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

FORM 10-Q

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

For the quarterly period ended JUNE 30, 1998

Commission file number 1-13782

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

DELAWARE (State or other jurisdiction of incorporation or organization)	25-1615902 (IRS Employer Identification No.)
1001 AIR BRAKE AVENUE WILMERDING, PENNSYLVANIA 15148 (Address of principal executive offices)	(412) 825-1000 (Registrant's telephone number)

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

As of August 1, 1998, 33,842,938 shares of Common Stock of the registrant were issued and outstanding, of which 8,642,611 shares were unallocated ESOP shares.

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WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET

Dollars in thousands, except share data	(UNAUDITED) JUNE 30 1998	DECEMBER 31 1997
ASSETS		
CURRENT ASSETS		
Cash	$ 5,095	$ 836
Accounts receivable	107,444	91,438
Inventories	84,872	69,297
Other	17,848	18,928
Total current assets	215,259	180,499
Property, plant and equipment	202,822	186,534
Accumulated depreciation	(86,681)	(78,167)
Property, plant and equipment, net	116,141	108,367
OTHER ASSETS		
Prepaid pension costs	5,334	5,061
Goodwill	74,919	66,599
Other intangibles	40,333	42,466
Other noncurrent assets	5,453	7,887
Total other assets	126,039	122,013
Total Assets	$457,439	$410,879
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$15,000	$32,600
Accounts payable	44,372	37,582
Accrued income taxes	3,983	488
Accrued interest	1,233	3,038
Advance deposits	18,946	21,210
Other	41,899	36,862
Total current liabilities	125,433	131,780
Long-term debt	361,239	332,334
Reserve for postretirement benefits	15,420	14,860
Accrued pension costs	5,337	4,700
Other long-term liabilities	6,601	6,468
Total liabilities	514,030	490,142
SHAREHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, no shares issued	-	-
Common stock, $.01 par value; 100,000,000 shares authorized and 47,426,600 shares issued	474	474
Additional paid-in capital	106,831	105,522
Less-Treasury stock, at cost, 13,602,709 and 13,743,924 shares	(188,648)	(190,657)
Less-Unearned ESOP shares, at cost, 8,658,171 and 8,751,531 shares	(129,872)	(131,273)
Retained earnings	160,956	141,617
Unamortized restricted stock award	(294)	-
Cumulative translation adjustment	(6,038)	(4,946)
Total shareholders' equity	(56,591)	(79,263)
Liabilities and Shareholders' Equity	$457,439	$410,879

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

Dollars in thousands, except share data	(UNAUDITED) THREE MONTHS ENDED JUNE 30 1998	1997	(UNAUDITED) SIX MONTHS ENDED JUNE 30 1998	1997
Net sales	$172,052	$138,066	$330,188	$274,574
Cost of sales	117,005	91,163	223,345	182,111
Gross profit	55,047	46,903	106,843	92,463
Selling and marketing expenses	7,154	6,108	14,068	11,734
General and administrative expenses	12,719	9,719	24,303	18,979
Engineering expenses	7,016	6,318	13,454	12,315
Amortization expense	2,074	1,974	4,179	4,109
Total operating expenses	28,963	24,119	56,004	47,137
Income from operations	26,084	22,784	50,839	45,326
Other income and expenses				
Interest expense	7,525	7,613	14,898	14,484
Other (income) expense, net	(312)	(108)	(443)	(156)
Income before income taxes	18,871	15,279	36,384	30,998
Income taxes	7,171	5,959	13,826	12,089
Income before extraordinary item	11,700	9,320	22,558	18,909
Loss on extinguishment of debt, net of tax	(2,730)		(2,730)	
Net income	$8,970	$9,320	$19,828	$18,909
Basic Earnings Per Common Share				
Income before extraordinary item	$.47	$.38	$.90	$.71
Extraordinary item, net	(.11)		(.11)	
Net Income	$.36	$.38	$.79	$.71
Diluted Earnings Per Common Share				
Income before extraordinary item	$.45	$.37	$.88	$.71
Extraordinary item, net	(.11)		(.11)	
Net Income	$.34	$.37	$.77	$.71
Weighted Average Shares Outstanding (in thousands)				
Basic	25,096	24,670	25,007	26,602
Diluted	25,837	24,911	25,733	26,681

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Dollars in thousands	(UNAUDITED) SIX MONTHS ENDED JUNE 30 1998	1997
OPERATING ACTIVITIES		
Net income	$19,828	$18,909
Adjustments to reconcile net income to cash provided by operations		
Depreciation and amortization	12,999	12,148
Provision for ESOP contribution	2,455	1,866
Extraordinary item	2,730	
Other	323	(337)
Changes in operating assets and liabilities		
Accounts receivable	(8,228)	800
Inventories	(10,270)	4,360
Accounts payable	2,853	2,382
Accrued income taxes	4,787	(1,606)
Accrued liabilities	(6,312)	(4,551)
Other assets and liabilities	(539)	(616)
Net cash provided by operating activities	20,626	33,355
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(14,405)	(11,698)
Acquisitions of businesses	(14,114)	(7,730)
Net cash used for investing activities	(28,519)	(19,428)
FINANCING ACTIVITIES		
Net proceeds from term and revolving credit arrangements	12,598	44,470
Net repayments of other borrowings	(315)	(9,100)
Debt issuance fees	(978)	404
Purchase of treasury stock		(46,068)
Cash dividends	(489)	(523)
Proceeds from exercise of stock options	1,647	
Net cash provided by (used for) financing activities	12,463	(10,817)
Effect of changes in currency exchange rates	(311)	(759)
Increase in cash	4,259	2,351
Cash, beginning of period	836	618
Cash, end of period	$5,095	$2,969

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998
(UNAUDITED)

1. BUSINESS

Westinghouse Air Brake Company (the "Company") is North America's largest manufacturer of value-added equipment for locomotives, railway freight cars and passenger transit vehicles. The Company's products, which are sold to both the original equipment manufacturer market and the aftermarket, are intended to enhance safety, improve productivity and reduce maintenance costs for its customers. The Company's products include electronic controls and monitors, air brakes, couplers, door controls, draft gears and brake shoes. The Company's primary manufacturing operations are in the United States and Canada, and the Company's revenues have been primarily from North America. The Company's customer base consists of freight transportation (railroad) companies, locomotive and freight car original equipment manufacturers (OE), transit car builders and public transit systems.

2. ACCOUNTING POLICIES

BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission and include the accounts of Westinghouse Air Brake Company and its majority owned subsidiaries ("WABCO"). These condensed interim financial statements do not include all of the information and footnotes required for complete financial statements. In management's opinion, these financial statements reflect all adjustments, which are 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. Certain prior period amounts have been reclassified, where necessary, to conform to the current period presentation.

The notes included herein should be read in conjunction with the audited consolidated financial statements included in WABCO's Annual Report on Form 10-K for the year ended December 31, 1997.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates.

EARNINGS PER SHARE

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

OTHER COMPREHENSIVE INCOME

In 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which established standards for reporting and displaying comprehensive income and its components in financial statements. Comprehensive income is defined as net income and all nonowner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss) consists entirely of foreign currency translation adjustments. Total comprehensive income for the second quarter ending June 30, 1998 and 1997 was $7.8 million and $9.3 million respectively, and for the six months ending June 30, 1998 and 1997 was $18.7 million and $18.4 million respectively.

RECENT ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Statement establishes accounting and reporting standards requiring that every derivative instrument be measured at its fair value and the changes in fair value be recorded currently in earnings unless specific hedge accounting criteria are met. Statement No. 133 is effective for fiscal years beginning after June 15, 1999, and accordingly, the Company anticipates adopting this standard January 1, 2000.

Historically, the Company has had a relatively low amount of transactions that are hedging transactions. Had the Company adopted this standard currently, the effect on the results of operations, financial condition and liquidity would not be significant.

3. ACQUISITIONS

In April 1998, the Company acquired 100% of the stock of RFS (E) Limited ("RFS") of Doncaster, South Yorkshire, England, for $10.0 million including the assumption of certain debt. RFS is a leading provider of vehicle overhaul,

conversion and maintenance services to Britain's railway industry and had revenue of approximately $27.5 million for its most recent fiscal year. The acquisition was accounted for under the purchase method. The excess of the purchase price over the fair value of the net assets acquired of approximately $4.0 million was allocated to goodwill.

In April 1998, the Company completed the acquisition of the transit coupler product line of Hadady Corporation. The total investment was for approximately $4.6 million and was accounted for under the purchase method. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill.

In July 1997, the Company acquired 100% of the stock of H.P. s.r.l. ("HP"), an Italian company, for a total purchase price of $5.8 million, including the assumption of certain debt. HP is a leading supplier of door controls for transit rail cars and buses in the Italian market.

The results of operations for these acquisitions are included in the Company's financial statements since the date of the applicable transaction. The effect of the acquisitions is not material to the consolidated financial position or results of operations of the Company.

4. INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead. The components of inventory, net of reserves, were:

Dollars in thousands	JUNE 30 1998	DECEMBER 31 1997
Raw materials	$39,371	$27,395
Work-in-process	29,242	26,640
Finished goods	16,259	15,262
Total inventory	$84,872	$69,297

5. RESTRICTED STOCK AWARD

In February 1998, the Company granted 15,000 shares of restricted common stock to an officer. The shares vest according to a vesting schedule over the next 32 months. The grant date market value totaled $372 thousand and is being amortized to expense over the vesting period. Unamortized compensation is recorded as a separate component of shareholders' equity.

6. EARNINGS PER SHARE

The computation of earnings per share is as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
In thousands, except per share	1998	1997	1998	1997
BASIC EARNINGS PER SHARE				
Income, before extraordinary item, applicable to common shareholders	$11,700	$9,320	$22,558	$18,909
Divided by Weighted average shares outstanding	25,096	24,670	25,007	26,602
Basic earnings per share, before extraordinary item	$.47	$.38	$.90	$.71
DILUTED EARNINGS PER SHARE				
Income, before extraordinary item, applicable to common shareholders	$11,700	$9,320	$22,558	$18,909
Divided by sum of Weighted average shares outstanding	25,096	24,670	25,007	26,602
Conversion of dilutive stock options	741	241	726	79
Diluted shares outstanding	25,837	24,911	25,733	26,681
Diluted earnings per share, before extraordinary item	$.45	$.37	$.88	$.71

7. NEW CREDIT FACILITY

On June 30, 1998, the Company refinanced its credit agreement with a consortium of commercial banks. The new agreement provides for an aggregate facility of $310 million, consisting of $170 million of term loans and up to $140 million of revolving loans, with interest rates based on several options, including LIBOR and prime. The new agreement extended the final maturity dates until December 2003 for both the term and revolving loans, provides for a more level principal payment schedule and more flexibility for business acquisitions and capital expenditures. At June 30, 1998, the Company had available borrowing capacity of approximately $26 million.

In connection with the new 1998 Refinanced Credit Agreement, the Company wrote off approximately $4.4 million of previously capitalized costs relating to the previous credit agreement. This resulted in a net of tax charge of $2.7 million or $.11 per share in the period ended June 30, 1998, which has been reflected as an extraordinary item.

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 Company's Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its 1997 Annual Report on Form 10-K.

OVERVIEW

Westinghouse Air Brake Company ("WABCO") is North America's largest manufacturer of value-added equipment for locomotives, railway freight cars and passenger transit vehicles. The Company's primary manufacturing operations are in the United States and Canada and revenues have historically been predominantly from North America. In recent years, the proportion of international sales has increased significantly, in line with the company's strategy to expand its business outside North America.

The Company's customer base consists of freight transportation companies, locomotive and freight car original equipment manufacturers, transit car builders and public transit systems.

WABCO's strategy for growth is focused on using technological advancements to develop new products, expanding the range of after-market products and services, and penetrating international markets. In addition, management continually evaluates acquisition opportunities that meet the Company's criteria and complement WABCO's operating strategies and product offerings.

SECOND QUARTER 1998 COMPARED TO SECOND QUARTER 1997

SUMMARY RESULTS OF OPERATIONS

Dollars in thousands except per share	THREE MONTHS ENDED JUNE 30 1998	1997	PERCENT CHANGE
Income before extraordinary item	$11,700	$9,320	25.5
Diluted earnings per share, before extraordinary item	$.45	$.37	21.6
Extraordinary item, net of tax	(2,730)		nm
Net income	8,970	$9,320	(3.8)
Diluted earnings per share	$.34	$.37	(8.1)
Net sales	172,052	138,066	24.6
Income from operations	26,084	22,784	14.5
Earnings before interest, taxes, depreciation and amortization	33,011	28,839	14.5

nm - not meaningful

Income before extraordinary item increased $2.4 million or 25.5% due to the effect of increased sales, particularly in the Freight Car market and the effect of sales from operations acquired since last year. Net sales were $172.1 million for the second quarter of 1998, reflecting a $34.0 million, or 24.6%, increase compared to the year-earlier period. The higher revenue base reflects the benefits associated with acquisitions and a strong Freight OE and aftermarket. Both Operating income and Earnings before interest, taxes, depreciation and amortization increased primarily due to revenue growth and related gross margins. Because of the $2.7 million extraordinary charge to write-off certain previously capitalized debt issuance costs in the second quarter of 1998, relative to the refinanced credit facility, Net income decreased $.4 million, compared with the same period a year ago.

Several events occurred in the comparative period that impacted the Company's results of operations and financial condition including:

o The Company completed several acquisitions that complement and enhance the mix of existing products and markets. Acquisitions completed during the past year were RFS(E), Ltd. , H.P. s.r.l., the transit coupler product line of Hadady Corporation and the rail products division of Sloan Valve. Incremental revenues in the second quarter of 1998 from these operations acquired totaled $16.3 million and accounted for 48% of the overall sales increase in the period-to-period comparison.

- In June 1998, the Company refinanced its credit agreement and wrote-off previously deferred financing costs of approximately $2.7 million ($.11 per share) , net of income tax, reported as a non-cash, non-recurring, extraordinary item.

NET SALES

The following table sets forth, for the period indicated, the Company's net sales by market:

	THREE MONTHS ENDED JUNE 30	
Dollars in thousands	1998	1997
Electronics	$13,447	$22,206
Freight Car	71,770	43,117
Transit	46,861	42,659
Locomotive	20,662	12,233
Friction & Other	19,312	17,851
Net sales	$172,052	$138,066

Net sales for the second quarter of 1998 increased $34.0 million, or 24.6%, to $172.1 million. Increased volumes in the Freight Car business reflect a strong original equipment manufacturer market that benefited from 19,000 new freight car deliveries compared with 11,000 a year ago, the acquisition of RFS(E), Ltd., and a strong aftermarket. The Locomotive business, also benefited from the recent acquisition of RFS. These increases were partially offset by lower sales in the Electronics business, where in the prior year period, product sales benefited from a federal mandate that certain monitoring equipment be installed in trains by July 1997.

GROSS PROFIT

Gross profit increased 17.4% to $55.0 million in the second quarter of 1998 compared to $46.9 million in the year-earlier period. Gross margin, as a percentage of sales, was 32.0% as compared to 34.0%. Gross margin is dependent on a number of factors including sales volume and product mix. Incremental revenue from recent acquisitions at lower margins increased gross profit, was the primary reason for the lower margins in the quarter-to-quarter comparison.

OPERATING EXPENSES

	THREE MONTHS ENDED JUNE 30		
Dollars in thousands	1998	1997	PERCENT CHANGE
Selling and marketing	$7,154	$6,108	17.1
General and administrative	12,719	9,719	30.9
Engineering	7,016	6,318	11.0
Amortization	2,074	1,974	5.1
Total operating expenses	$28,963	$24,119	20.1

Total operating expenses as a percentage of net sales were 16.8% in the second quarter of 1998 compared with 17.5% a year ago. Total operating expenses increased $4.8 million in the period-to-period comparison, in part, reflecting the effect of acquisitions completed in 1997 and 1998. Incremental expenses from acquired businesses totaled $1.4 million. In addition, higher operating expenses reflect costs associated with computer system upgrades which includes Year 2000 compliant computer software totaled $1.2 million and the remainder was for certain strategic initiatives including expanded international marketing activities and additional engineering efforts associated with new product development.

INCOME FROM OPERATIONS

Operating income totaled $26.1 million in second quarter of 1998 compared with $22.8 million a year ago. Higher operating income results from higher sales volume and related higher gross profit.

INCOME TAXES

The provision for income taxes increased $1.2 million to $7.2 million in the second quarter of 1998 compared with the same period of 1997. The effective tax rate declined to 38% in the second quarter of 1998 from 39% a year ago, resulting from additional benefits through our foreign sales corporation and lower overall state taxes.

SIX MONTH PERIOD ENDED JUNE 30, 1998 COMPARED TO SIX MONTH PERIOD ENDED JUNE 30, 1997

SUMMARY RESULTS OF OPERATIONS

Dollars in thousands except per share	SIX MONTHS ENDED JUNE 30 1998	1997	PERCENT CHANGE
Income before extraordinary item	$22,558	$18,909	19.3
Diluted earnings per share, before extraordinary item	$.88	$.71	23.9
Extraordinary item, net of tax	(2,730)		nm
Net income	19,828	18,909	4.9
Diluted earnings per share	$.77	$.71	8.5
Net sales	330,188	274,574	20.3
Income from operations	50,839	45,326	12.2
Earnings before interest, taxes, depreciation and amortization	64,281	57,630	11.5

nm - not meaningful

Income before extraordinary item for the six month period ending June 30, 1998 increased $3.6 million, or 19.3%, compared with the same period a year ago. Net sales were $330.2 million for the six month period ending June 30, 1998, reflecting a $55.6 million, or 20.3%, increase compared to the year-earlier period. The higher revenue base reflects the benefits associated with acquisitions and a strong Freight OE and aftermarket. Operating income and earnings before interest, taxes, depreciation and amortization increased in the comparison primarily due to revenue growth and related gross margins. Because of the $2.7 million extraordinary charge to write-off certain previously capitalized debt issuance costs in the second quarter of 1998, relative to the refinanced credit facility, Net income increased $.9 million, compared with the same period a year ago.

A number of events have occurred in the past eighteen months that impacted the Company's results of operations and financial condition including:

- The Company completed several acquisitions that complement and enhance the mix of existing products and markets. Acquisitions completed during this timeframe were RFS(E), Ltd., Stone Safety Service Corporation, Stone U.K. Limited, Thermo King Corporation's heavy rail business, H.P. s.r.l., the transit coupler product line of Hadady Corporation and the rail products division of Sloan Valve. Incremental revenues from these acquired businesses in the six months ended June 30, 1998, totaled $28.1 million and accounted for 51% of the overall sales increase in the period-to-period comparison.
- In June 1998, the Company refinanced its credit agreement and wrote-off previously deferred financing costs of approximately $2.7 million ($.11 per share) , net of income tax, reported as a non-cash, non-recurring, extraordinary item.
- In March 1997, the Company repurchased 4 million shares of its common stock held by a major shareholder for $44 million, or $11 per share.

NET SALES

The following table sets forth, for the period indicated, the Company's net sales by market:

Dollars in thousands	SIX MONTHS ENDED JUNE 30 1998	1997
Electronics	$24,031	$45,299
Freight Car	136,437	88,027
Transit	96,844	79,994
Locomotive	32,797	23,831
Friction & Other	40,079	37,423
Net sales	$330,188	$274,574

Net sales for the six month period ending June 30, 1998 increased $55.6 million, or 20.3%, to $330.2 million. Increased volumes in the Freight Car business reflect a strong original equipment manufacturer market and aftermarket. Increases in the Transit and Locomotive markets primarily represent results of acquired operations. These increases were partially offset by lower sales in the Electronics business, where in the prior year period, product sales benefited from a federal mandate that certain monitoring equipment be installed in trains by July 1997.

GROSS PROFIT

Gross profit increased 15.6% to $106.8 million in the six month period ending June 30, 1998 compared to $92.5 million in the year-earlier period. Gross margin, as a percentage of sales, was 32.4% as compared to 33.7%. Gross margin is dependent on a number of factors including sales volume and product mix. Incremental revenue from recent acquisitions at lower margins increased gross profit, was the primary reason for the lower margins in the period to period comparison.

OPERATING EXPENSES

Dollars in thousands	SIX MONTHS ENDED JUNE 30 1998	1997	PERCENT CHANGE
Selling and marketing	$14,068	$11,734	19.9
General and administrative	24,303	18,979	28.1
Engineering	13,454	12,315	9.2
Amortization	4,179	4,109	1.7
Total operating expenses	$56,004	$47,137	18.8

Total operating expenses as percentage of net sales were 17.0% in the six month period ending June 30, 1998 compared with 17.2% a year ago. Total operating expenses increased $8.9 million in the period-to-period comparison. Incremental expenses from acquired businesses totaled $2.9 million or 32.6% of the increase. In addition, higher operating expenses reflect $1.7 million in third party costs associated with computer system upgrades which includes Year 2000 compliant computer software and the remainder was for certain strategic initiatives including expanded international marketing activities and additional engineering efforts associated with new product development.

INCOME FROM OPERATIONS

Operating income totaled $50.8 million in the six month period ending June 30, 1998 compared with $45.3 million a year ago. Higher operating income results from higher sales volume and related higher gross profit.

INTEREST EXPENSE

Interest expense increased $.4 million to $14.9 million for the six month period ending June 30, 1998, primarily from funding costs associated with repurchases of common stock and acquisitions, partially offset by debt repayments.

INCOME TAXES

The provision for income taxes increased $1.7 million to $13.8 million for the six month period ending June 30, 1998 compared with the same period of 1997. The effective tax rate declined to 38% in the six month period ending June 30, 1998 from 39% a year ago, resulting from additional benefits through our foreign sales corporation and lower overall state taxes.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is provided primarily by operating cash flow and long-term borrowings. WABCO's operations generated cash flow totaling $20.6 million in the six month period ending June 30, 1998 and $33.4 million a year ago. Working capital increased due to higher accounts receivable associated with increased sales growth and increased inventory levels to support sales growth. Gross capital expenditures were $14.4 million and $11.7 million in the first six months of 1998 and 1997, respectively. The majority of capital expenditures reflect spending for replacement equipment and facilities for increased capacity and efficiency. The Company expects capital expenditures in 1998, exclusive of acquisitions, to approximate $28 million.

The following table sets forth outstanding indebtedness and average interest rates at June 30, 1998. The revolving credit note and term loan interest rates are variable and dependent on market conditions. Interest on the note payable related to the Pulse acquisition has clauses which can vary the interest rate paid.

Dollars in thousands	JUNE 30 1998
Revolving credit notes, 7.53%, due December 2003	$88,000
Term loan, 7.65%	170,000
Senior notes, 9.375%, due June 2005	100,000
Note payable-Pulse acquisition, 9.5%, due January 2004	16,990
Other	1,249
Total	376,239
Current portion	15,000
Long-term portion	$361,239

On June 30, 1998, the Company refinanced its credit agreement with a consortium of commercial banks. The new agreement provides for an aggregate facility of $310 million, consisting of $170 million of term loans and up to $140 million of revolving loans, as well as interest rates that are based on several options, including LIBOR and prime and includes letters of credit and swingline loans which reduce the amount of credit available. The new agreement extended the final maturity dates until December 2003 for both the term and revolving loans, provides for a more level principal payment schedule and more flexibility for business acquisitions and capital expenditures. At June 30, 1998, the Company had available borrowing capacity of approximately $26 million.

Management believes, based upon current levels of operations and forecasted earnings, that cash flow from operations, together with borrowings under the Credit Agreement, will be adequate to make payments of principal and interest on debt, including the Notes, to make required contributions to the ESOP, to permit anticipated capital expenditures, and to fund working capital requirements and other cash needs. Nevertheless, the Company will remain leveraged to a significant extent and its debt service obligations will continue to be substantial. If the Company's sources of funds were insufficient to satisfy the Company's cash requirements, the Company may need to refinance its existing debt or obtain additional financing under terms that may be less favorable than the current bank credit agreement.

EFFECT OF YEAR 2000

The Company has information system improvement initiatives under way which include both new computer hardware and software applications. The new system is expected to be operational by late 1998 and will be year 2000 compliant. The majority of the expenditures incurred for hardware and purchased software related to this project are capitalized and amortized over their estimated useful lives. Other costs, such as training and advisory consulting, are expensed as incurred. These expenditures are not expected to have a significant impact on the Company's future results of operations or financial position.

FORWARD-LOOKING STATEMENTS

From time to time, in this report and in other written reports and oral statements, references are made to expectations regarding future performance of the Company. Examples include, but are not limited to, statements as to expectations, beliefs and strategies, future earnings, revenue growth, and sales expansion opportunities. These "forward-looking statements" are based on currently available competitive, financial and economic data and the Company's operating plans, but they are inherently uncertain. Investors must recognize that events could turn out to be significantly different from what is expected. Differences from expectations in the factors listed below, among others, could affect the Company's financial performance in the future and could cause actual results to differ materially from those expressed or implied in such forward-looking statements. These factors, which include changes in both domestic and global assumptions and expectations are, among others: overall economic conditions; interest rates; demand for services in the freight and passenger rail industry; consolidations in the rail industry; demand for the Company's products and services; product mix; gains and losses in market share; demand for freight cars, locomotives, passenger transit cars and buses; industry demand for faster and more efficient braking equipment; continued outsourcing by the Company's customers; governmental funding for some of the Company's customers; future regulation/deregulation of the Company's customers and/or the rail industry; successful research and development; success in developing, marketing and delivering new products; the Company's ability to complete expected sales; cancellation of orders; labor stability; integration of recent acquisitions; completion of additional acquisitions; changes in expected level of capital expenditures; continued bank financing; warranty claims; environmental laws; lawsuits; and other factors identified within this Form 10-Q and other filings with the Securities and Exchange Commission. Such statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

PART II. OTHER INFORMATION

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

The Annual Meeting of Stockholders of the Company was held May 26, 1998. Four matters were considered and voted upon at the Annual Meeting: the election of two persons to serve as directors, the adoption of the 1998 Employee Stock Purchase Plan, an amendment to the 1995 Stock Incentive Plan and ratification of the appointment of Arthur Andersen LLP as independent public accountants to audit the financial statements of the Company and its subsidiaries for the 1998 fiscal year.

Nominations of James P. Kelley and James C. Huntington, Jr. to serve as directors for a term expiring 2001 were considered and ultimately approved.

Nominee	Votes For	Votes Against	Votes Withheld	Broker Non-Votes
James P. Kelly	28,027,066	-	208,394	-
James C. Huntington, Jr.	28,022,365	-	213,095	-

Other matters were considered and ultimately approved.

	Votes For	Votes Against	Votes Abstained	Broker Non-Votes
1998 Employee Stock Purchase Plan adoption	24,171,702	106,098	8,385	-
1995 Stock Incentive Plan amendment	23,521,916	744,969	19,299	-
Arthur Andersen LLP as auditors	28,144,622	83,393	7,445	-

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit No. 27 "Financial Data Schedule" as of and for the six months ended June 30, 1998 is filed herewith.

There were no Current Reports on Form 8-K filed during the quarter ended June 30, 1998.

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 COMPANY

By: /s/ ROBERT J. BROOKS

Robert J. Brooks
Chief Financial Officer

Date: August 7, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM WESTNGHOUSE
AIR BRAKE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED
IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
5,095
0
107,444
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84,872
215,259
202,822
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457,439
330,188
330,188
223,345
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36,384
13,826
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(2,730)
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19,828
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.77