregate grant date value equal to a minimum of approximately $2,000,000 each year.
Benefits	Until February 25, 2020, Executive will receive the same level of employee benefits comparable in the aggregate to the benefits Executive received immediately prior to February 25, 2019. Thereafter, Executive will be eligible to participate in the standard benefit plans offered to employees of the Company generally.
Severance	In the event Executive's employment is terminated by the Company for reasons other than cause (which shall mean (a) the willful and continued failure by Executive to substantially perform his duties to the Company; (b) the willful or grossly negligent engaging by Executive in misconduct which is materially injurious to the Company, monetarily or otherwise; or (c) the conviction of Executive for any felony or charge of moral turpitude) before December 1, 2020, Executive will receive a severance payment equal to twenty-four months' base salary and 150% of his target bonus. In the event Executive's employment is terminated by the Company for reasons other than cause after December 1, 2020, Executive will receive a severance payment equal to twenty-four months' base salary and 100% of his target bonus. In addition, Executive will retain any equity that is vested, which will include pro-rated participation in the three-year long-term incentive plans of the Company. Executive would also have the right to terminate employment and receive the severance described above in the case of (i) diminution of Executive's duties, authority level or responsibilities; (ii) Executive being required to report to any person other than the Chairman of the Company; (iii) reduction of Executive's annual compensation; or (iv) a change of control or ownership of the Company.
Relocation	Executive will be based at the Company's Corporate Headquarters in Pittsburgh, Pennsylvania. The Company will provide relocation services, and Executive will relocate to the Pittsburgh area.

Exhibit 31.1

CERTIFICATION

I, Raymond T. Betler, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2019

By:	/s/ RAYMOND T. BETLER
Name:	**Raymond T. Betler**
Title:	**President and Chief Executive Officer**

Exhibit 31.2

CERTIFICATION

I, Patrick D. Dugan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2019

By:	/s/ Patrick D. Dugan
Name:	**Patrick D. Dugan**
Title:	**Executive Vice President and Chief Financial Officer**

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officers of Westinghouse Air Brake Technologies Corporation (the "*Company*"), hereby certify, to the best of their knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (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/ RAYMOND T. BETLER
	Raymond T. Betler **President and Chief Executive Officer**
Date:	May 9, 2019
By:	/s/ PATRICK D. DUGAN
	Patrick D. Dugan, **Executive Vice President and Chief Financial Officer**
Date:	May 9, 2019