

=====
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, 2000

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-13782

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

DELAWARE
(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 May 1, 2000, 51,752,591 shares of Common Stock of the registrant
were issued and outstanding, of which 8,303,836 shares were unallocated ESOP
shares.

=====

WESTINGHOUSE AIR BRAKE TECHNOLOGIES  
CORPORATION

MARCH 31, 2000 FORM 10-Q

## TABLE OF CONTENTS

	Page
	-----
PART I - FINANCIAL INFORMATION	
Item 1.	Financial Statements
	Condensed Consolidated Balance Sheets as of March 31, 2000 and December 31, 1999
	3
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2000 and 1999
	4
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2000 and 1999
	5
	Notes to Condensed Consolidated Financial Statements
	6
Item 2.	Management's Discussion and Analysis of Financial Position and Results of Operations
	10
Item 3.	Quantitative and Qualitative Disclosures about Market Risk
	13
PART II - OTHER INFORMATION	
Item 1.	Legal Proceedings
	13
Item 6.	Exhibits and Reports on Form 8-K
	14
	Signatures
	15

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands, except shares and par value	(UNAUDITED) MARCH 31 2000	DECEMBER 31 1999
ASSETS		
CURRENT ASSETS		
Cash	\$ 14,731	\$ 7,056
Accounts receivable	179,688	179,734
Inventories	222,700	211,396
Other current assets	38,334	39,062
Total current assets	455,453	437,248
Property, plant and equipment	400,471	395,687
Accumulated depreciation	(179,448)	(172,996)
Property, plant and equipment, net	221,023	222,691
OTHER ASSETS		
Contract underbillings	26,406	27,710
Goodwill	232,004	233,760
Other intangibles	42,119	43,287
Other noncurrent assets	31,170	31,980
Total other assets	331,699	336,737
Total Assets	\$1,008,175	\$ 996,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$749	\$743
Accounts payable	82,414	87,388
Accrued merger and restructuring costs	7,462	8,705
Customer deposits	31,016	31,827
Accrued income taxes	10,225	5,155
Accrued interest	6,391	2,470
Other accrued liabilities	57,599	57,924
Total current liabilities	195,856	194,212
Long-term debt	562,857	567,844
Reserve for postretirement and pension benefits	20,888	19,918
Other long-term liabilities	33,352	32,824
Total liabilities	812,953	814,798
SHAREHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, no shares issued	-	-
Common stock, \$.01 par value; 100,000,000 shares authorized: 65,447,867 shares issued and 51,739,642 outstanding at March 31, 2000 and 51,529,331 outstanding at December 31, 1999	654	654
Additional paid-in capital	314,132	318,357
Treasury stock, at cost, 13,708,225 and 13,918,536 shares, respectively	(198,448)	(201,711)
Unearned ESOP shares, at cost, 8,319,396 and 8,366,076 shares, respectively	(124,791)	(125,491)
Retained earnings	210,755	194,772
Deferred compensation	6,614	6,595
Accumulated other comprehensive income (loss)	(13,694)	(11,298)
Total shareholders' equity	195,222	181,878
Total Liabilities and Shareholders' Equity	\$1,008,175	\$ 996,676

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share data	UNAUDITED THREE MONTHS ENDED MARCH 31	
	2000	1999
Net sales	\$ 258,859	\$ 298,478
Cost of sales	(182,366)	(209,410)
Gross profit	76,493	89,068
Selling, general and administrative expenses	(29,481)	(33,078)
Merger and restructuring charges	(2,348)	-
Engineering expenses	(8,236)	(8,907)
Amortization expense	(3,689)	(3,381)
Total operating expenses	(43,754)	(45,366)
Income from operations	32,739	43,702
Other income and expenses		
Interest expense	(11,170)	(11,290)
Other income (expense), net	4,071	(267)
Income before income taxes and extraordinary item	25,640	32,145
Income tax expense	(9,230)	(11,878)
Income before extraordinary item	16,410	20,267
Extraordinary loss on extinguishment of debt, net of tax	-	(469)
Net income	\$ 16,410	\$ 19,798
 EARNINGS PER COMMON SHARE		
Basic		
Income before extraordinary item	\$0.38	\$0.47
Extraordinary item	-	(0.01)
Net income	\$0.38	\$0.46
Diluted		
Income before extraordinary item	\$0.38	\$0.46
Extraordinary item	-	(0.01)
Net income	\$0.38	\$0.45
 Weighted average shares outstanding		
Basic	43,259	43,182
Diluted	43,350	44,352

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	UNAUDITED THREE MONTHS ENDED MARCH 31	
In thousands	2000	1999
-----		
OPERATING ACTIVITIES		
Net income	\$ 16,410	\$ 19,798
Adjustments to reconcile net income to cash provided by operations:		
Extraordinary loss on extinguishment of debt	-	469
Depreciation and amortization	11,203	10,599
Provision for ESOP contribution	700	1,380
Gain on sale of product line	(4,375)	-
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(783)	1,294
Inventories	(11,795)	(4,998)
Contract underbillings	1,304	(93)
Accounts payable	(4,583)	(13,055)
Accrued income taxes	5,070	4,683
Accrued liabilities and customer deposits	2,084	(3,112)
Other assets and liabilities	3,600	2,119
	-----	-----
Net cash provided by operating activities	18,835	19,084
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(6,910)	(10,302)
Acquisitions of businesses, net of cash acquired	-	(33,584)
Cash received from disposition of product line	4,500	-
Other	-	243
	-----	-----
Net cash used for investing activities	(2,410)	(43,643)
FINANCING ACTIVITIES		
Proceeds from (repayments of) credit agreements	12,200	(3,589)
Proceeds from senior notes offering	-	75,000
Repayments of other borrowings	(17,181)	(40,372)
Purchase of treasury stock	(4,369)	-
Cash dividends	(427)	(246)
Proceeds from exercise of stock options and other benefit plans	3,338	1,562
Other	-	(911)
	-----	-----
Net cash (used for) provided by financing activities	(6,439)	31,444
Effect of changes in currency exchange rates	(2,311)	(71)
	-----	-----
Increase in cash	7,675	6,814
Cash, beginning of year	7,056	8,983
	-----	-----
Cash, end of period	\$ 14,731	\$ 15,797
	=====	=====

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000 (UNAUDITED)

1. BUSINESS

Westinghouse Air Brake Technologies Corporation (the "Company", "Wabtec") is North America's largest manufacturer of value-added equipment for locomotives, railway freight cars and passenger transit vehicles. Our major products are intended to enhance safety, improve productivity and reduce maintenance costs for our customers and include electronic controls and monitors, air brakes, traction motors, cooling equipment, turbochargers, low-horsepower locomotives, couplers, door controls, draft gears and brake shoes. We aggressively pursue technological advances with respect to both new product development and product enhancements.

The Company has two reporting segments: Freight Group and Transit Group. Although approximately 60% of the Company's sales are to the aftermarket, a significant portion of the Freight Group's operations and revenue base is generally dependent on the capital replacement cycles for locomotives and freight cars of the large North American-based railroad companies. The Transit Group's operations are dependent on the budgeting and expenditure appropriation process of federal, state and local governmental units for mass transit needs established by public policy.

2. ACCOUNTING POLICIES

**BASIS OF PRESENTATION** The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission and include the accounts of Wabtec and its majority owned subsidiaries. These condensed interim financial statements do not include all of the information and footnotes required for complete financial statements. In management's opinion, these financial statements reflect all adjustments, 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 Company operates on a four-four-five week accounting quarter, and accordingly, the quarters end on or about March 31, June 30, September 30 and December 31.

The notes included herein should be read in conjunction with the audited consolidated financial statements included in Wabtec's Annual Report on Form 10-K for the year ended December 31, 1999.

**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.

**OTHER COMPREHENSIVE INCOME** 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 quarters ended March 31, 2000 and 1999 was \$14 million and \$20.3 million, respectively.

3. MERGERS AND ACQUISITIONS

On November 19, 1999, Westinghouse Air Brake Company (WABCO) merged with MotivePower Industries, Inc. to form Wabtec. The Company issued approximately 18 million shares of the Company's Common Stock to former MotivePower shareholders and reserved approximately 2 million shares for the contingent exercise of stock options. The transaction was valued at approximately \$354 million and was accounted for by the pooling-of-interests accounting method. Accordingly, the condensed consolidated financial statements have been restated giving effect to this transaction as if it had occurred as of the beginning of the earliest period presented.

The combined results of the Company and separate results of WABCO and MotivePower for the three months ended March 31, 1999 were as follows:

In thousands	SALES	EXTRAORDINARY ITEM	NET INCOME
WABCO	\$191,204	\$469	\$11,920
MotivePower	107,274	-	7,878
Combined	\$298,478	\$469	\$19,798

During 1999, the Company completed the following acquisitions:

- i) In January 1999, the Company acquired certain assets of G&G Locotronics, a privately held designer of high voltage electrical cabinets and control stands for locomotives, for total consideration of \$17.8 million.
- ii) In January 1999, the Company acquired 100% of the Common Stock of Q-Tron, Ltd., a privately held designer and manufacturer of locomotive electronics equipment, for total consideration of \$14.9 million.
- iii) In February 1999, the Company acquired the mass transit electrical inverter and converter product line of AGC System & Technologies, Inc. of Canada for approximately \$960,000.

The 1999 acquisitions were accounted for under the purchase method. Accordingly, the results of operations of the applicable acquisition are included in the Company's financial statements prospectively from the acquisition date.

### 3. INVENTORIES

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

In thousands	MARCH 31 2000	DECEMBER 31 1999
-----		
Cores	\$29,796	\$29,999
Raw materials	97,720	99,948
Work-in-process	50,017	47,319
Finished goods	45,167	34,130
-----		
Total inventory	\$222,700	\$211,396
-----		

### 4. EARNINGS PER SHARE

The computation of earnings per share is as follows:

In thousands, except per share	THREE MONTHS ENDED MARCH 31	
-----	2000	1999
BASIC EARNINGS PER SHARE		
Income before extraordinary item applicable to common shareholders	\$16,410	\$20,267
Divided by		
Weighted average shares outstanding	43,259	43,182
Basic earnings per share before extraordinary item	\$0.38	\$0.47
-----		
DILUTED EARNINGS PER SHARE		
Income before extraordinary item applicable to common shareholders	\$16,410	\$20,267
Divided by sum of		
Weighted average shares outstanding	43,259	43,182
Conversion of dilutive stock options	91	1,170
-----		
Diluted shares outstanding	43,350	44,352
Diluted earnings per share before extraordinary item	\$0.38	\$0.46
-----		

### 5. COMMITMENTS AND CONTINGENCIES

The Company is subject to a RCRA Part B Closure Permit ("the Permit") issued by the Environmental Protection Agency (EPA) and the Idaho Department of Health and Welfare, Division of Environmental Quality relating to the monitoring and treatment of groundwater contamination on, and adjacent to, the Boise Locomotive Company facility. In compliance with the Permit, the Company has drilled wells onsite to retrieve and treat contaminated groundwater, and onsite and offsite to monitor the amount of hazardous constituents. The Company has estimated the expected aggregate discounted liability at March 31, 2000, using a discount rate of 6% for remediation costs to be approximately \$4 million, which has been accrued. The Company was in compliance with the Permit at March 31, 2000.

On February 12, 1999, GE Harris Railway Electronics, LLC and GE Harris Railway Electronic Services, LLC (collectively, "GE Harris") brought suit against the Company for alleged patent infringement and unfair competition related to a communications system installed in one of the Company's products. GE Harris is seeking to prohibit the Company from future infringement and is seeking an unspecified amount of money damages to recover, in part, royalties. As this lawsuit is in the earliest stages, the Company is unable to estimate the cost, if any, of resolving litigation and thus, no costs have been provided for this matter.

## 6. SEGMENT INFORMATION

Wabtec has two reportable segments - the Freight Group and the Transit Group. The key factors used to identify these reportable segments are the organization and alignment of the Company's internal operations, the nature of the products and services, and customer type. Financial information for these segments has been restated in conjunction with the operational realignment of our organization pursuant to the merger of WABCO and MotivePower. The business segments are:

FREIGHT GROUP manufactures products and services geared to the production and operation of freight cars and locomotives, including braking control equipment, engines, traction motors, on-board electronic systems and train coupler equipment. Revenues are derived from aftermarket and OEM component sales, locomotive overhauls and from freight car repairs and services.

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

The Company evaluates its business segments' operating results based on income from operations before merger and restructuring charges. Corporate activities include general corporate expenses, elimination of intersegment transactions, interest income and expense and other unallocated charges. Since certain administrative and other operating expenses and other items have not been allocated to business segments, the results in the below tables are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

Segment financial information for the three months ended March 31, 2000 is as follows:

In thousands	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	MERGER AND RESTRUCTURING	TOTAL
Sales to external customers	\$194,048	\$64,811	-	-	\$258,859
Intersegment sales/(elimination)	2,876	43	\$(2,919)	-	-
Total sales	\$196,924	\$64,854	\$(2,919)	-	\$258,859
Income from operations	\$33,222	\$6,691	\$(4,826)	\$(2,348)	\$32,739
Interest expense and other	-	-	(7,099)	-	(7,099)
Income before income taxes and extraordinary item	\$33,222	\$6,691	\$(11,925)	\$(2,348)	\$25,640

Segment financial information for the three months ended March 31, 1999 is as follows:

In thousands	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	MERGER AND RESTRUCTURING	TOTAL
Sales to external customers	\$243,616	\$54,862	-	-	\$298,478
Intersegment sales/(elimination)	2,255	41	\$(2,296)	-	-
Total sales	\$245,871	\$54,903	\$(2,296)	-	\$298,478
Income from operations	\$ 45,492	\$4,370	\$(6,160)	-	\$43,702
Interest expense and other	-	-	(11,557)	-	(11,557)
Income before income taxes and extraordinary item	\$ 45,492	\$4,370	\$(17,717)	-	\$32,145



## 7. MERGER AND RESTRUCTURING CHARGES

The Company estimates the charges to complete the merger and restructuring plan will total \$70 million pre-tax with approximately \$50 million of the charge previously expensed. The Company incurred additional merger and restructuring-related charges of approximately \$2.3 million in the first quarter of 2000 and expects to incur an additional \$18 million of merger and restructuring-related expenses later in 2000.

The \$2.3 million charge included the following actions:

- o Costs associated with the transaction for items such as legal fees and consulting.
- o Marketing and corporate reorganization expenses.
- o Employee severance and relocation payments related to closing certain plants and consolidating others.

As of March 31, 2000, \$7.5 million of the \$50 million merger and restructuring-related charge incurred in 1999, remained accrued on the balance sheet. The table below identifies the significant components of the accrual.

In thousands	TRANSACTION COSTS, SEVERANCE AND TERMINATION BENEFITS	LEASE IMPAIRMENTS	OTHER	TOTAL
Balance at December 31, 1999	\$2,119	\$5,738	\$848	\$8,705
Amounts paid	(707)	(110)	(426)	(1,243)
Balance at March 31, 2000	\$1,412	\$5,628	\$422	\$7,462

The transaction, severance and termination benefits accrual is for approximately 173 employees. The remaining employees are expected to be laid-off in the second and third quarter of 2000 as planned. This accrual represents the calculation of the severance package based on the employee's salary and tenure with the Company. The lease impairment charges relate to the relocation of the corporate headquarters, and the Company's evaluation of certain assets. The other category represents other related costs that have been incurred and not yet paid as of March 31, 2000.

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 1999 Annual Report on Form 10-K.

OVERVIEW

Net income for the first quarter of 2000 was \$16.4 million, or \$0.38 per diluted share, as compared to \$19.8 million, or \$0.45 per diluted share in the same period of 1999. The results for the first quarter of 2000 include a \$2.3 million merger and restructuring charge and a \$4.4 million gain on the disposition of a product line. Net sales decreased 13.3% in the first quarter of 2000 as compared to the same quarter in 1999. Operating margins in the first quarter of 2000 decreased to 12.6% as compared to 14.6% in the first quarter of 1999. After excluding the merger and restructuring charges that effect operating income, operating margins would have been 13.6%.

MERGER AND RESTRUCTURING PLAN

The Company previously announced a merger and restructuring plan pursuant to the merger of the Company and MotivePower Industries, Inc., which is anticipated to yield synergies of \$15 million pre-tax in 2000 and produce an ongoing annualized benefit of \$25 million pre-tax, by year-end 2000. The Company expects the benefits to be realized through reduced cost of sales and reduced selling, general and administrative expenses. The merger and restructuring plan involves the elimination of duplicate facilities and excess capacity, operational realignment and related workforce reductions, and the evaluation of certain assets as to their perceived ongoing benefit to the Company. The Company estimates the charges to complete the merger and restructuring plan will total \$70 million pre-tax with approximately \$52 million of the charge previously expensed. Of the \$18 million charge left to be incurred, the Company expects the majority of this charge to occur in the second and third quarter of 2000 with the cash portion being approximately \$10 million to \$11 million of the charge.

The accrual on the balance sheet is discussed in greater detail in Note 7 to "Notes to Condensed Consolidated Financial Statements" included in this report.

FIRST QUARTER 2000 COMPARED TO  
FIRST QUARTER 1999

A number of events have occurred over the comparative period that impacted the Company's results of operations and financial condition including:

- o Expected decreases in component sales due to a slowdown in U.S. freight car and locomotive deliveries, and a downturn in the locomotive overhauling market.
- o Improved sales and backlog in the transit business due to increased governmental spending for transit equipment.

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

In thousands	THREE MONTHS ENDED MARCH 31	
	2000	1999
Freight Group	\$194,048	\$243,616
Transit Group	64,811	54,862
Net sales	\$258,859	\$298,478

Net sales for the first quarter of 2000 decreased \$39.6 million, or 13.3%, to \$258.9 million. This decrease was attributable to decreased OEM freight car and locomotive volumes and lower locomotive overhauls both within the Freight Group. Partially offsetting these decreases were higher Transit Group sales. Sales volumes within the Freight Group reflect a softening OEM market for freight cars, with 16,867 freight cars delivered in the first quarter of 2000 compared to 21,560 in the same period of 1999. In 2000, the Company expects the OEM freight car and locomotive industries to deliver approximately 50,000 and 1,100 new freight cars and locomotives, respectively.

Gross profit decreased to \$76.5 million in the first quarter of 2000 compared to \$89.1 million in the same period of 1999. Gross margin, as a percentage of sales, was 29.6% compared to 29.8% in 1999. Gross margin is dependent on a number of factors including sales volume and product mix. Favorable sales volumes in the Transit Group were offset by decreases in volumes within the Freight Group.

Total operating expenses as a percentage of net sales were 16.9% in the first quarter of 2000 as compared to 15.2% in the same period a year ago. After excluding the first quarter 2000 \$2.3 million merger and restructuring charge, operating expenses would have been 16% of net sales. Total operating expenses decreased \$1.6 million, or \$4 million without the merger and restructuring charge, in the quarter-to-quarter comparison. This reduction was primarily due to continuing cost cutting programs and synergies from the merger.

Operating income totaled \$32.7 million in the first quarter of 2000 compared with \$43.7 million in the same period of 1999. After excluding the merger and restructuring charges that effect operating income, operating income would have been \$35.1 million. Lower operating income resulted from decreased sales volumes. (See Note 6 - "Notes to Condensed Consolidated Financial Statements" regarding segment-specific information, included elsewhere in this report).

In February 2000, the Company disposed a product line for \$4.5 million in cash and \$1 million to be received upon the completion of other conditions and recognized a gain of \$4.4 million, which is reported as other income.

In the first quarter of 2000, the effective tax rate improved to an annual rate of 36% from 37% a year ago, primarily from additional benefits through our Foreign Sales Corporation.

#### LIQUIDITY AND CAPITAL RESOURCES

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

In thousands	THREE MONTHS ENDED MARCH 31	
	2000	1999
Cash provided (used) by:		
Operating activities	\$18,835	\$19,084
Investing activities-business acquisitions	-	(33,584)
Investing activities-sale of product line	4,500	-
Investing activities-other	(6,910)	(10,059)
Financing activities	(6,439)	31,444
Earnings before interest, taxes, depreciation and amortization (EBITDA)	43,942	54,301
Adjusted EBITDA (before merger and restructuring charges)	\$46,290	\$54,301

Operating cash flow in the first quarter of 2000 was \$18.8 compared to \$19.1 million in the same period a year ago. Working capital increased 7% since December 31, 1999, primarily due to an increase in inventories. During the first quarter of 2000, cash outlays for merger and restructuring activities were approximately \$3.3 million and are reported as a reduction to cash provided by operating activities. Excluding these cash outlays, cash provided by operating activities would have been approximately \$22.2 million. Adjusted EBITDA, excluding the merger and restructuring charge, was \$46.3 million in the first quarter of 2000 as compared to \$54.3 million in the same period in 1999.

Cash used for investing activities declined in the first quarter of 2000 to \$2.4 million from \$43.6 million a year ago. In the first quarter of 2000, cash received from the sale of a product line was \$4.5 million. In the first quarter of 1999, \$33.6 million was used for certain business acquisitions. Capital expenditures were \$6.9 million and \$10.3 million in the first quarter of 2000 and 1999, respectively. The majority of capital expenditures for these periods relates to upgrades to existing equipment, replacement of existing equipment and purchases of new equipment due to expansion of Wabtec's operations, where the Company believes overall cost savings can be achieved through increasing efficiencies. The Company expects 2000 capital expenditures for equipment purchased for similar purposes to approximate \$40 million to \$45 million.

Cash used for financing activities was \$6.4 million in the first quarter of 2000 versus cash provided by financing activities of \$31.4 million in the same period a year ago. In the first quarter of 2000, the Company reduced long-term debt by approximately \$5 million. The Company issued \$75 million of senior notes in the first quarter of 1999 to repay amounts outstanding on certain unsecured bank term debt and repaid a portion of the Company's previous revolving credit facility. Historically, the Company has financed the purchase of significant businesses utilizing the amounts available under its credit facilities.

The Company estimates the charges to complete the merger and restructuring plan will total \$70 million pre-tax with approximately \$52 million of the charge expensed to date. Of the \$18 million charge yet to be incurred, the Company expects the majority of this charge to occur in the second and third quarter of 2000 with the cash portion being approximately \$10 million to \$11 million of the charge.

Based on anticipated cash flow provided by operations, forecasted results and credit available under the credit agreement, the Company believes it will be able to make planned capital expenditures and required debt payments over the next twelve months.

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

In thousands	MARCH 31 2000	DECEMBER 31 1999
Revolving credit, 7.3%	\$380,200	\$368,000
9 3/8% Senior notes	175,000	175,000
Pulse note, 9.5%	-	16,990
5.5% Industrial revenue bond due 2008	6,607	6,749
Other	1,799	1,848
Total	563,606	568,587
Less-current portion	749	743
Long-term portion	\$562,857	\$567,844

#### Credit Agreement

In November 1999, in connection with the merger, WABCO terminated its then existing credit agreement and refinanced the then existing MotivePower credit agreement with a consortium of commercial banks. The credit agreement provides for a \$275 million five-year revolving credit facility and a 364-day \$275 million convertible revolving credit facility. At March 31, 2000, the Company had available borrowing capacity, net of letters of credit, of approximately \$145 million.

#### 9 3/8% Senior Notes Due June 2005

In June 1995, the Company issued \$100 million of 9 3/8% Senior Notes due in 2005 (the "1995 Notes"). In January 1999, the Company issued an additional \$75 million of 9 3/8% Senior Notes which are due in 2005 (the "1999 Notes"; the 1995 Notes and the 1999 Notes are collectively, the "Notes"). The 1999 Notes were issued at a premium resulting in an effective rate of 8.5%. The terms of the 1995 Notes and the 1999 Notes are substantially the same, and the 1995 Notes and the 1999 Notes were issued pursuant to indentures that are substantially the same. The issuance of the 1999 Notes improved the Company's financial liquidity by i) using a portion of the proceeds to repay \$30 million of debt associated with the Rockwell acquisition that bore interest at 9.56%; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility; and iii) repaying the remaining unpaid principal of \$10.2 million from the Comet acquisition. As result of this issuance, the Company wrote off previously capitalized debt issuance costs of \$469,000, net of tax, or approximately \$.01 per diluted share, in the first quarter of 1999.

#### Pulse Note

As partial payment for the Pulse acquisition, the Company issued a \$17 million note due January 31, 2004, with interest at 9.5%. In January 2000, this note was repaid with our revolving credit facility.

Principal repayments of outstanding loan balances are due at various intervals until maturity.

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 permit anticipated capital expenditures, and to fund working capital requirements and other cash needs for the foreseeable future, including 2001. The increase in financial liquidity was primarily the result of changing the base available for borrowing under the November 1999 refinanced credit agreement. The issuance of the 1999 Notes also increased the Company's liquidity by reducing its outstanding revolving credit borrowings and thereby increasing its available borrowing capacity.

Nevertheless, the Company will remain leveraged to a significant extent and its debt service obligations will continue to be substantial. The debt of the Company requires the dedication of a substantial portion of future cash flows to the payment of principal and interest on indebtedness, thereby reducing funds available for capital expenditures and future business opportunities that the Company believes are available. The Company believes cash flow and liquidity will be sufficient to meet its debt service requirements. If the Company's sources of funds were to fail to satisfy the Company's cash requirements, the Company may need to refinance its existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place.

#### FORWARD LOOKING STATEMENTS

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

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

#### Economic and Industry Conditions

- materially adverse changes in economic or industry conditions generally or in the markets served by us, including North America, South America, Europe, Australia and Asia;
- demand for services in the freight and passenger rail industry;
- consolidations in the rail industry;
- demand for our products and services;
- continued outsourcing by our customers;
- demand for freight cars, locomotives, passenger transit cars and buses;
- industry demand for faster and more efficient braking equipment;
- fluctuations in interest rates.

#### Operating Factors

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

#### Competitive Factors

- the actions of competitors.

#### Political/Governmental Factors

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

#### Transaction or Commercial Factors

- the outcome of negotiations with partners, governments, suppliers, customers or others; and
- our ability to complete the integration of the Westinghouse Air Brake and MotivePower businesses so to achieve the stated synergies.

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

#### EFFECTS OF YEAR 2000

The Company has not experienced any significant events attributable to Year 2000 issues.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

**INTEREST RATE RISK** In the ordinary course of business, Wabtec is exposed to risks that increases in interest rates may adversely affect funding costs associated with \$332 million of variable-rate debt (considering the effects of existing interest rate swaps), which represents 59% of total long-term debt at March 31, 2000. At March 31, 2000, an instantaneous 100 basis point increase in interest rates would reduce the Company's net income annually by approximately \$2.1 million, net of tax, assuming no additional intervention strategies by management.

**FOREIGN CURRENCY EXCHANGE RISK** The Company periodically enters into several types of financial instruments for the purpose of managing its exposure to foreign currency exchange rate fluctuations in countries in which the Company has significant operations. As of March 31, 2000, the Company had no such instruments outstanding.

Wabtec is also subject to certain risks associated with changes in foreign currency exchange rates to the extent its operations are conducted in currencies other than the U.S. dollar. For the first quarter of 2000, approximately 73% of net sales are in the United States, 11% in Canada, 6% in Mexico and 10% in other international locations, primarily Europe. At March 31, 2000, the Company does not believe changes in foreign currency exchanges rates represent a material risk to results of operations, financial position or liquidity.

#### LEGAL PROCEEDINGS AND COMMITMENTS AND CONTINGENCIES

There were no significant changes to report regarding the Company's legal proceedings and commitments and contingencies.

## EXHIBITS AND REPORTS ON FORM 8-K

## INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.32	Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan as amended through March 22, 2000
27	Financial Data Schedule as of and for the Three Months ended March 31, 2000

There were no Current Reports on Form 8-K filed during the quarter ended March 31, 2000.

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/ ROBERT J. BROOKS  
                  -----  
                  Robert J. Brooks  
                  Chief Financial Officer

Date:           May 10, 2000

## WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

2000 STOCK INCENTIVE PLAN  
(AS AMENDED THROUGH MARCH 22, 2000)

The purposes of the 2000 Stock Incentive Plan as amended (the "Plan"), are to encourage eligible employees of Westinghouse Air Brake Technologies Corporation (the "Corporation") and its Subsidiaries to increase their efforts to make the Corporation and each Subsidiary more successful, to provide an additional inducement for such employees to remain with the Corporation or a Subsidiary, to reward such employees by providing an opportunity to acquire shares of the Common Stock, par value \$0.01 per share, of the Corporation (the "Common Stock") on favorable terms and to provide a means through which the Corporation may attract able persons to enter the employ of the Corporation or one of its Subsidiaries. For the purposes of the Plan, the term "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Corporation, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing at least fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

SECTION 1  
ADMINISTRATION

The Plan shall be administered by a Committee (the "Committee") appointed by the Board of Directors of the Corporation (the "Board") and consisting of not less than two members of the Board, each of whom at the time of appointment to the Committee and at all times during service as a member of the Committee shall be (i) "Non-Employee Directors" as then defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any successor Rule and (ii) if so determined by the Board, an "outside director" under Section 162(m)(4)(C) of the Internal Revenue Code of 1986 (the "Code"), or any successor provision.

The Committee shall interpret the Plan and prescribe such rules, regulations and procedures in connection with the operation of the Plan as it shall deem to be necessary and advisable for the administration of the Plan consistent with the purposes of the Plan. All questions of interpretation and application of the Plan, or as to grants or awards under the Plan, shall be subject to the determination of the Committee which shall be final and binding.

The Committee shall keep records of action taken. A majority of the Committee shall constitute a quorum at any meeting, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members of the Committee, shall be the acts of the Committee.

SECTION 2  
ELIGIBILITY

Those key employees of the Corporation or any Subsidiary (including, but not limited to, covered employees as defined in Section 162(m)(3) of the Code, or any successor provision) who share responsibility for the management, growth or protection of the business of the Corporation or any



Subsidiary shall be eligible to be granted stock options (with or without cash payment rights) and to receive awards of restricted shares and performance units as described herein.

Subject to the provisions of the Plan, the Committee shall have full and final authority, in its discretion, to grant stock options (with or without cash payment rights) and to award restricted shares and performance units as described herein and to determine the employees to whom any such grant or award shall be made and the number of shares to be covered thereby. In determining the eligibility of any employee, as well as in determining the number of shares or units covered by each grant or award and whether cash payment rights shall be granted in conjunction with a stock option, the Committee shall consider the position and the responsibilities of the employee being considered, the nature and value to the Corporation or a Subsidiary of his or her services, his or her present and/or potential contribution to the success of the Corporation or a Subsidiary and such other factors as the Committee may deem relevant.

### SECTION 3 SHARES AVAILABLE UNDER THE PLAN

For fiscal year 2000 and annually for each of the four fiscal years thereafter, the maximum aggregate number of shares of the Common Stock for which grants or awards may be made under the Plan is 1,100,000 shares, increased by 1.5% of the issued and outstanding shares of the Common Stock (not including treasury shares and shares held by the Westinghouse Air Brake Company Employee Stock Ownership Plan (the "ESOP") or a related trust, but including outstanding restricted shares) as of December 31 of the preceding fiscal year. In any such annual period, the maximum aggregate number of shares of the Common Stock for which grants or awards may be made under the Plan may also be increased, in the discretion of the Committee, by an additional 1% of the issued and outstanding shares of the Common Stock (not including treasury shares and shares held by the ESOP or a related trust, but including outstanding restricted shares ) as of December 31 of the preceding fiscal year. In the event of the exercise of such discretion by the Committee, the number of shares related to such 1% increase shall be deducted from any increase in the maximum aggregate number of shares of Common Stock to be made in the next annual period. Notwithstanding the foregoing, the maximum aggregate number of shares of the Common Stock for which grants or awards may be made under the Plan on any given date shall not exceed 15% of the then aggregate issued and outstanding shares of the Common Stock (not including treasury shares and shares held by the ESOP or a related trust, but including outstanding restricted shares), less the aggregate number of (i) all outstanding stock options granted at any time under the Corporation's plans since their initial date of adoption, which remain unexercised and outstanding (and which have not expired) as of such date (ii) all restricted shares granted at any time under the Corporation's plans which have not yet vested or been forfeited to the Corporation pursuant to their terms as of such date and (iii) all performance units granted at any time under the Corporation's plans that are payable in performance shares, for which performance targets have not yet been satisfied as of such date, or which have not yet been forfeited, subject to adjustment and substitution as set forth in Section 7. If any option is canceled by mutual consent or terminates or expires for any reason without having been exercised in full, the number of shares subject thereto shall again be available for purposes of the Plan. If restricted shares are forfeited to the Corporation pursuant to the restrictions applicable to any award, the restricted shares so forfeited shall again be available for purposes of the Plan. To the extent that any award of performance units is not earned or is paid in cash rather than performance shares, the number of shares covered thereby shall again be available for purposes of the Plan.

Notwithstanding the immediately preceding paragraph, the maximum aggregate number of shares of the Common Stock which may be issued in connection with grants of incentive stock options made under the Plan is 1,752,500 shares, subject to adjustment and substitution as set forth in Section 7. If any such incentive stock option granted under the Plan and counted against such sub-limit

is cancelled by mutual consent or terminates or expires for any reason without having been exercised, the number of shares subject thereto shall again be available for purposes of granting incentive stock options under the Plan.

The shares which may be issued or delivered under the Plan may be either authorized but unissued shares or treasury shares or partly each, as shall be determined from time to time by the Board.

SECTION 4  
GRANT OF STOCK OPTIONS  
AND CASH PAYMENT RIGHTS AND AWARD OF  
RESTRICTED SHARES AND PERFORMANCE UNITS

The Committee shall have authority, in its discretion, (i) to grant "incentive stock options" pursuant to Section 422 of the Code, to grant "nonstatutory stock options" (i.e., stock options which do not qualify under Sections 422 or 423 of the Code) or to grant both types of stock options (but not in tandem), (ii) to award restricted shares and (iii) to award performance units, all as provided herein. The Committee also shall have the authority, in its discretion, to grant cash payment rights in conjunction with nonstatutory stock options with the effect provided in Section 5(D). Cash payment rights may not be granted in conjunction with incentive stock options. Cash payment rights granted in conjunction with a nonstatutory stock option may be granted either at the time the stock option is granted or at any time thereafter during the term of the stock option.

During the duration of the Plan, the maximum number of shares as to which stock options may be granted and as to which shares may be awarded under the Plan to any one employee in any one calendar year is 300,000 shares plus the cumulative difference between that maximum number and the number actually granted to such employee for all prior completed calendar years since the effective date of the Plan, subject to adjustment and substitution as set forth in Section 7, and subject to the overall limit of the number of shares available under the Plan. For the purposes of this limitation, any adjustment or substitution made pursuant to Section 7 with respect to the maximum number of shares set forth in the preceding sentence shall also be made with respect to any shares subject to stock options or share awards previously granted under the Plan to such employee in the same calendar year. The limitation in this paragraph shall be interpreted and applied in a manner consistent with Section 162(m) of the Code.

Notwithstanding any other provision contained in the Plan or in any agreement referred to in Section 5(H), but subject to the possible exercise of the Committee's discretion contemplated in the last sentence of this paragraph, the aggregate fair market value, determined as provided in Section 5(I) on the date of grant, of the shares with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year under all plans of the corporation employing such employee, any parent or subsidiary corporation of such corporation and any predecessor corporation of any such corporation shall not exceed \$100,000. If the date on which one or more of such incentive stock options could first be exercised would be accelerated pursuant to any provision of the Plan or any stock option agreement, and the acceleration of such exercise date would result in a violation of the limitation set forth in the preceding sentence, then, notwithstanding any such provision, but subject to the provisions of the next succeeding sentence, the exercise dates of such incentive stock options shall be accelerated only to the date or dates, if any, that do not result in a violation of such limitation and, in such event, the exercise dates of the incentive stock options with the lowest option prices shall be accelerated to the earliest such dates. The Committee may, in its discretion, authorize the acceleration of the exercise date of one or more incentive stock options even if such acceleration would violate the \$100,000 limitation set forth in the first sentence of this paragraph and even if such incentive stock options are thereby converted in whole or in part to nonstatutory stock options.

SECTION 5  
TERMS AND CONDITIONS OF  
STOCK OPTIONS AND CASH PAYMENT RIGHTS

Stock options and cash payment rights granted under the Plan shall be subject to the following terms and conditions:

(A) The purchase price at which each stock option may be exercised (the "option price") shall be such price as the Committee, in its discretion, shall determine, but shall not be less than one hundred percent (100%) of the fair market value per share of the Common Stock covered by the stock option on the date of grant, except that in the case of an incentive stock option granted to an employee who, immediately prior to such grant, owns stock possessing more than (10%) of the total combined voting power of all classes of stock of the Corporation or any Subsidiary (a "Ten Percent Employee"), the option price shall be one hundred ten percent (110%) of such fair market value on the date of grant; provided, however, that with respect to employees who become employees of the Corporation or any Subsidiary as a result of the acquisition by the Corporation or any Subsidiary of the stock or assets of another entity or business (an "Acquisition"), and who are not deemed to be reporting persons of the Corporation or any Subsidiary for purposes of Section 16(b) of the 1934 Act, the option price with respect to nonstatutory stock options granted to such persons within 12 months of such Acquisition shall be such price as the Committee, in its discretion, shall determine, which may be less than the fair market value per share of the Common Stock on the date of grant. For purposes of this Section 5(A), the fair market value of the Common Stock shall be determined as provided in Section 5(I). For purposes of this Section 5(A), an individual (i) shall be considered as owning not only shares of stock owned individually but also all shares of stock that are at the time owned, directly or indirectly, by or for the spouse, ancestors, lineal descendants and brothers and sisters (whether by the whole or half blood) of such individual and (ii) shall be considered as owning proportionately any shares owned, directly or indirectly, by or for any corporation, partnership, estate or trust in which such individual is a stockholder, partner or beneficiary.

(B) The option price for each stock option shall be payable in cash in United States dollars (including check, bank draft or money order); provided, however, that in lieu of cash the person exercising the stock option may (if authorized by the Committee at the time of grant in the case of an incentive stock option, or at any time in the case of a nonstatutory stock option) pay the option price in whole or in part by delivering to the Corporation shares of the Common Stock having a fair market value on the date of exercise of the stock option, determined as provided in Section 5(I), equal to the option price for the shares being purchased, except that (i) any portion of the option price representing a fraction of a share shall in any event be paid in cash and (ii) no shares of the Common Stock which have been held for less than six months may be delivered in payment of the option price of a stock option. Delivery of shares, if authorized, may also be accomplished through the effective transfer to the Corporation of shares held by a broker or other agent. The Corporation will also cooperate with any person exercising a stock option who participates in a cashless exercise program of a broker or other agent under which all or part of the shares received upon exercise of the stock option are sold through the broker or other agent or under which the broker or other agent makes a loan to such person. Notwithstanding the foregoing, unless the Committee, in its discretion, shall otherwise determine at the time of grant in the case of an incentive stock option, or at any time in the case of a nonstatutory stock option, the exercise of the stock option shall not be deemed to occur and no shares of Common Stock will be issued or delivered by the Corporation upon exercise of the stock option until the Corporation has received payment of the option price in full. The date of exercise of a stock option shall be determined under procedures established by the Committee, and as of the date of exercise the person exercising the stock option shall be considered for all purposes to be the owner of the shares with respect to which the stock option has been exercised. Payment of the option price with shares shall not increase the number of shares of the Common Stock which may be issued or delivered under the Plan as provided in Section 3.

(C) Unless the Committee, in its discretion, shall otherwise determine, stock options shall be exercisable by a grantee during employment commencing on the date of grant. No stock option shall be exercisable after the expiration of ten years (five years in the case of an incentive stock option granted to a Ten Percent Employee) from the date of grant. Unless the Committee, in its discretion, shall otherwise determine, a stock option to the extent exercisable at any time may be exercised in whole or in part.

(D) Cash payment rights granted in conjunction with a nonstatutory stock option shall entitle the person who is entitled to exercise the stock option, upon exercise of the stock option or any portion thereof, to receive cash from the Corporation (in addition to the shares to be received upon exercise of the stock option) equal to such percentage as the Committee, in its discretion, shall determine not greater than one hundred percent (100%) of the excess of the fair market value of a share of the Common Stock on the date of exercise of the stock option over the option price per share of the stock option times the number of shares covered by the stock option, or portion thereof, which is exercised. Payment of the cash provided for in this Section 5(D) shall be made by the Corporation as soon as practicable after the time the amount payable is determined. For purposes of this Section 5(D), the fair market value of the Common Stock shall be determined as provided in Section 5(I).

(E) No incentive stock option and, except to the extent otherwise determined by the Committee and reflected in the stock option agreement or an amendment thereto, no nonstatutory stock option shall be transferable by the grantee otherwise than by will, or if the grantee dies intestate, by the laws of descent and distribution of the state of domicile of the grantee at the time of death. All incentive stock options and, except to the extent otherwise determined by the Committee and reflected in the stock option agreement or an amendment thereto, all nonstatutory stock options shall be exercisable during the lifetime of the grantee only by the grantee.

(F) Subject to the provisions of Section 4 in the case of incentive stock options, unless the Committee, in its discretion, shall otherwise determine:

(i) If the employment of a grantee who is not disabled within the meaning of Section 422(c)(6) of the Code (a "Disabled Grantee") is voluntarily terminated with the consent of the Corporation or a Subsidiary or a grantee retires under any retirement plan of the Corporation or a Subsidiary, any then outstanding incentive stock option held by such grantee shall be exercisable by the grantee (but only to the extent exercisable by the grantee immediately prior to the termination of employment) at any time prior to the expiration date of such incentive stock option or within three months after the date of termination of employment, whichever is the shorter period;

(ii) If the employment of a grantee who is not a Disabled Grantee is voluntarily terminated with the consent of the Corporation or a Subsidiary or a grantee retires under any retirement plan of the Corporation or a Subsidiary any then outstanding nonstatutory stock option held by such grantee shall be exercisable by the grantee (but only to the extent exercisable by the grantee immediately prior to termination of employment) at any time prior to the expiration date of such nonstatutory stock option or within one year after the date of termination of employment, whichever is the shorter period;

(iii) If the employment of a grantee who is a Disabled Grantee is voluntarily terminated with the consent of the Corporation or a Subsidiary, any then outstanding stock option held by such grantee shall be exercisable by the grantee in full (whether or not so exercisable by the grantee immediately prior to the termination of employment) by the grantee at any time prior to the expiration date of such stock option or within one year after the date of termination of employment, whichever is the shorter period;

(iv) Following the death of a grantee during employment, any outstanding stock option held by the grantee at the time of death shall be exercisable in full (whether or not so exercisable by the grantee immediately prior to the death of the grantee) by the person entitled to do so under the Will of the grantee, or, if the grantee shall fail to make testamentary disposition of the stock option or shall die intestate, by the legal representative of the grantee at any time prior to the expiration date of such stock option or within one year after the date of death of the grantee, whichever is the shorter period;

(v) Following the death of a grantee after termination of employment during a period when a stock option is exercisable, the stock option shall be exercisable by such person entitled to do so under the Will of the grantee or by such legal representative (but only to the extent the stock option was exercisable by the grantee immediately prior to the death of the grantee) at any time prior to the expiration date of such stock option or within one year after the date of death, whichever is the shorter period;

(vi) Unless the exercise period of a stock option following termination of employment has been extended as provided in Section 8(C), if the employment of a grantee terminates for any reason other than voluntary termination with the consent of the Corporation or a Subsidiary, retirement under any retirement plan of the Corporation or a Subsidiary or death, all outstanding stock options held by the grantee at the time of such termination of employment shall automatically terminate.

Whether termination of employment is a voluntary termination with the consent of the Corporation or a Subsidiary shall be determined, in its discretion, by the Committee and any such determination by the Committee shall be final and binding.

(G) If a grantee of a stock option (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(C) applies following termination of employment), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Committee, in its discretion, may immediately terminate all outstanding stock options held by the grantee. Whether a grantee has engaged in any of the activities referred to in the preceding sentence which would cause the outstanding stock options to be terminated shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

(H) All stock options and cash payment rights shall be confirmed by an agreement which shall be executed on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee. The agreement confirming a stock option shall specify whether the stock option is an incentive stock option or a nonstatutory stock option. The provisions of such agreements need not be identical.

(I) Fair market value of the Common Stock shall be the mean between the following prices, as applicable, for the date as of which fair market value is to be determined as quoted in The Wall Street Journal (or in such other reliable publication as the Committee, in its discretion, may determine to rely upon): (i) if the Common Stock is listed on the New York Stock Exchange, the highest and lowest sales prices per share of the Common Stock as quoted in the NYSE-Composite Transactions listing for such date, (ii) if the Common Stock is not listed on such exchange the highest

and lowest sales prices per share of Common Stock for such date on (or on any composite index including) the principal United States securities exchange registered under the 1934 Act on which the Common Stock is listed or (iii) if the Common Stock is not listed on any such exchange, the highest and lowest sales prices per share of the Common Stock for such date on the National Association of Securities Dealers Automated Quotations System or any successor system then in use ("NASDAQ"). If there are no such sale price quotations for the date as of which fair market value is to be determined but there are such sale price quotations within a reasonable period both before and after such date, then fair market value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of the Common Stock as so quoted on the nearest date before and the nearest date after the date as of which fair market value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the selling dates and the date as of which fair market value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which fair market value is to be determined, then fair market value of the Common Stock shall be the mean between the bona fide bid and asked prices per share of Common Stock as so quoted for such date on NASDAQ, or if none, the weighted average of the means between such bona fide bid and asked prices on the nearest trading date before and the nearest trading date after the date as of which fair market value is to be determined, if both such dates are within a reasonable period. The average is to be determined in the manner described above in this Section 5(I). If the fair market value of the Common Stock cannot be determined on any basis previously set forth in this Section 5(I) for the date as of which fair market value is to be determined, the Committee shall in good faith determine the fair market value of the Common Stock on such date. Fair market value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

(J) The obligation of the Corporation to issue or deliver shares of the Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Corporation, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock may then be listed and (iii) all other applicable laws, regulations, rules and orders which may then be in effect.

Subject to the foregoing provisions of this Section 5 and the other provisions of the Plan, stock options and cash payment rights granted under the Plan shall be subject to such restrictions and other terms and conditions, if any, as shall be determined, in its discretion, by the Committee and set forth in the agreement referred to in Section 5(H), or an amendment thereto.

## SECTION 6 RESTRICTED SHARES AND PERFORMANCE UNITS

### (A) RESTRICTED SHARES

Awards of restricted shares shall be confirmed by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of the Common Stock awarded, restrictions imposed thereon (including, without limitation, restrictions on the right of the grantee to sell, assign, transfer or encumber such shares (except as provided below) while such shares are subject to other restrictions imposed under this Section 6(A)), the duration of such restrictions, events (which may, in the discretion of the Committee, include termination of employment and/or performance-based events) the occurrence of which would cause a forfeiture of the restricted shares and such other terms and conditions as shall be determined, in its discretion, by the Committee. The agreement shall be executed on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee. The provisions of such

agreements need not be identical. Awards of restricted shares shall be effective on the date determined, in its discretion, by the Committee.

Following the award of restricted shares and prior to the lapse or termination of the applicable restrictions, share certificates for the restricted shares shall be issued or delivered in the name of the grantee and deposited with the Corporation in escrow together with related stock powers signed by the grantee. Except as provided in Section 7, the Committee, in its discretion, may determine that dividends and other distributions on the shares held in escrow shall not be paid to the grantee until the lapse or termination of the applicable restrictions. Unless otherwise provided, in its discretion, by the Committee, any such dividends or other distributions shall not bear interest. Upon the lapse or termination of the applicable restrictions (and not before such time), the grantee shall receive the share certificates for the restricted shares (subject to the provisions of Section 10) and unpaid dividends, if any. From the date the award of restricted shares is effective, the grantee shall be a stockholder with respect to all the shares represented by the share certificates and shall have all the rights of a stockholder with respect to all the restricted shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares, subject only to the preceding provisions of this paragraph and the other restrictions imposed by the Committee. If a grantee of restricted shares (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(D) applies), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Committee may immediately declare forfeited all restricted shares held by the grantee as to which the restrictions have not yet lapsed. Whether a grantee has engaged in any of the activities referred to in the preceding sentence which would cause the restricted shares to be forfeited shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

Neither this Section 6(A) nor any other provision of the Plan shall preclude a grantee from transferring or assigning restricted shares to (i) the trustee of a trust that is revocable by such grantee alone, both at the time of the transfer or assignment and at all times thereafter prior to such grantee's death or (ii) the trustee of any other trust to the extent approved in advance by the Committee in writing. A transfer or assignment of restricted shares from such trustee to any person other than such grantee shall be permitted only to the extent approved in advance by the Committee in writing, and restricted shares held by such trustee shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable agreement as if such trustee were a party to such agreement.

(B) PERFORMANCE UNITS

The Committee may award performance units which shall be earned by an awardee based on the level of performance over a specified period of time by the Corporation, a Subsidiary or Subsidiaries, any branch, department or other portion thereof or the awardee individually, as determined by the Committee. For the purposes of the grant of performance units, the following definitions shall apply:

(i) "Performance unit" shall mean an award, expressed in dollars or shares of Common Stock, granted to an awardee with respect to a Performance Period. Awards expressed in dollars may be established as fixed dollar amounts, as a percentage of salary, as a percentage of a pool based on earnings of the Corporation, a Subsidiary or Subsidiaries or any branch,

department or other portion thereof or in any other manner determined by the Committee in its discretion, provided that the amount thereof shall be capable of being determined as a fixed dollar amount as of the close of the Performance Period.

(ii) "Performance Period" shall mean an accounting period of the Corporation or a Subsidiary of not less than one year, as determined by the Committee in its discretion.

(iii) "Performance Target" shall mean that level of performance established by the Committee which must be met in order for the performance unit to be fully earned. The Performance Target may be expressed in terms of earnings per share, return on assets, asset growth, ratio of capital to assets or such other level or levels of accomplishment by the Corporation, a Subsidiary or Subsidiaries, any division, branch, department or other portion thereof or the awardee individually as may be established or revised from time to time by the Committee.

(iv) "Minimum Target" shall mean a minimal level of performance established by the Committee which must be met before any part of the performance unit is earned. The Minimum Target may be the same as or less than the Performance Target in the discretion of the Committee.

(v) "Performance shares" shall mean shares of Common Stock issued or delivered in payment of earned performance units.

An awardee shall earn the performance unit in full by meeting the Performance Target for the Performance Period. If the Minimum Target has not been attained at the end of the Performance Period, no part of the performance unit shall have been earned by the awardee. If the Minimum Target is attained but the Performance Target is not attained, the portion of the performance unit earned by the awardee shall be determined on the basis of a formula established by the Committee.

At any time prior to the end of a Performance Period, the Committee may adjust downward (but not upward) the Performance Target and/or Minimum Target as a result of major events unforeseen at the time of the award, such as changes in the economy, in the industry or laws affecting the operations of the Corporation or a Subsidiary, or any division, branch, department or other portion thereof, or any other event the Committee determines would have a significant impact upon the probability of attaining the previously established Performance Target.

Payment of earned performance units shall be made to awardees following the close of the Performance Period as soon as practicable after the time the amount payable is determined by the Committee. Payment in respect of earned performance units, whether expressed in dollars or shares, may be made in cash, in shares of Common Stock, or partly in cash and partly in shares of Common Stock, as determined by the Committee at the time of payment. For this purpose, performance units expressed in dollars shall be converted to shares, and performance units expressed in shares shall be converted to dollars, based on the fair market value of the Common Stock, determined as provided in Section 5(I), as of the date the amount payable is determined by the Committee. The Committee, in its discretion, may determine that awardees shall also be entitled to any dividends or other distributions that would have been paid on earned performance shares had the shares been outstanding during the period from the award to the payment of the performance shares. Unless otherwise provided, in its discretion, by the Committee, any such dividends or other distributions shall not bear interest.

Unless otherwise provided in the agreement confirming the award of the performance units, if prior to the close of a Performance Period, the employment of an awardee of performance units is voluntarily terminated with the consent of the Corporation or a Subsidiary, the grantee retires under any retirement plan of the Corporation or a Subsidiary or the grantee dies during employment, the Committee in its discretion may determine to pay to the grantee all or part of the performance unit



based upon the extent to which the Committee determines the Performance Target or Minimum Target has been achieved as of the date of termination of employment, retirement or death, the period of time remaining until the end of the Performance Period and/or such other factors as the Committee may deem relevant. If the Committee, in its discretion, determines that all or any part of the performance unit shall be paid, payment shall be made to the awardee or the estate of the awardee as promptly as practicable following such determination and may be made in cash, in shares of Common Stock, or partly in cash and partly in shares of Common Stock, as determined by the Committee at the time of payment. For this purpose, performance units expressed in dollars shall be converted to shares, and performance units expressed in shares shall be converted to dollars, based on the fair market value of the Common Stock, determined as provided in Section 5(I), as of the date the amount payable is determined by the Committee.

Except as otherwise provided in Section 8(E), if the employment of a grantee of an award of performance units terminates prior to the close of the Performance Period for any reason other than voluntary termination with the consent of the Corporation or a Subsidiary, retirement under any retirement plan of the Corporation or a Subsidiary or death, the unearned performance units shall be deemed not to have been earned and such unearned units shall not be paid.

Whether termination of employment is a voluntary termination with the consent of the Corporation or a Subsidiary shall be determined, in its discretion, by the Committee and any such determination by the Committee shall be final and binding.

If an awardee of performance units (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(E) applies), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Committee may immediately cancel the award. Whether an awardee has engaged in any of the activities referred to the preceding sentence which would cause the award of performance units to be canceled shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

Performance unit awards shall be evidenced by a written agreement in the form prescribed by the Committee which shall set forth the amount or manner of determining the amount of the performance unit, the Performance Period, the Performance Target and any Minimum Target and such other terms and conditions as the Committee in its discretion deems appropriate. Performance unit awards shall be effective only upon execution of the applicable performance unit agreement on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President, and by the awardee.

#### SECTION 7 ADJUSTMENT AND SUBSTITUTION OF SHARES

If a dividend or other distribution shall be declared upon the Common Stock payable in shares of the Common Stock, (i) the number of shares of the Common Stock subject to any outstanding stock options or performance unit awards, (ii) the number of shares of the Common Stock which may be issued or delivered under the Plan but are not subject to outstanding stock options or performance unit awards and (iii) the maximum number of shares as to which stock options may be granted and as to

which shares may be awarded under the Plan to any employee under Section 4 on the date fixed for determining the stockholders entitled to receive such stock dividend or distribution shall be adjusted by adding thereto the number of shares of the Common Stock which would have been distributable thereon if such shares had been outstanding on such date. Shares of Common Stock so distributed with respect to any restricted shares held in escrow shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares on which they were distributed.

If the outstanding shares of Common Stock shall be changed into or exchangeable for a different number or kind of shares of stock or other securities of the Corporation or another corporation, whether through reorganization, reclassification, recapitalization, stock split-up, combination of shares, merger or consolidation, then there shall be substituted for each share of the Common Stock subject to any then outstanding stock option or performance unit award, for each share of the Common Stock which may be issued or delivered under the Plan but which is not then subject to any outstanding stock option or performance unit award and for the maximum number of shares as to which stock options may be granted and as to which shares may be awarded under the Plan to any employee under Section 4, the number and kind of shares of stock or other securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchangeable. Unless otherwise determined by the Committee, in its discretion, any such stock or securities, as well as any cash or other property, into or for which any restricted shares held in escrow shall be changed or exchangeable in any such transaction shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares in respect of which such stock, securities, cash or other property was issued or distributed.

In case of any adjustment or substitution as provided for in the first two paragraphs of this Section 7, the aggregate option price for all shares subject to each then outstanding stock option prior to such adjustment or substitution shall be the aggregate option price for all shares of stock or other securities (including any fraction) to which such shares shall have been adjusted or which shall have been substituted for such shares.

Any new option price per share shall be carried to at least three decimal places with the last decimal place rounded upwards to the nearest whole number.

If the outstanding shares of the Common Stock shall be changed in value by reason of any spin-off, split-off or split-up, or dividend in partial liquidation, dividend in property other than cash or extraordinary distribution to holders of the Common Stock, (i) the Committee shall make any adjustments to any then outstanding stock option which it determines are equitably required to prevent dilution or enlargement of the rights of grantees which would otherwise result from any such transaction, and (ii) unless otherwise determined by the Committee, in its discretion, any stock, securities, cash or other property distributed with respect to any restricted shares held in escrow or for which any restricted shares held in escrow shall be exchanged in any such transaction shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares in respect of which such stock, securities, cash or other property was distributed or exchanged.

No adjustment or substitution provided for in this Section 7 shall require the Corporation to issue or sell a fraction of a share or other security. Accordingly, all fractional shares or other securities which result from any such adjustment or substitution shall be eliminated and not carried forward to any subsequent adjustment or substitution. Owners of restricted shares held in escrow shall be treated in the same manner as owners of Common Stock not held in escrow with respect to fractional shares created by an adjustment or substitution of shares, except that, unless otherwise determined by the Committee, in its discretion, any cash or other property paid in lieu of a fractional share shall be subject to restrictions similar to those applicable to the restricted shares exchanged therefor.

If any adjustment or substitution provided for in this Section 7 requires the approval of stockholders in order to enable the Corporation to grant incentive stock options or to comply with Section 162(m) of the Code, then no such adjustment or substitution shall be made without the required stockholder approval. Notwithstanding the foregoing, in the case of incentive stock options, if the effect of any such adjustment or substitution would be to cause the stock option to fail to continue to qualify as an incentive stock option or to cause a modification, extension or renewal of such stock option within the meaning of Section 424 of the Code, the Committee may elect that such adjustment or substitution not be made but rather shall use reasonable efforts to effect such other adjustment of each then outstanding stock option as the Committee, in its discretion, shall deem equitable and which will not result in any disqualification, modification, extension or renewal (within the meaning of Section 424 of the Code) of the incentive stock option.

Except as provided in this Section 7, a grantee shall have no rights by reason of any issue or delivery by the Corporation of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

#### SECTION 8 ADDITIONAL RIGHTS IN CERTAIN EVENTS

##### (A) DEFINITIONS

For purposes of this Section 8, the following terms shall have the following meanings:

(1) The term "Person" shall be used as that term is used in Sections 13(d) and 14(d) of the 1934 Act as in effect on the effective date of the Plan.

(2) "Beneficial Ownership" shall be determined as provided in Rule 13d-3 under the 1934 Act as in effect on the effective date of the Plan.

(3) A specified percentage of "Voting Power" of a company shall mean such number of the Voting Shares as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote); and "Voting Shares" shall mean all securities of a company entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote).

(4) "Tender Offer" shall mean a tender offer or exchange offer to acquire securities of the Corporation (other than such an offer made by the Corporation or any Subsidiary), whether or not such offer is approved or opposed by the Board.

(5) "Continuing Directors" shall mean a director of the Corporation who either (a) was a director of the Corporation on the effective date of the Plan or (b) is an individual whose election, or nomination for election, as a director of the Corporation was approved by a vote of at least two-thirds of the directors then still in office who were Continuing Directors (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Corporation which would be subject to Rule 14a-11 under the 1934 Act, or any successor Rule).

(6) "Designated Person" shall mean (a) the Westinghouse Air Brake Company Employee Stock Ownership Plan and the Westinghouse Air Brake Company Employee Stock

Ownership Trust (collectively, the "ESOP") and (b) any Person serving on the Committee administering the ESOP, to the extent that such Person is deemed to have Beneficial Ownership of shares of Common Stock held by the ESOP.

(7) "Section 8 Event" shall mean the date upon which any of the following events occurs:

(a) The Corporation acquires actual knowledge that any Person, other than the Corporation, a Subsidiary, or any employee benefit plan(s) sponsored by the Corporation or a Subsidiary, or any Designated Person, has acquired the Beneficial Ownership, directly or indirectly, of securities of the Corporation entitling such Person to 30% or more of the Voting Power of the Corporation;

(b) A Tender Offer is made to acquire securities of the Corporation entitling the holders thereof to 30% or more of the Voting Power of the Corporation; or

(c) A solicitation subject to Rule 14a-11 under the 1934 Act (or any successor Rule) relating to the election or removal of 50% or more of the members of the Board or any class of the Board shall be made by any person other than the Corporation or less than 51% of the members of the Board (excluding vacant seats) shall be Continuing Directors; or

(d) The stockholders of the Corporation shall approve a merger, consolidation, share exchange, division or sale or other disposition of assets of the Corporation as a result of which the stockholders of the Corporation immediately prior to such transaction shall not hold, directly or indirectly, immediately following such transaction a majority of the Voting Power of (i) in the case of a merger or consolidation, the surviving or resulting corporation, (ii) in the case of a share exchange, the acquiring corporation or (iii) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the transaction, holds more than 30% of the consolidated assets of the Corporation immediately prior to the transaction;

provided, however, that (i) if securities beneficially owned by a grantee are included in determining the Beneficial Ownership of a Person referred to in paragraph 7(a) above, (ii) a grantee is required to be named pursuant to Item 2 of the Schedule 14D-1 (or any similar successor filing requirement) required to be filed by the bidder making a Tender Offer referred to in paragraph 7(b) above or (iii) if a grantee is a "participant" as defined in Instruction 3 to Item 4 of Schedule 14A under the 1934 Act (or any successor Rule) in a solicitation (other than a solicitation by the Corporation) referred to in paragraph 7(c) above, then no Section 8 Event with respect to such grantee shall be deemed to have occurred by reason of such event.

**(B) ACCELERATION OF THE EXERCISE DATE OF STOCK OPTIONS**

Subject to the provisions of Section 4 in the case of incentive stock options, unless the agreement referred to in Section 5(H), or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, in case any "Section 8 Event" occurs all outstanding stock options (other than those held by a person referred to in the proviso to Section 8(A)(7)) shall become immediately and fully exercisable whether or not otherwise exercisable by their terms.

**(C) EXTENSION OF THE EXPIRATION DATE OF STOCK OPTIONS**

Subject to the provisions of Section 4 in the case of incentive stock options, unless the agreement referred to in Section 5(H), or an amendment thereto, shall otherwise provide,

notwithstanding any other provision contained in the Plan, all outstanding stock options held by a grantee (other than a grantee referred to in the proviso to Section 8(A)(7)) whose employment with the Corporation or a Subsidiary terminates within one year of any Section 8 Event for any reason other than voluntary termination with the consent of the Corporation or a Subsidiary, retirement under any retirement plan of the Corporation or a Subsidiary or death which are exercisable shall continue to be exercisable for a period of three years from the date of such termination of employment, but in no event after the expiration date of the stock option.

(D) LAPSE OF RESTRICTIONS ON RESTRICTED SHARE AWARDS

Unless the agreement referred to in Section 6(A), or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, if any "Section 8 Event" occurs prior to the scheduled lapse of all restrictions applicable to restricted share awards under the Plan (other than those held by a person referred to in the proviso to Section 8(A)(7)), all such restrictions shall lapse upon the occurrence of any such "Section 8 Event" regardless of the scheduled lapse of such restrictions.

(E) PAYMENT OF PERFORMANCE UNITS

Unless the agreement referred to in Section 6(B), or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, if any "Section 8 Event" occurs prior to the end of any Performance Period, all performance units (unless the awardee is a person referred to in the proviso to Section 8(A)(7)) shall be deemed to have been fully earned as of the date of the Section 8 Event, regardless of the attainment or nonattainment of any Performance Target or any Minimum Target and shall be paid to the awardee thereof as promptly as practicable after the Section 8 Event. If the performance unit is not expressed as a fixed amount in dollars or shares, the Committee may provide in the performance unit agreement for the amount to be paid in the case of Section 8 Event.

(F) TAX-RELATED CASH PAYMENTS

Unless the agreements referred to in Sections 5(H), 6(A) or 6(B), or an amendment thereto, shall otherwise provide, if the independent auditors most recently selected by the Board determine that (i) any grant, payment or transfer to or for the benefit of a grantee or awardee under the Plan (whether granted, paid or payable or transferred or transferable pursuant to the Plan or otherwise) (a "Payment") would be deemed to be an "excess parachute payment" for Federal income tax purposes because of Section 280G of the Code, or any successor provision ("Section 280G"), and (ii) any grant, payment or transfer under the Plan to or for the benefit of a grantee or awardee within one year of or following the occurrence of a Section 8 Event constitutes in whole or in part a "parachute payment" under Section 280G (without regard to Section 280G(b)(4)) used in calculating such "excess parachute payment," the Payment will be grossed up through the payment by the Corporation to the grantee or awardee in cash of the amount of any excise tax under Section 4999 of the Code, or any successor provision ("Section 4999"), on the "excess parachute payment" and the amount of any excise tax under Section 4999 and applicable income tax on the total amount of such gross up payment, so that the grantee or awardee will receive the full amount of the Payment after the grantee or awardee has paid any excise tax under Section 4999 of the Code on the "excess parachute payment" and any excise tax under Section 4999 and applicable income tax on the amount of such gross up payment. On the later of the date an "excess parachute payment" is paid to or for the benefit of the grantee or awardee or the date on which it can be first determined that a Payment would be deemed to be an "excess parachute payment," the Corporation shall pay or distribute to or for the benefit of the grantee or awardee the

gross up payment due to the grantee or awardee under this Section 8(F).

SECTION 9  
EFFECT OF THE PLAN ON THE RIGHTS OF EMPLOYEES AND EMPLOYER

Neither the adoption of the Plan nor any action of the Board or the Committee pursuant to the Plan shall be deemed to give any employee any right to be granted a stock option (with or without cash payment rights) or to be awarded restricted shares or performance units under the Plan. Nothing in the Plan, in any stock option or cash payment rights granted under the Plan or in any award of restricted shares or performance units under the Plan or in any agreement providing for any of the foregoing shall confer any right on any employee to continue in the employ of the Corporation or any Subsidiary or interfere in any way with the rights of the Corporation or any Subsidiary to terminate the employment of any employee at any time.

SECTION 10  
WITHHOLDING

Income, excise or employment taxes may be required to be withheld by the Corporation or a Subsidiary in connection with the grant or exercise of a stock option, upon a "disqualifying disposition" of the shares acquired upon exercise of an incentive stock option, at the time restricted shares are granted or vest or performance units are earned or upon the receipt by the grantee of cash in payment of cash payment rights or dividends on restricted stock which has not vested. Any taxes required to be withheld by the Corporation or any of its Subsidiaries upon the receipt by the grantee of cash in payment of cash payment rights or dividends will be satisfied by the Corporation by withholding the taxes required to be withheld from the cash the grantee would otherwise receive. The Corporation will request that the grantee pay any additional amount required to be withheld directly to the Corporation in cash. If a grantee does not pay any taxes required to be withheld by the Corporation or any of its Subsidiaries within ten days after a request for the payment of such taxes, the Corporation or such Subsidiary may withhold such taxes from any compensation to which the grantee is entitled.

SECTION 11  
AMENDMENT

The right to alter and amend the Plan at any time to time and the right to revoke or terminate the Plan are hereby specifically reserved to the Board; provided that no such alteration or amendment of the Plan shall, without stockholder approval, (i) modify the formulas to increase the number of shares which may be issued or delivered under the Plan as set forth in Section 3, (ii) increase the maximum aggregate number of shares as to which incentive stock options may be granted as set forth in Section 3, (iii) change the option price permitted under Section 5(A) of the Plan, (iv) increase the maximum number of shares as to which stock options may be granted and as to which shares may be awarded under the Plan to any one employee as set forth in Section 4, (v) make any changes in the class of employees eligible to receive options or awards under the Plan, or (vi) be made if stockholder approval of the amendment is at the time required for grants or awards under the Plan to qualify for the exemption from Section 16(b) of the 1934 Act provided by Rule 16b-3 or by the rules of the New York Stock Exchange or any other stock exchange on which the Common Stock may then be listed. No alteration, amendment, revocation or termination of the Plan shall, without the written consent of the holder of an outstanding grant or award under the Plan, adversely affect the rights of such holder with respect to such outstanding grant or award.

SECTION 12  
INTEGRATION

The Plan and any written agreements executed by employees and the Corporation contain all of the understandings and representations between the parties and supersede any prior understandings and agreements entered into between them regarding the subject matter within. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter within which are not fully expressed in the Plan and the agreements.

SECTION 13  
EFFECTIVE DATE AND DURATION OF PLAN

The effective date and date of adoption of the Plan shall be January 24, 2000, the date of adoption of the Plan by the Board, and the effective date of the amendments to the Plan adopted by the Board on March 22, 2000 shall be March 22, 2000, provided that such amendments are approved by stockholders at a meeting duly called, convened and held on or prior to March 21, 2001, at which a quorum representing a majority of the outstanding voting stock of the Corporation is, either in person or by proxy, present and voting on the Plan. No stock option or cash payment rights may be granted and no restricted shares or performance units payable in performance shares may be awarded under the Plan subsequent to January 23, 2010.

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

1000

3-MOS	DEC-31-2000	
	JAN-01-2000	
	MAR-31-2000	
		14,731
		0
	179,688	
		0
	222,700	
	455,453	
		400,471
	179,448	
	1,008,175	
195,856		562,857
	0	
		0
		654
	194,568	
1,008,175		258,859
	258,859	
		182,366
	182,366	
	43,754	
		0
	11,170	
	25,640	
		9,230
16,410		
		0
		0
		0
	16,410	
		0.38
		0.38