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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from to

Commission file number: 033-90866

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

Delaware	**25-1615902**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
30 Isabella Street Pittsburgh, Pennsylvania	**15212**
(Address of principal executive offices)	**(Zip code)**

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
As of October 22, 2021, there were 186,821,013 shares of common stock, par value $.01 per share, of the registrant outstanding.

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION

September 30, 2021

FORM 10-Q

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

In millions, except par value	Unaudited September 30, 2021	December 31, 2020
Assets		
Assets		
Cash, cash equivalents and restricted cash	$ 456.4	$ 598.7
Accounts receivable	960.3	969.3
Unbilled accounts receivable	406.7	443.2
Inventories	1,689.6	1,642.1
Other current assets	247.1	226.5
Total current assets	3,760.1	3,879.8
Property, plant and equipment, net	1,509.0	1,601.6
Goodwill	8,604.7	8,485.2
Other intangible assets, net	3,779.8	3,869.2
Other noncurrent assets	698.3	618.7
Total noncurrent assets	14,591.8	14,574.7
Total Assets	$ 18,351.9	$ 18,454.5
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable	$ 947.3	$ 909.4
Customer deposits	556.9	642.7
Accrued compensation	309.3	242.3
Accrued warranty	238.1	240.1
Current portion of long-term debt	3.8	447.2
Other accrued liabilities	756.2	744.6
Total current liabilities	2,811.6	3,226.3
Long-term debt	4,067.2	3,792.2
Accrued postretirement and pension benefits	104.2	113.5
Deferred income taxes	184.7	168.4
Contingent consideration	219.8	218.1
Other long term liabilities	773.2	783.3
Total Liabilities	8,160.7	8,301.8
Commitments and contingencies (Note 15)		
Equity		
Common stock, $.01 par value; 500.0 shares authorized: 226.9 and 226.9 shares issued and 186.8 and 188.9 outstanding at September 30, 2021 and December 31, 2020, respectively	2.0	2.0
Additional paid-in capital	7,905.6	7,880.6
Treasury stock, at cost, 40.1 and 38.0 shares, at September 30, 2021 and December 31, 2020, respectively	(1,206.2)	(1,010.1)
Retained earnings	3,887.8	3,588.9
Accumulated other comprehensive loss	(432.6)	(339.1)
Total Westinghouse Air Brake Technologies Corporation shareholders' equity	10,156.6	10,122.3
Noncontrolling interest	34.6	30.4
Total Equity	10,191.2	10,152.7
Total Liabilities and Equity	$ 18,351.9	$ 18,454.5

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

In millions, except per share data	Unaudited Three Months Ended September 30, 2021	2020	Unaudited Nine Months Ended September 30, 2021	2020
Net sales:				
Sales of goods	$ 1,489.1	$ 1,543.6	$ 4,562.2	$ 4,540.5
Sales of services	417.8	321.5	1,187.2	991.9
Total net sales	1,906.9	1,865.1	5,749.4	5,532.4
Cost of sales:				
Cost of goods	(1,075.5)	(1,109.9)	(3,368.2)	(3,327.1)
Cost of services	(229.1)	(189.0)	(664.6)	(573.7)
Total cost of sales	(1,304.6)	(1,298.9)	(4,032.8)	(3,900.8)
Gross profit	602.3	566.2	1,716.6	1,631.6
Operating expenses:				
Selling, general and administrative expenses	(269.0)	(252.7)	(766.5)	(712.9)
Engineering expenses	(43.8)	(36.5)	(123.5)	(123.7)
Amortization expense	(72.5)	(70.3)	(214.7)	(211.6)
Total operating expenses	(385.3)	(359.5)	(1,104.7)	(1,048.2)
Income from operations	217.0	206.7	611.9	583.4
Other income and expenses:				
Interest expense, net	(42.2)	(45.6)	(134.7)	(150.3)
Other income, net	0.5	14.3	25.0	5.8
Income before income taxes	175.3	175.4	502.2	438.9
Income tax expense	(43.5)	(46.9)	(130.5)	(113.4)
Net income	131.8	128.5	371.7	325.5
Less: Net (income) loss attributable to noncontrolling interest	(1.2)	(0.4)	(3.9)	1.0
Net income attributable to Wabtec shareholders	$ 130.6	$ 128.1	$ 367.8	$ 326.5
Earnings Per Common Share				
Basic				
Net income attributable to Wabtec shareholders	$ 0.69	$ 0.67	$ 1.95	$ 1.71
Diluted				
Net income attributable to Wabtec shareholders	$ 0.69	$ 0.67	$ 1.95	$ 1.71
Weighted average shares outstanding				
Basic	187.6	189.8	188.2	190.1
Diluted	188.0	190.2	188.6	190.6

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions	Unaudited Three Months Ended September 30, 2021	Unaudited Three Months Ended September 30, 2020	Unaudited Nine Months Ended September 30, 2021	Unaudited Nine Months Ended September 30, 2020
Net income attributable to Wabtec shareholders	$ 130.6	$ 128.1	$ 367.8	$ 326.5
Foreign currency translation (loss) gain	(59.9)	53.8	(87.8)	(98.4)
Unrealized (loss) gain on derivative contracts	(0.4)	2.8	(7.8)	1.8
Unrealized gain (loss) on pension benefit plans and post-retirement benefit plans	4.4	(0.6)	—	(3.5)
Other comprehensive (loss) income before tax	(55.9)	56.0	(95.6)	(100.1)
Income tax (expense) benefit related to components of Other comprehensive (loss) income	(0.9)	(0.5)	2.1	0.4
Other comprehensive (loss) income, net of tax	(56.8)	55.5	(93.5)	(99.7)
Comprehensive income attributable to Wabtec shareholders	$ 73.8	$ 183.6	$ 274.3	$ 226.8

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions	Unaudited Nine Months Ended September 30, 2021	Unaudited Nine Months Ended September 30, 2020
Operating Activities		
Net income	$ 371.7	$ 325.5
Adjustments to reconcile Net income to cash provided by (used for) operating activities:		
Depreciation and amortization	368.6	353.3
Stock-based compensation expense	34.2	17.6
Below market intangible amortization	(36.2)	(67.9)
Net loss on disposal of property, plant and equipment	7.1	3.0
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable and unbilled accounts receivable	34.9	245.2
Inventories	(32.3)	7.8
Accounts payable	41.1	(203.4)
Accrued income taxes	28.9	17.9
Accrued liabilities and customer deposits	(11.0)	(76.3)
Other assets and liabilities	(47.7)	(164.6)
Net cash provided by operating activities	759.3	458.1
Investing Activities		
Purchase of property, plant and equipment	(78.5)	(98.7)
Proceeds from disposal of assets and businesses	8.3	19.1
Acquisitions of businesses, net of cash acquired	(405.1)	(40.3)
Net cash used for investing activities	(475.3)	(119.9)
Financing Activities		
Proceeds from debt	4,328.6	2,936.0
Payments of debt	(4,491.3)	(3,117.1)
Repurchase of stock	(200.3)	(105.3)
Cash dividends	(68.9)	(69.2)
Other financing activities	(1.4)	(5.2)
Net cash used for financing activities	(433.3)	(360.8)
Effect of changes in currency exchange rates	7.0	(22.3)
Decrease in cash	(142.3)	(44.9)
Cash, cash equivalents and restricted cash, beginning of period	598.7	604.2
Cash, cash equivalents and restricted cash, end of period	$ 456.4	$ 559.3

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

In millions, except per share data	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance, December 31, 2020	226.9	$ 2.0	$ 7,880.6	(38.0)	$ (1,010.1)	$ 3,588.9	$ (339.1)	$ 30.4	$ 10,152.7
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(23.0)	—	—	(23.0)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(5.4)	—	0.2	—	—	—	(5.2)
Stock based compensation	—	—	8.7	—	—	—	—	—	8.7
Net income	—	—	—	—	—	112.4	—	2.3	114.7
Other comprehensive loss, net of tax	—	—	—	—	—	—	(69.9)	—	(69.9)
Stock repurchase	—	—	—	—	(1.2)	—	—	—	(1.2)
Other	—	—	—	—	—	—	—	0.3	0.3
Balance, March 31, 2021	226.9	$ 2.0	$ 7,883.9	(38.0)	$ (1,011.1)	$ 3,678.3	$ (409.0)	$ 33.0	$ 10,177.1
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(23.0)	—	—	(23.0)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(1.1)	0.1	2.5	—	—	—	1.4
Stock based compensation	—	—	13.9	—	—	—	—	—	13.9
Net income	—	—	—	—	—	124.8	—	0.4	125.2
Other comprehensive income, net of tax	—	—	—	—	—	—	33.2	—	33.2
Balance, June 30, 2021	226.9	$ 2.0	$ 7,896.7	(37.9)	$ (1,008.6)	$ 3,780.1	$ (375.8)	$ 33.4	$ 10,327.8
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(22.9)	—	—	(22.9)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	0.8	0.1	1.5	—	—	—	2.3
Stock based compensation	—	—	8.1	—	—	—	—	—	8.1
Net income	—	—	—	—	—	130.6	—	1.2	131.8
Other comprehensive loss, net of tax	—	—	—	—	—	—	(56.8)	—	(56.8)
Stock repurchase	—	—	—	(2.3)	(199.1)	—	—	—	(199.1)
Balance, September 30, 2021	226.9	$ 2.0	$ 7,905.6	(40.1)	$ (1,206.2)	$ 3,887.8	$ (432.6)	$ 34.6	$ 10,191.2

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(Unaudited)

In millions, except per share data	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance, December 31, 2019	226.9	$ 2.0	$ 7,877.2	(35.3)	$ (807.1)	$ 3,267.0	$ (382.6)	$ 37.1	$ 9,993.6
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(23.0)	—	—	(23.0)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(7.9)	0.2	2.2	—	—	—	(5.7)
Stock based compensation	—	—	10.0	—	—	—	—	—	10.0
Net income (loss)	—	—	—	—	—	111.6	—	(0.4)	111.2
Other comprehensive loss, net of tax	—	—	—	—	—	—	(178.0)	—	(178.0)
Stock repurchase	—	—	—	(1.6)	(105.3)	—	—	—	(105.3)
Other	—	—	(4.3)	—	—	—	—	(0.8)	(5.1)
Balance, March 31, 2020	226.9	$ 2.0	$ 7,875.0	(36.7)	$ (910.2)	$ 3,355.6	$ (560.6)	$ 35.9	$ 9,797.7
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(23.4)	—	—	(23.4)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	(0.6)	0.1	0.9	—	—	—	0.3
Stock based compensation	—	—	(2.7)	—	—	—	—	—	(2.7)
Net income (loss)	—	—	—	—	—	86.8	—	(1.0)	85.8
Other comprehensive income, net of tax	—	—	—	—	—	—	22.8	—	22.8
Other	—	—	—	—	—	—	—	0.1	0.1
Balance, June 30, 2020	226.9	$ 2.0	$ 7,871.7	(36.6)	$ (909.3)	$ 3,419.0	$ (537.8)	$ 35.0	$ 9,880.6
Cash dividends ($0.12 dividend per share)	—	—	—	—	—	(22.8)	—	—	(22.8)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax	—	—	0.4	—	(0.1)	—	—	—	0.3
Stock based compensation	—	—	10.2	—	—	—	—	—	10.2
Net income	—	—	—	—	—	128.0	—	0.5	128.5
Other comprehensive income, net of tax	—	—	—	—	—	—	55.6	—	55.6
Balance, September 30, 2020	226.9	$ 2.0	$ 7,882.3	(36.6)	$ (909.4)	$ 3,524.2	$ (482.2)	$ 35.5	$ 10,052.4

The accompanying notes are an integral part of these statements.

1. BUSINESS

Westinghouse Air Brake Technologies Corporation (“Wabtec” or the "Company") is one of the world’s largest providers of locomotives, value-added, technology-based equipment, systems and services for the global freight rail and passenger transit industries. Our highly engineered products, which are intended to enhance safety, improve productivity and reduce maintenance costs for customers, can be found on most locomotives, freight cars, passenger transit cars and buses around the world. Many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in over 50 countries and our products can be found in more than 100 countries throughout the world. In the first nine months of 2021, approximately 58% of the Company’s revenues came from customers outside the United States.

2. ACCOUNTING POLICIES

Basis of Presentation The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America and the rules and regulations of the Securities and Exchange Commission and include the accounts of Wabtec and its subsidiaries in which Wabtec has a controlling interest. These condensed consolidated interim financial statements do not include all of the information and footnotes required for complete financial statements. In management’s opinion, these financial statements reflect all adjustments of a normal, recurring nature necessary for a fair presentation of the results for the interim periods presented. Results for these interim periods are not necessarily indicative of results to be expected for the full year particularly in light of the ongoing COVID-19 pandemic that is continuing to impact our sales channels, supply chain, manufacturing operations, workforce, and other key aspects of our operations and the high degree of uncertainty regarding the pandemic's duration and severity, availability and effectiveness of vaccines, impact of variants of the disease, actions to control it, and the potential impact on global economic activity, global supply chain operations and our customers, suppliers, and end-markets.

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

The notes included herein should be read in conjunction with the audited consolidated financial statements included in Wabtec’s Annual Report on Form 10-K for the year ended December 31, 2020. The December 31, 2020 information has been derived from the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

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

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

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

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

Generally, the Company's revenue contains a single performance obligation for each distinct good or service; however, a single contract may have multiple performance obligations comprising multiple promises to customers. When there are multiple performance obligations, revenue is allocated based on the relative stand-alone selling price. Pricing is defined in our contracts on a line item basis and includes an estimate of variable consideration when required by the terms of the individual customer contract. Types of variable consideration the Company typically has include volume discounts, prompt payment discounts, liquidating damages and performance bonuses. Sales returns and allowances are also estimated and recognized in the same period the related revenue is recognized, based upon the Company's experience.

Remaining performance obligations represent the transaction price of firm customer orders subject to standard industry cancellation provisions and substantial scope-of-work adjustments. As of September 30, 2021, the Company's remaining performance obligations were $21.1 billion. The Company expects to recognize revenue of approximately 25% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

Revolving Receivables Program In May 2020, the Company entered into a revolving agreement to transfer up to $150 million of certain receivables of certain subsidiaries of the Company (the "Originators") through our bankruptcy-remote subsidiary to a financial institution on a recurring basis in exchange for cash equal to the gross receivables transferred. The bankruptcy remote subsidiary is a separate legal entity with its own creditors, and its assets are not available to pay creditors of the Company or any other affiliates of the Company. During the first quarter of 2021, the Company amended its revolving agreement to increase the amount of certain receivables that can be transferred from $150 million to $200 million. As customers pay their balances, we transfer additional receivables into the program, resulting in our gross receivables sold exceeding net cash flow impacts (e.g., collect and reinvest). The sold receivables are fully guaranteed by our bankruptcy-remote subsidiary which held receivables of $284.8 million at September 30, 2021 that are pledged as collateral under this agreement. The transfers are recorded at the fair value of the proceeds received and obligations assumed less derecognized receivables. No obligation was recorded at September 30, 2021 as the estimated expected credit losses on receivables sold is insignificant. Our maximum exposure to loss related to these receivables transferred is limited to the amount outstanding. The Company has agreed to guarantee the performance of the Originators respective obligations under the revolving agreement. None of the Company (except for the bankruptcy-remote consolidated subsidiary referenced above) nor the Originators guarantees the collectability of the receivables under the revolving agreements.

The following table sets forth a summary of receivables sold:

In millions	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Gross receivables sold/cash proceeds received	$ 959.1	$ 583.0
Collections reinvested under revolving agreement	874.9	485.5
Net cash proceeds received	$ 84.2	$ 97.5

Depreciation Expense Depreciation of property, plant and equipment related to the manufacturing of products or services provided is included in Cost of goods or Cost of services. Depreciation of other property, plant and equipment that is not attributable to the manufacturing of products or services provided is included in Selling, general and administrative expenses or Engineering expense depending on how the property, plant and equipment is used.

Goodwill and Intangible Assets Goodwill and other intangible assets with indefinite lives are not amortized. Other intangibles (with definite lives) are amortized on a straight-line basis over their estimated economic lives. Amortizable intangible assets are reviewed for impairment when indicators of impairment are present. The Company tests goodwill and indefinite-lived intangible assets for impairment at the reporting unit level and at least annually. The Company performs its annual impairment test during the fourth quarter after the annual forecasting process is completed, and also tests for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Periodically, management of the Company assesses whether or not an indicator of impairment is present that would necessitate an impairment analysis to be performed.

Accounting Standards Recently Adopted In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, "Income Taxes: Simplifying the Accounting for Income Taxes." The amendments in this update simplify the accounting for certain income tax transactions by removing specific exceptions to the general principles in Accounting Standards Codification ("ASC") 740, "Income Taxes." This guidance is effective for fiscal years beginning after December 15, 2020 with early adoption permitted. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

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

The changes in Accumulated other comprehensive loss by component, net of tax, for the three months ended September 30, 2021 are as follows:

In millions	Foreign currency translation	Derivative contracts	Pension and post retirement benefit plans	Total
Balance at June 30, 2021	$ (288.1)	$ (3.1)	$ (84.6)	$ (375.8)
Other comprehensive (loss) income before reclassifications	(59.9)	(0.3)	2.7	(57.5)
Amounts reclassified from Accumulated other comprehensive loss	—	—	0.7	0.7
Other comprehensive (loss) income, net	(59.9)	(0.3)	3.4	(56.8)
Balance at September 30, 2021	$ (348.0)	$ (3.4)	$ (81.2)	$ (432.6)

The changes in Accumulated other comprehensive loss by component, net of tax, for the three months ended September 30, 2020 are as follows:

In millions	Foreign currency translation	Derivative contracts	Pension and post retirement benefit plans	Total
Balance at June 30, 2020	$ (460.8)	$ (4.1)	$ (72.9)	$ (537.8)
Other comprehensive income (loss) before reclassifications	53.8	2.2	(1.1)	54.9
Amounts reclassified from Accumulated other comprehensive loss	—	—	0.7	0.7
Other comprehensive income (loss), net	53.8	2.2	(0.4)	55.6
Balance at September 30, 2020	$ (407.0)	$ (1.9)	$ (73.3)	$ (482.2)

The changes in Accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2021 are as follows:

In millions	Foreign currency translation	Derivative contracts	Pension and post retirement benefit plans	Total
Balance at December 31, 2020	$ (260.2)	$ 2.4	$ (81.3)	$ (339.1)
Other comprehensive loss before reclassifications	(87.8)	(5.8)	(2.1)	(95.7)
Amounts reclassified from Accumulated other comprehensive loss	—	—	2.2	2.2
Other comprehensive (loss) income, net	(87.8)	(5.8)	0.1	(93.5)
Balance at September 30, 2021	$ (348.0)	$ (3.4)	$ (81.2)	$ (432.6)

The changes in Accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2020 are as follows:

In millions	Foreign currency translation		Derivative contracts		Pension and post retirement benefit plans		Total	
Balance at December 31, 2019	$	(308.6)	$	(3.3)	$	(70.7)	$	(382.6)
Other comprehensive (loss) income before reclassifications		(98.4)		1.4		(4.8)		(101.8)
Amounts reclassified from Accumulated other comprehensive loss		—		—		2.2		2.2
Other comprehensive (loss) income, net		(98.4)		1.4		(2.6)		(99.6)
Balance at September 30, 2020	$	(407.0)	$	(1.9)	$	(73.3)	$	(482.2)

Amounts reclassified from Accumulated other comprehensive loss are recognized in "Other income, net" with the tax impact recognized in "Income tax expense."

3. ACQUISITIONS

Nordco

On March 31, 2021, the Company acquired Nordco, a leading North American supplier of new, rebuilt and used maintenance of way equipment. Nordco's products and services portfolio includes mobile railcar movers and ultrasonic rail flaw detection technologies. The purchase price paid for 100% ownership of Nordco was approximately $410 million.

The following table summarizes the preliminary fair value of the Nordco assets acquired and liabilities assumed:

In millions		
Assets acquired		
Cash and cash equivalents	$	5.1
Accounts receivable		22.5
Inventory		34.3
Other current assets		1.7
Property, plant and equipment		16.6
Goodwill		214.1
Other intangible assets		167.6
Other noncurrent assets		13.6
Total assets acquired		475.5
Liabilities assumed		
Current liabilities		19.1
Noncurrent liabilities		46.2
Total liabilities assumed		65.3
Net assets acquired	$	410.2

The fair values of the assets acquired and liabilities assumed were determined using the income, cost and market approaches. Discounted cash flow models were used to estimate the fair values of acquired intangibles. The fair value measurements were primarily based on significant inputs that are not observable in the market and are considered Level 3 in the fair value hierarchy. These estimates are preliminary in nature and subject to adjustments, which could be material, as the Company has not completed its valuation of assets acquired and liabilities assumed. Any necessary adjustments will be finalized within one year from the date of acquisition; adjustments to date have not been significant. Intangible assets acquired include customer relationships and intellectual property that are subject to amortization, and trade names that were assigned an indefinite life and are not subject to amortization. Contingent liabilities assumed as part of the transaction were not material.

Goodwill was calculated as the difference between the acquisition date fair value of the consideration transferred and the fair value of the net assets acquired, and represents the assembled workforce and the future economic benefits, including synergies, that are expected to be achieved as a result of the acquisition. The purchased goodwill is not expected to be deductible for tax purposes. The results of this business since the date of acquisition are reported within the Freight segment and the Services product line. The pro-forma impact on Wabtec’s sales and results of operations, including the pro forma effect of events that are directly attributable to the acquisition, was not significant.

4. INVENTORIES

The components of inventory, net of reserves, were:

In millions	September 30, 2021	December 31, 2020
Raw materials	$ 725.5	$ 669.4
Work-in-progress	342.0	339.4
Finished goods	622.1	633.3
Total inventories	$ 1,689.6	$ 1,642.1

5. GOODWILL AND INTANGIBLE ASSETS

The change in the carrying amount of goodwill by segment for the nine months ended September 30, 2021 is as follows:

In millions	Freight Segment	Transit Segment	Total
Balance at December 31, 2020	$ 6,872.2	$ 1,613.0	$ 8,485.2
Additions	214.1	—	214.1
Foreign currency impact	(9.3)	(85.3)	(94.6)
Balance at September 30, 2021	$ 7,077.0	$ 1,527.7	$ 8,604.7

As of September 30, 2021 and December 31, 2020, the Company’s trade names had a net carrying amount of $646.9 million and $650.7 million, respectively. The Company believes these intangibles have indefinite lives, with the exception of the right to use the GE Transportation trade name, to which the Company has assigned a useful life of 5 years.

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

In millions	September 30, 2021	December 31, 2020
Intellectual property, patents, and other intangibles, net of accumulated amortization of $301.1 and $223.7	$ 988.6	$ 1,007.6
Backlog, net of accumulated amortization of $285.5 and $206.9	1,142.7	1,224.7
Customer relationships, net of accumulated amortization of $319.3 and $276.3	1,001.6	986.2
Total	$ 3,132.9	$ 3,218.5

The weighted average remaining useful life of backlog, intellectual property, customer relationships and other intangible assets were 12 years, 11 years, 16 years and 8 years, respectively. The backlog intangible asset primarily consists of in-place long-term service agreements acquired by the Company in conjunction with the acquisition of GE Transportation in 2019. Amortization expense for intangible assets was $72.5 million and $214.7 million for the three and nine months ended September 30, 2021, and $70.3 million and $211.6 million for the three and nine months ended September 30, 2020, respectively.

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

In millions	
Remainder of 2021	$ 72.9
2022	290.2
2023	289.5
2024	280.0
2025	277.4
2026	273.6

6. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets include unbilled amounts resulting from sales under long-term contracts where revenue is recognized over time and revenue exceeds the amount that can be billed to the customer based on the terms of the contract. The current portion of the contract assets are classified as current assets under the caption “Unbilled accounts receivable” while the noncurrent contract assets are classified as other assets under the caption "Other noncurrent assets" on the consolidated balance sheet. Noncurrent contract assets were $149.4 million at September 30, 2021 and $101.0 million at December 31, 2020. Included in noncurrent contract assets are certain costs that are specifically related to a contract but do not directly contribute to the transfer of control of the tangible product being created, such as non-recurring engineering costs. The Company has elected to use the practical expedient and does not consider unbilled amounts anticipated to be paid within one year as significant financing components.

Contract liabilities include customer deposits that are made prior to the incurrence of costs related to a newly agreed upon contract and advanced customer payments that are in excess of revenue recognized. The current portion of contract liabilities are classified as current liabilities under the caption “Customer deposits” while the noncurrent contract liabilities are classified as noncurrent liabilities under the caption "Other long term liabilities" on the consolidated balance sheet. Noncurrent contract liabilities were $83.1 million at September 30, 2021 and $79.6 million at December 31, 2020. These contract liabilities are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract or revenue associated with the contract liabilities is expected to be recognized within one year. Contract liabilities also include provisions for estimated losses from uncompleted contracts. Provisions for loss contracts were $119.8 million and $108.9 million at September 30, 2021 and December 31, 2020, respectively. These provisions for estimated losses are classified as current liabilities and included within the caption “Other accrued liabilities” on the consolidated balance sheets.

The change in the carrying amount of contract assets and contract liabilities for the nine months ended September 30, 2021 and 2020 is as follows:

	Contract Assets	
In millions	**2021**	**2020**
Balance at beginning of year	$ 544.2	$ 623.4
Acquisitions	—	4.1
Recognized in current year	441.6	759.2
Reclassified to accounts receivable	(423.5)	(868.7)
Foreign currency impact	(6.2)	(0.7)
Balance at September 30	$ 556.1	$ 517.3

	Contract Liabilities	
In millions	**2021**	**2020**
Balance at beginning of year	$ 831.2	$ 799.7
Acquisitions	1.7	6.9
Recognized in current year	477.0	589.1
Amounts in beginning balance reclassified to revenue	(387.2)	(430.0)
Current year amounts reclassified to revenue	(154.3)	(152.6)
Foreign currency impact	(8.6)	(3.3)
Balance at September 30	$ 759.8	$ 809.8

7. LEASES

The Company leases property and equipment under finance and operating leases. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of lease payments. Many of the Company's leases include rental escalation clauses, renewal options, and/or termination options that are factored into our determination of lease payments when appropriate. The Company does not separate lease and non-lease components contracts. The right-of-use assets are classified as non-current and included within the caption "Other noncurrent assets" on the consolidated balance sheets. The current portion of lease liabilities are classified under the caption "Other accrued liabilities," while the noncurrent portion of lease liabilities are classified under the caption "Other long term liabilities" on the consolidated balance sheets.

As most of the Company's leases do not provide a readily stated discount rate, the Company must estimate the rate to discount lease payments using its incremental borrowing rate. The Company has established discount rates by geographic region ranging from 1% to 9%.

The components of lease expense are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2021	2020	2021	2020
Operating lease expense	$ 15.3	$ 14.1	$ 43.8	$ 42.9
Finance lease expense amortization of leased assets	0.2	0.3	0.4	0.9
Short-term and variable lease expense	0.1	—	0.4	0.1
Sublease income	(0.1)	(0.1)	(0.3)	(0.3)
Total	$ 15.5	$ 14.3	$ 44.3	$ 43.6

Scheduled payments of lease liabilities are as follows:

In millions	Operating Leases	Finance Leases	Total
Remaining 2021	$ 15.4	$ 0.2	$ 15.6
2022	58.1	0.8	58.9
2023	51.9	0.5	52.4
2024	46.9	0.3	47.2
2025	40.3	0.2	40.5
Thereafter	148.1	0.1	148.2
Total lease payments	360.7	2.1	362.8
Less: Present value discount	(29.2)	—	(29.2)
Present value of lease liabilities	$ 331.5	$ 2.1	$ 333.6

The following table summarizes the remaining lease term and discount rate assumptions used to develop the present value of lease liabilities:

	September 30, 2021	December 31, 2020
Weighted-average remaining lease term (years)		
Operating leases	8.1	7.4
Finance leases	3.5	4.5
Weighted-average discount rate		
Operating leases	2.4 %	2.7 %
Finance leases	1.4 %	1.4 %

8. LONG-TERM DEBT

Long-term debt consisted of the following:

In millions	Effective Interest Rate		September 30, 2021 Book Value	September 30, 2021 Fair Value[1]	December 31, 2020 Book Value	December 31, 2020 Fair Value[1]
Senior Credit and 364 Day Facility[2]:						
U.S. dollar-denominated Term Loans[3], net of unamortized debt issuance costs of $— and $0.9	—	%	—	—	645.1	645.1
Multi-Currency Revolving loan facility[4], net of unamortized debt issuance costs of $0.4 and $0.8	1.5	%	—	—	—	—
Senior Notes:						
4.375% Senior Notes, due 2023, net of unamortized discount and debt issuance costs of $0.5 and $0.7	4.5	%	249.5	262.9	249.3	267.0
4.15% Senior Notes, due 2024, net of unamortized discount and debt issuance costs of $3.3 and $4.3	4.6	%	746.7	806.9	745.7	817.3
3.20% Senior Notes, due 2025, net of unamortized discount and debt issuance costs of $3.6 and $4.4	3.4	%	496.4	532.4	495.6	533.4
3.45% Senior Notes, due 2026, net of unamortized discount and debt issuance costs of $1.1 and $1.3	3.5	%	748.9	806.2	748.7	819.5
1.25% Senior Notes (EUR), due 2027, net of unamortized discount and debt issuance costs of $8.0 and $—	1.5	%	571.7	595.9	—	—
4.70% Senior Notes, due 2028, net of unamortized discount and debt issuance costs of $7.4 and $8.2	5.0	%	1,242.6	1,441.3	1,241.8	1,472.2
Other Borrowings			15.2	15.2	113.2	113.1
Total			4,071.0	4,460.8	4,239.4	4,667.6
Less - current portion			3.8	3.8	447.2	447.2
Long-term portion			$ 4,067.2	$ 4,457.0	$ 3,792.2	$ 4,220.4

1. See Note 14 for information on the fair value measurement of the Company's long-term debt.
2. During the second quarter of 2021, the Company repaid all outstanding term loan borrowings and related interest under the Senior Credit Facility and the 364 Day Facility.
3. U.S. dollar-denominated Term Loans includes the total outstanding balance of term loans denominated in U.S. dollars from the Senior Credit Facility and the 364 Day Facility.
4. Multi-Currency Revolving loan facility includes total outstanding amounts drawn against the Senior Credit Facility and the 364 Day Facility.

For those debt securities that have a premium or discount at the time of issuance, the Company amortizes the amount through interest expense based on the maturity date or the first date the holders may require the Company to repurchase the debt securities, if applicable. A premium would result in a decrease in interest expense, and a discount would result in an increase in interest expense in future periods. Additionally, the Company has debt issuance costs related to certain financing transactions which are also amortized through interest expense. As of September 30, 2021 and December 31, 2020, the Company had total combined unamortized discount and debt issuance costs of $24.3 million and $20.5 million, respectively.

Credit Facilities

Senior Credit Facility

On June 8, 2018, the Company entered into a credit agreement ("Senior Credit Facility"), which replaced the Company's then-existing credit agreement. The Senior Credit Facility is with a syndicate of lenders and provides for borrowings consisting of (i) term loans denominated in euros and U.S. dollars ("Term Loans"); and (ii) a multi-currency revolving loan facility, providing for an equivalent in U.S. dollars of up to $1,200.0 million in multi-currency revolving loans (inclusive of swingline loans of up to $75.0 million and letters of credit of up to $450.0 million (the "Revolving Credit Facility")). The Revolving Credit Facility will mature on June 8, 2023.

Under the Senior Credit Facility, we can elect to receive advances bearing interest based on either the Alternate Base Rate ("ABR") or the London Interbank Offered Rate ("LIBOR") (each as defined in the Senior Credit Facility) plus applicable margin that is determined based on our credit ratings or the Company's Leverage (as defined in the Senior Credit Facility). The agreement contains affirmative, negative and financial covenants, and events of default customary for facilities of this type. The obligations under the Senior Credit Facility are guaranteed by Wabtec and certain of Wabtec's U.S. subsidiaries, as guarantors.

The Company has agreed that, so long as any lender has any commitment under the Senior Credit Facility, any letter of credit is outstanding under the Senior Credit Facility, or any loan or other obligation is outstanding under the Senior Credit Facility, it will maintain the following as of the end of each fiscal quarter or the period of four quarters then ended:

Interest Coverage Ratio [1]	3.0x
Leverage Ratio [2]	3.25x

1. The interest coverage ratio is defined as EBITDA (earnings before interest, taxes, depreciation, and amortization), as defined in the Senior Credit Facility, to net interest expense for the four quarters then ended.
2. The leverage ratio is defined as net debt as of the last day of such fiscal quarter to EBITDA, as defined in the Senior Credit Facility, for the four quarters then ended.

The Senior Credit Facility was amended in the second quarter of 2021 so the Company may increase the maximum leverage ratio to (x) 3.75 to 1.00 at the end of the fiscal quarter in which the Nordco acquisition was consummated and each of the three fiscal quarters immediately following such fiscal quarter and (y) 3.50 to 1.00 at the end of each of the fourth and fifth full fiscal quarters after the consummation of the Nordco acquisition upon the Company's request. The Company has not requested any increase in the leverage ratio at this time.

The Company was in compliance with all covenants in the Senior Credit Facility as of September 30, 2021.

The following table presents availability under the Senior Credit Facility at September 30, 2021:

(In millions)	**Senior Credit Facility**
Maximum Availability	$ 1,200.0
Outstanding Borrowings	—
Letters of Credit Under Credit Agreement	(3.5)
Current Availability	$ 1,196.5

364 Day Facility

On April 10, 2020 the Company entered into a $600 million 364 day credit facility ("364 Day Facility") initially scheduled to mature in April 2021 with a group of banks which includes a $144.0 million revolving credit facility ("364 Day Revolver") and a $456.0 million term loan ("364 Term Loan"). The agreement called for interest at either a LIBOR-based rate, or a rate based on the prime lending rate of the agent bank, at the Company's option. The agreement contained affirmative, negative and financial covenants, and events of default customary for facilities of this type and substantially similar to our existing Senior Credit Facility. The obligations under the 364 Day Facility were guaranteed by certain of the Company's U.S. subsidiaries, as guarantors. On June 12, 2020 the Company amended the 364 Day Facility maturity to July 9, 2021. On June 3, 2021, the Company repaid all outstanding borrowings and related interest, effectively retiring the facility.

Senior Notes

The Company or its subsidiaries may issue senior notes from time to time. These notes are comprised of our 4.375% Senior Notes due 2023 (the "2023 Notes"), 4.15% Senior Notes due 2024 (the "2024 Notes"), 3.20% Senior Notes due 2025 (the "2025 Notes"), 3.45% Senior Notes due 2026 (the "2026 Notes"), 1.25% Senior Notes (EUR) due 2027 (the "Euro Notes" discussed below), and 4.70% Senior Notes due 2028 (the "2028 Notes"). The 2023 Notes, 2024 Notes, 2025 Notes, 2026 Notes and 2028 Notes are the “US Notes”, and collectively with the Euro Notes, the “Senior Notes.” Interest on the US Notes is payable semi-annually and interest on the Euro Notes is paid annually. Each series of the Senior Notes may be redeemed any time in whole or from time to time in part in accordance with the provisions of the indenture, under which such series of notes was issued. Each of the Senior Notes may be redeemed at a redemption price of 100% of the principal amount plus a specified make-whole premium and accrued interest. The US Notes and the Compnay's guarantee of the Euro Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt, and are senior to all existing and future subordinated indebtedness of the Company.

On June 3, 2021, Wabtec Transportation Netherlands B.V. ("Wabtec Netherlands") issued €500.0 million of 1.25% Senior Notes due in 2027, which are fully and unconditionally guaranteed by the Company. The Euro Notes were issued at 99.267% of face value. Interest on the Euro Notes accrues at a rate of 1.25% per annum and is payable annually beginning December 3, 2021. The Company incurred approximately $4.3 million of deferred financing costs related to the issuance of the Euro Notes for total net proceeds of approximately $598.7 million after consideration of the discount.

The indentures under which the Senior Notes were issued contain covenants and restrictions which limit, subject to certain exceptions, certain sale and leaseback transactions with respect to principal properties, the incurrence of secured debt without equally and ratably securing the Senior Notes, and certain merger and consolidation transactions. The covenants do not require the Company to maintain any financial ratios or specified levels of net worth or liquidity. The US Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis by each of the Company's subsidiaries that is a guarantor under the Senior Credit Facility.

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

9. STOCK-BASED COMPENSATION

As of September 30, 2021, the Company maintains employee stock-based compensation plans for stock options, restricted stock, and incentive stock units as governed by the 2011 Stock Incentive Compensation Plan, as amended and restated (the “2011 Plan”) and the 2000 Stock Incentive Plan, as amended (the “2000 Plan”). The 2011 Plan has a term through May 15, 2030 and provides a maximum of 9.1 million shares for grants or awards, plus any shares which remain available under the 2000 Plan. The amendment and restatement of the 2011 Plan was approved by stockholders of Wabtec on May 15, 2020. The Company also maintains a 1995 Non-Employee Directors’ Fee and Stock Option Plan as amended and restated (“the Directors Plan”).

Stock-based compensation expense was $10.0 million and $12.0 million for the three months ended September 30, 2021 and 2020, respectively, and $34.2 million and $17.6 million for the nine months ended September 30, 2021 and 2020, respectively. At September 30, 2021, unamortized compensation expense related to stock options, non-vested restricted shares and incentive stock units expected to vest totaled $44.1 million.

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

The following table summarizes the Company’s stock option activity and related information for the 2011 Plan, the 2000 Plan and the Directors Plan for the nine months ended September 30, 2021:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic value (in millions)
Outstanding at December 31, 2020	552,669	$ 69.82	6.1	$ 4.2
Granted	126,794	$ 81.21		
Exercised	(74,343)	$ 52.13		
Canceled	(26,037)	$ 74.73		
Outstanding at September 30, 2021	579,083	$ 73.11	6.3	$ 9.0
Exercisable at September 30, 2021	336,940	$ 58.96	5.7	$ 9.4

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

	Nine Months Ended September 30, 2021
Dividend yield	0.60 %
Risk-free interest rate	0.81 %
Stock price volatility	36.1 %
Expected life (years)	5.0

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

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

In addition, the Company has issued incentive stock units to eligible employees that vest upon attainment of certain cumulative three-year performance goals. Based on the Company’s performance for each three-year period then ended, the incentive stock units can vest, with underlying shares of common stock being awarded in an amount ranging from 0% to 200% of the amount of initial incentive stock units granted. The incentive stock units included in the table below represent the number of incentive stock units that are expected to vest based on the Company’s estimate for meeting those established performance targets. As of September 30, 2021, the Company estimates that it will achieve 33%, 113% and 100% for the incentive stock awards expected to vest based on performance for the three-year periods ending December 31, 2021, 2022, and 2023, respectively, and has recorded incentive compensation expense accordingly. If the estimate of the number of these incentive stock units expected to vest changes in a future accounting period, cumulative compensation expense could increase or decrease resulting in recognition in the current period for the elapsed portion of the vesting period and would change future expense for the remaining vesting period.

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

The following table summarizes the restricted stock activity and incentive stock units activity for the nine months ended September 30, 2021:

	Restricted Stock and Units	Incentive Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2020	656,006	270,645	$ 73.80
Granted	226,896	241,467	$ 81.38
Vested	(303,439)	(37,672)	$ 71.52
Adjustment for incentive stock awards expected to vest	—	120,546	$ 74.32
Canceled	(28,732)	(41,494)	$ 76.10
Outstanding at September 30, 2021	550,731	553,492	$ 77.63

10. INCOME TAXES

The overall effective tax rate was 24.8% and 26.0% for the three and nine months ended September 30, 2021, respectively, and 26.7% and 25.8% for the three and nine months ended September 30, 2020, respectively.

The decrease in the quarterly effective tax rate is primarily the result of tax expense on internal restructuring activities incurred during the three months ended September 30, 2020 that did not recur in the three months ended September 30, 2021.

The increase in the year-to-date effective tax rate is primarily the result of withholding tax expense on intercompany dividends incurred during the nine months ended September 30, 2021.

As of September 30, 2021, the liability for income taxes associated with uncertain tax positions was $14.9 million, of which $13.3 million, if recognized, would favorably affect the Company’s effective income tax rate. As of December 31, 2020, the liability for income taxes associated with unrecognized tax benefits was $16.4 million, of which $14.8 million, if recognized, would favorably affect the Company's effective tax rate.

At this time, the Company believes it is reasonably possible that unrecognized tax benefits of approximately $6.6 million may change within the next 12 months due to the expiration of statutory review periods and current examinations.

11. EARNINGS PER SHARE

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

In millions, except per share data	Three Months Ended September 30, 2021		2020	
Numerator				
Numerator for basic and diluted earnings per common share - net income attributable to Wabtec shareholders	$ 130.6		$ 128.1	
Less: dividends declared - common shares and non-vested restricted stock	(22.6)		(22.8)	
Undistributed earnings	108.0		105.3	
Percentage allocated to common shareholders (1)	99.8	%	99.8	%
	107.8		105.1	
Add: dividends declared - common shares	22.6		22.8	
Numerator for basic earnings per common share	$ 130.4		$ 127.9	
Numerator for diluted earnings per common share	$ 130.4		$ 127.9	
Denominator				
Denominator for basic earnings per common share - weighted average shares	187.6		189.8	
Effect of dilutive securities:				
Assumed conversion of dilutive stock-based compensation plans	0.4		0.4	
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversion	188.0		190.2	
Net income attributable to Wabtec shareholders per common share				
Basic	$ 0.69		$ 0.67	
Diluted	$ 0.69		$ 0.67	
(1) Basic weighted-average common shares outstanding	187.6		189.8	
Basic weighted-average common shares outstanding and non-vested restricted stock expected to vest	188.0		190.3	
Percentage allocated to common shareholders	99.8	%	99.8	%

In millions, except per share data	Nine Months Ended September 30, 2021	2020
Numerator		
Numerator for basic and diluted earnings per common share - net income attributable to Wabtec shareholders	$ 367.8	$ 326.5
Less: dividends declared - common shares and non-vested restricted stock	(68.0)	(68.7)
Undistributed earnings	299.8	257.8
Percentage allocated to common shareholders (1)	99.8 %	99.7 %
	299.2	257.0
Add: dividends declared - common shares	67.9	68.5
Numerator for basic earnings per common share	$ 367.1	$ 325.5
Numerator for diluted earnings per common share	$ 367.1	$ 325.5
Denominator		
Denominator for basic earnings per common share - weighted average shares	188.2	190.1
Effect of dilutive securities:		
Assumed conversion of dilutive stock-based compensation plans	0.4	0.5
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversion	188.6	190.6
Net income attributable to Wabtec shareholders per common share		
Basic	$ 1.95	$ 1.71
Diluted	$ 1.95	$ 1.71
(1) Basic weighted-average common shares outstanding	188.2	190.1
Basic weighted-average common shares outstanding and non-vested restricted stock expected to vest	188.6	190.6
Percentage allocated to common shareholders	99.8 %	99.7 %

The Company’s non-vested restricted stock contains rights to receive nonforfeitable dividends, and thus are participating securities requiring the two-class method of computing earnings per share. The calculation of earnings per share for common stock shown above excludes the income attributable to the non-vested restricted stock from the numerator and excludes the dilutive impact of those shares from the denominator. Approximately 0.1 million outstanding shares of Common Stock for the three and nine month period of 2021 were not included in the computation of quarterly or year-to-date diluted earnings per share because their exercise price exceeded the average market price of the Company's common stock.

12. WARRANTIES

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

In millions	2021	2020
Balance at beginning of year	$ 278.5	$ 267.7
Acquisitions	1.7	4.3
Warranty expense	84.7	86.8
Warranty claim payments	(84.5)	(95.7)
Foreign currency impact/other	(8.4)	1.7
Balance at September 30	$ 272.0	$ 264.8

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Hedging Activities In the normal course of business, we are exposed to interest rate, commodity price and foreign currency exchange rate fluctuations. At times, we mitigate these risk exposures through the use of derivatives such as cross-currency swaps, foreign currency forward contracts, interest rate swaps, commodity forwards and futures. In accordance with our policy, derivatives are only used for hedging purposes. We do not use derivatives for trading or speculative purposes.

Foreign Currency Exchange Risk

The Company uses forward contracts to mitigate its foreign currency exchange rate exposure due to forecasted sales of finished goods and future settlement of foreign currency denominated assets and liabilities. Derivatives used to hedge forecasted transactions and specific cash flows associated with foreign currency denominated financial assets and liabilities that meet the criteria for hedge accounting are designated as cash flow hedges. The effective portion of gains and losses is deferred as a component of Accumulated other comprehensive loss and is recognized in earnings at the time the hedged item affects earnings, in the same line item as the underlying hedged item. These contracts typically mature within two years. For the three and nine months ended September 30, 2021 and 2020, the amounts reclassified into income were not material.

The Company has established revenue hedging, balance sheet risk management and net investment hedging programs to protect against volatility of future foreign currency cash flows and changes in fair value caused by volatility in foreign exchange rates. We conduct our business worldwide in U.S. dollars and the functional currencies of our foreign subsidiaries, including euro, Indian rupee, British pound sterling, Australian dollars and several other foreign currencies. Changes in foreign currency exchange rates could have a material adverse impact on our financial results that are reported in U.S. dollars. We are also exposed to foreign currency exchange rate risk related to our foreign subsidiaries, including intercompany loans denominated in non-functional currencies and net purchases and sales in non-functional currencies. We have certain foreign currency exchange rate risk management programs that use foreign currency forward contracts and cross-currency swaps. These forward contracts and cross-currency swaps are generally used to offset the potential income statement effects from intercompany loans denominated in non-functional currencies. These programs mitigate but do not entirely eliminate foreign currency exchange rate risk.

The Company enters into certain derivative contracts in accordance with its risk management strategy that do not meet the criteria for hedge accounting, but which have the impact of largely mitigating foreign currency exposure. These foreign exchange contracts are accounted for on a full mark to market basis through earnings, with gains and losses recorded as a component of Other income, net. The net loss related to these contracts was $0.2 million and $3.3 million for the three and nine months ended September 30, 2021, respectively, and a net gain of $3.1 million and $2.7 million for the three and nine months ended September 30, 2020, respectively. These contracts typically mature within one year.

The following table summarizes the gross notional amounts and fair values of the designated and non-designated hedges discussed in the above sections as of September 30, 2021:

	Fair Value		Gross Notional Amount	
In millions	**Designated**	**Non-Designated**	**Designated**	**Non-Designated**
Foreign Exchange Contracts				
Other current assets	$ 8.9	$ —	$ 768.2	$ —
Other current liabilities	—	—	—	270.1
Cross-currency Swaps				
Other current assets	5.1	—	579.7	—
Total	$ 14.0	$ —	$ 1,347.9	$ 270.1

The following table summarizes the gross notional amounts and fair values of the designated and non-designated hedges discussed in the above sections as of December 31, 2020:

	Fair Value		Gross Notional Amount	
In millions	**Designated**	**Non-Designated**	**Designated**	**Non-Designated**
Foreign Exchange Contracts				
Other current assets	$ 9.2	$ 0.5	$ 793.6	$ 1.3
Other current liabilities	(3.9)	(1.5)	928.0	319.6
Cross-currency Swaps				
Other current liabilities	(26.0)	—	613.2	—
Total	$ (20.7)	$ (1.0)	$ 2,334.8	$ 320.9

Interest Rate Risk

The Company may use interest rate swap contracts on certain investing and borrowing transactions to manage its net exposure to interest rate changes and to reduce its overall cost of borrowing. The Company does not use leveraged swaps and, in general, does not leverage any of its investment activities that would put principal capital at risk. For the nine months ended September 30, 2021 and 2020 the amounts reclassified into income were not material.

Commodity Price Risk

The Company may use commodity forward contracts and futures to mitigate its exposure to commodity price changes and to reduce its overall cost of manufacturing. For the nine months ended September 30, 2021 and 2020 the amounts recognized as income or expense were not material.

14. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2021 which are included in other current assets and liabilities on the consolidated balance sheet:

		Fair Value Measurements at September 30, 2021 Using		
In millions	**Total Carrying Value at September 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Foreign Exchange Contracts				
Other current assets	$ 8.9	$ —	$ 8.9	$ —
Other current liabilities	—	—	—	—
Cross-Currency Swap Agreement				
Other current assets	5.1	—	5.1	—

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

The Company’s cash and cash equivalents are highly liquid investments purchased with an original maturity of three months or less and are considered Level 1 on the fair value valuation hierarchy. The fair value of cash and cash equivalents approximated the carrying value at September 30, 2021 and December 31, 2020. The Company’s defined benefit pension plan assets consist primarily of equity security funds, debt security funds and temporary cash and cash equivalent investments. These investments are comprised of a number of investment funds that invest in a diverse portfolio of assets including equity securities, corporate and governmental bonds, and money markets. Trusts are valued at the net asset value (“NAV”) as determined by their custodian. NAV represents the accumulation of the unadjusted quoted close prices on the reporting date for the underlying investments divided by the total shares outstanding at the reporting dates. The Senior Notes are considered Level 2 based on the fair value valuation hierarchy. Contingent consideration related to the GE Transportation acquisition is considered Level 3 based on the fair value valuation hierarchy and includes $130.0 million classified as "Other accrued liabilities" on the Company's consolidated balance sheet and $219.8 million in long-term liabilities classified as "Contingent consideration" on the Company's consolidated balance sheet. The fair value approximates the carrying value at September 30, 2021.

15. COMMITMENTS AND CONTINGENCIES

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Additionally, from time to time, the Company is involved in litigation related to claims arising out of the Company's operations in the ordinary course of business, including claims based on product liability, contracts, intellectual property or other causes of action. Further information and detail on these claims are described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. During the first nine months of 2021, there were no material changes to the information described in the Form 10-K related to claims arising from asbestos exposure or the Company's ordinary operations.

Xorail, Inc., a wholly owned subsidiary of the Company (“Xorail”), has received notices from Denver Transit Constructors (“DTC”) alleging breach of contract related to the operating of constant warning wireless crossings, and late delivery of the Train Management & Dispatch System (“TMDS”) for the Denver Eagle P3 Project, which is owned by the Denver Regional Transit District ("RTD"). No damages have been asserted for the alleged late delivery of the TMDS, and no formal claim has been filed; Xorail has successfully completed a remediation plan concerning the TMDS issues. With regard to the wireless crossing issue, as of September 8, 2017, DTC alleged that total damages were $36.8 million through July 31, 2017 and are continuing to accumulate. The majority of the damages stems from a delay in approval of the wireless crossing system by the Federal Railway Administration ("FRA") and the Public Utility Commission ("PUC"), resulting in the use of flaggers at all of the crossings pending approval of the wireless crossing system and certification of the crossings. DTC has alleged that the delay is due to Xorail's failure to achieve constant warning times for the crossings in accordance with the approval requirements imposed by the FRA and PUC. Xorail has denied DTC's assertions, stating that its system satisfied the contractual requirements. Xorail has worked with DTC to modify its system and implement the FRA's and PUC's previously undefined approval requirements; the FRA and PUC have both approved modified wireless crossing system, and as of August 2018, DTC completed the process of certifying the crossings and eliminated the use of flaggers. DTC has not updated its notices against Xorail, nor have they filed any formal claim against Xorail. On September 21, 2018, DTC filed a complaint against RTD in Colorado state court for breach of contract related to non-payments and the costs for the flaggers, asserting a change-in-law arising from the FRA/PUC’s new certification requirements. DTC’s complaint generally supports Xorail’s position and does not name or implicate Xorail. DTC's claim against RTD proceeded to trial on September 21, 2020; the trial has been completed, included post-trial submission.

As of the date hereof, the Company is involved in no litigation that the Company believes will have a material adverse effect on its financial condition, results of operations or liquidity.

16. SEGMENT INFORMATION

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

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

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

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

Segment financial information for the three months ended September 30, 2021 is as follows:

In millions	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 1,295.0	$ 611.9	$ —	$ 1,906.9
Intersegment sales/(elimination)	12.3	8.6	(20.9)	—
Total sales	$ 1,307.3	$ 620.5	$ (20.9)	$ 1,906.9
Income (loss) from operations	$ 195.2	$ 43.9	$ (22.1)	$ 217.0
Interest expense and other, net	—	—	(41.7)	(41.7)
Income (loss) before income taxes	$ 195.2	$ 43.9	$ (63.8)	$ 175.3

Segment financial information for the three months ended September 30, 2020 is as follows:

In millions	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 1,237.3	$ 627.8	$ —	$ 1,865.1
Intersegment sales/(elimination)	10.9	7.8	(18.7)	—
Total sales	$ 1,248.2	$ 635.6	$ (18.7)	$ 1,865.1
Income (loss) from operations	$ 160.2	$ 64.1	$ (17.6)	$ 206.7
Interest expense and other, net	—	—	(31.3)	(31.3)
Income (loss) before income taxes	$ 160.2	$ 64.1	$ (48.9)	$ 175.4

Segment financial information for the nine months ended September 30, 2021 is as follows:

In millions	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 3,814.2	$ 1,935.2	$ —	$ 5,749.4
Intersegment sales/(elimination)	36.5	25.3	(61.8)	—
Total sales	$ 3,850.7	$ 1,960.5	$ (61.8)	$ 5,749.4
Income (loss) from operations	$ 510.2	$ 159.3	$ (57.6)	$ 611.9
Interest expense and other, net	—	—	(109.7)	(109.7)
Income (loss) before income taxes	$ 510.2	$ 159.3	$ (167.3)	$ 502.2

Segment financial information for the nine months ended September 30, 2020 is as follows:

In millions	Freight Segment	Transit Segment	Corporate Activities and Elimination	Total
Sales to external customers	$ 3,743.0	$ 1,789.4	$ —	$ 5,532.4
Intersegment sales/(elimination)	36.3	23.0	(59.3)	—
Total sales	$ 3,779.3	$ 1,812.4	$ (59.3)	$ 5,532.4
Income (loss) from operations	$ 463.4	$ 172.9	$ (52.9)	$ 583.4
Interest expense and other, net	—	—	(144.5)	(144.5)
Income (loss) before income taxes	$ 463.4	$ 172.9	$ (197.4)	$ 438.9

Sales to external customers by product line are as follows:

In millions	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Freight Segment				
Equipment	$ 335.2	$ 355.3	$ 924.8	$ 1,098.2
Components	222.1	208.2	648.9	624.1
Digital Electronics	155.2	161.0	473.5	500.1
Services	582.5	512.8	1,767.0	1,520.6
Total Freight Segment	$ 1,295.0	$ 1,237.3	$ 3,814.2	$ 3,743.0
Transit Segment				
Original Equipment Manufacturer	$ 286.9	$ 303.1	$ 894.1	$ 817.4
Aftermarket	325.0	324.7	1,041.1	972.0
Total Transit Segment	$ 611.9	$ 627.8	$ 1,935.2	$ 1,789.4

17. OTHER INCOME, NET

The components of Other income, net are as follows:

In millions	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Foreign currency (loss) gain	$ (3.5)	$ 6.4	$ 7.4	$ (7.7)
Equity income	3.2	5.6	10.5	6.7
Expected return on pension assets/amortization	1.9	2.5	7.3	7.2
Other miscellaneous expense, net	(1.1)	(0.2)	(0.2)	(0.4)
Total Other income, net	$ 0.5	$ 14.3	$ 25.0	$ 5.8

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

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and Westinghouse Air Brake Technologies Corporation's Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on February 19, 2021.

OVERVIEW

Wabtec is one of the world's largest providers of locomotives, value-added, technology-based equipment, systems and services for the global freight rail and passenger transit industries. Our highly engineered products, which are intended to enhance safety, improve productivity and reduce maintenance costs for customers, can be found on most locomotives, freight cars, passenger transit cars and buses around the world. Many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in over 50 countries and our products can be found in more than 100 countries throughout the world. In the first nine months of 2021, approximately 58% of the Company's revenues came from customers outside the United States.

Business Update

The COVID-19 pandemic has continued to impact our sales channels, supply chain, manufacturing operations, workforce and other key aspects of our operations. The Company continues to monitor the situation and guidance from international and domestic authorities, including federal, state, and local public health authorities; however, there are numerous uncertainties, including the duration and severity of the pandemic, availability and effectiveness of vaccines, impact of variants of the disease, actions that may be taken by governmental authorities and private industry, including preventing or curtailing the operations of our plants, the potential impact on global economic activity, global supply chain operations, our employees, our customers, suppliers and end-markets and other consequences that could negatively impact our business. We also face the possibility that government policies may become more restrictive especially if COVID-19 transmission rates increase in certain areas. As a result of these numerous uncertainties, we are unable to specifically predict the extent and length of time the COVID-19 pandemic will negatively impact our business.

The COVID-19 pandemic has increased the uncertainty around global economic and market conditions, which impacts our sales and operations. To the extent that these factors cause, or exacerbate, instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected, and the materially adverse impacts that we have experienced as a result of the COVID-19 pandemic could continue or worsen. In addition, we face risks associated with our growth strategy including the level of investment that customers are willing to make in new technologies developed by the industry and the Company, and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to address changes in market conditions and risks.

Although the U.S. and other international governments deemed rail transportation as "critical infrastructure" providing essential services during the COVID-19 pandemic, the COVID-19 pandemic had a materially adverse impact on our operations and business results for the nine months ended September 30, 2021 and 2020, which is discussed in more detail in the Results of Operations section below. Supply chain disruptions and labor availability have caused component and chip shortages resulting in an adverse effect on the timing of the Company's revenue generation. Additionally, broad-based inflation, escalation of metals and commodities costs, transportation and logistics costs and labor costs have all resulted from the COVID-19 pandemic. The Company has implemented various mitigating actions to lessen the impact of supply chain disruptions caused by the COVID-19 pandemic. These actions include price escalations in long-term contracts, implementing price surcharges, driving operational efficiencies through various cost mitigation efforts and discretionary spend management, strategic sourcing alignments, and accelerating integration synergies where possible. The Company expects to continue to realize these increased costs over the next few quarters.

Cybersecurity Exposure

During the third quarter 2021, one of our vendors publicly disclosed vulnerabilities in one of its operating systems that is used in a range of products across the rail sector and other industries, including in certain Wabtec products. In response, Wabtec reviewed its digital onboard locomotive products and locomotive control systems to determine which products may be affected and the potential impact to Wabtec, our customers and other relevant parties. To date, no known vulnerabilities in our products have been exploited; however, we are working closely with our vendor to appropriately address potentially impacted products. Additionally, we have communicated with potentially affected customers and discussed mitigation strategies.

RESULTS OF OPERATIONS

Consolidated Results

THIRD QUARTER 2021 COMPARED TO THIRD QUARTER 2020

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

In millions	Three Months Ended September 30, 2021	2020
Net sales:		
Sales of goods	$ 1,489.1	$ 1,543.6
Sales of services	417.8	321.5
Total net sales	1,906.9	1,865.1
Cost of sales:		
Cost of goods	(1,075.5)	(1,109.9)
Cost of services	(229.1)	(189.0)
Total cost of sales	(1,304.6)	(1,298.9)
Gross profit	602.3	566.2
Operating expenses:		
Selling, general and administrative expenses	(269.0)	(252.7)
Engineering expenses	(43.8)	(36.5)
Amortization expense	(72.5)	(70.3)
Total operating expenses	(385.3)	(359.5)
Income from operations	217.0	206.7
Other income and expenses:		
Interest expense, net	(42.2)	(45.6)
Other income, net	0.5	14.3
Income before income taxes	175.3	175.4
Income tax expense	(43.5)	(46.9)
Net income	131.8	128.5
Less: Net income attributable to noncontrolling interest	(1.2)	(0.4)
Net income attributable to Wabtec shareholders	$ 130.6	$ 128.1

The following table shows the major components of the change in sales in the three months ended September 30, 2021 from the three months ended September 30, 2020:

In millions	Freight Segment	Transit Segment	Total
Third Quarter 2020 Net Sales	$ 1,237.3	$ 627.8	$ 1,865.1
Acquisitions	38.3	—	38.3
Foreign Exchange	7.5	15.1	22.6
Organic	11.9	(31.0)	(19.1)
Third Quarter 2021 Net Sales	$ 1,295.0	$ 611.9	$ 1,906.9

Net sales

Net sales for the three months ended September 30, 2021 increased by $42 million, or 2.2%, to $1.91 billion compared to the same period in 2020. Organic sales in the Freight Segment increased $12 million due to an increase in Services and Components, partially offset by lower Equipment and Digital Electronics sales. Transit segment organic sales decreased by $31 million due to global supply chain and COVID-19 related disruptions. Sales from the acquisition of Nordco were $38 million and favorable changes in foreign currency exchange rates increased sales by $23 million.

Cost of sales

Cost of sales for the three months ended September 30, 2021 increased by $6 million, or 0.4%, to $1.30 billion compared to the same period in 2020. Cost of sales for the three months ended September 30, 2021 includes $23 million of restructuring costs, primarily for footprint rationalization in Europe. Cost of sales in the three months ended September 30, 2020 included $5 million of restructuring costs, primarily for the exit of certain product lines, footprint rationalization, and related headcount actions as part of the GE Transportation acquisition and in response to the COVID-19 pandemic. Excluding these charges in both years, cost of sales as a percentage of sales was 67.2% in 2021 and 69.4% in 2020, representing a 2.2 percentage point decrease. The decrease can be attributed to a favorable product mix, the realization of synergies and the effects of prior year restructuring programs, partially offset by increased metals, transportation and labor costs.

Operating expenses

Total operating expenses increased $26 million, or 7.2% to $385 million, for the three months ended September 30, 2021 to 20.2% of sales compared to $360 million, or 19.3% of sales in the same period of 2020. Restructuring and transaction costs included in selling, general, and administrative expense ("SG&A") were $12 million for both the three months ended September 30, 2021 and 2020, respectively, and were primarily for footprint rationalization and related headcount actions. Excluding restructuring and transaction costs and $4 million of incremental expense from the acquisition of Nordco, SG&A increased $13 million primarily for higher employee compensation and benefit costs. Engineering expense increased $7 million due to investments in new technologies and products and amortization expense increased $2 million due to the acquisition of Nordco.

Interest expense, net

Interest expense, net, decreased $3 million for the three months ended September 30, 2021 compared to the same period in 2020 attributable to lower overall average debt balances and lower interest rates.

Other income, net

Other income, net, was $1 million of income for the three months ended September 30, 2021 compared to $14 million of income in the same period of 2020. The variance is primarily driven by foreign exchange gains in the prior year compared to losses in the current year.

Income taxes

The effective income tax rate was 24.8% and 26.7% for the three months ended September 30, 2021 and 2020, respectively. The decrease in the effective tax rate is primarily the result of tax expense on a restructuring that was incurred during the three months ended September 30, 2020 that did not recur in 2021.

Freight Segment

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

In millions	Three Months Ended September 30, 2021	2020
Net sales:		
Sales of goods	$ 883.0	$ 923.3
Sales of services	412.0	314.0
Total net sales	1,295.0	1,237.3
Cost of sales:		
Cost of goods	(626.6)	(659.8)
Cost of services	(224.7)	(183.0)
Total cost of sales	(851.3)	(842.8)
Gross profit	443.7	394.5
Operating expenses	(248.5)	(234.3)
Income from operations ($)	$ 195.2	$ 160.2
Income from operations (%)	15.1 %	12.9 %

The following table shows the major components of the change in net sales for the Freight Segment in the third quarter of 2021 from the third quarter of 2020:

In millions	
Third Quarter 2020 Net Sales	$ 1,237.3
Acquisitions	38.3
Foreign Exchange	7.5
Changes in Sales by Product Line:	
Equipment	(21.6)
Components	10.9
Digital Electronics	(7.1)
Services	29.7
Third Quarter 2021 Net Sales	$ 1,295.0

Net sales

Freight Segment sales for the three months ended September 30, 2021 increased by $58 million, or 4.7%, to $1.30 billion, compared to the same period in 2020. Organic sales increased $12 million primarily in Services due to lower locomotive parkings and increased Components sales. These increases were partially offset by a decrease in Equipment sales due to lower locomotive deliveries primarily in North America and supply chain disruptions. Sales from acquisitions contributed $38 million and favorable foreign currency exchange rates increased net sales by $8 million.

Cost of sales

Freight Segment cost of sales for the three months ended September 30, 2021 increased by $9 million, or 1.0%, to $851 million, compared to the same period in 2020. Excluding restructuring and transaction costs, cost of sales as a percentage of sales was 65.7% in 2021 and 68.0% in 2020, representing a 2.3 percentage point decrease. The decrease can be attributed to a favorable mix of sales and improved absorption of fixed costs as the prior year was particularly affected by the COVID-19 pandemic, partially offset by increased metals, transportation and labor costs.

Operating expenses

Freight Segment operating expenses increased $14 million, or 6.1%, in 2021 to $249 million, or 19.2% of sales compared to $234 million or 18.9% of sales in the same period in 2020. Restructuring and transaction costs included in SG&A were $3 million and $7 million for the three months ended September 30, 2021 and 2020, respectively . Excluding restructuring and transaction costs and $4 million of additional costs for acquisitions, SG&A increased $6 million primarily due to higher employee compensation and benefit costs. Engineering costs increased $6 million due to investments in new technologies and products and amortization expenses increased due to the addition of Nordco.

Transit Segment

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

In millions	Three Months Ended September 30, 2021		2020	
Net sales	$ 611.9		$ 627.8	
Cost of sales	(453.3)		(456.1)	
Gross profit	158.6		171.7	
Operating expenses	(114.7)		(107.6)	
Income from operations ($)	$ 43.9		$ 64.1	
Income from operations (%)	7.2	%	10.2	%

The following table shows the major components of the change in net sales for the Transit Segment in the third quarter of 2021 from the third quarter of 2020:

In millions	
Third Quarter 2020 Net Sales	$ 627.8
Foreign Exchange	15.1
Changes in Sales by Product Line:	
Original Equipment Manufacturing	(22.0)
Aftermarket	(9.0)
Third Quarter 2021 Net Sales	$ 611.9

Net sales

Transit Segment sales for the three months ended September 30, 2021 decreased by $16 million, or 2.5%, to $612 million compared to the same period in 2020. The decrease is primarily attributed to global supply chain and COVID-19 pandemic disruptions, partially offset by favorable foreign currency exchange rate changes.

Cost of sales

Transit Segment cost of sales for the three months ended September 30, 2021 decreased by $3 million, or 0.6%, to $453 million compared to the same period in 2020. Cost of sales for the three months ended September 30, 2021 and 2020 includes $22 million and $3 million of restructuring costs, respectively, primarily due to footprint rationalization in Europe. Excluding these charges, cost of sales as a percentage of sales was 70.4% in 2021 and 72.2% in 2020, representing a 1.8 percentage point decrease. The decrease can be attributed to improved operational performance stemming from the effects of prior year restructuring programs and disruption from the COVID-19 pandemic, partially offset by increased metals, transportation and labor costs.

Operating expenses

Transit Segment operating expenses increased $7 million, or 6.6%, in 2021 to $115 million or 18.7% of sales, compared to $108 million or 17.1% of sales in the same period in 2020. Restructuring and transaction costs included in SG&A were $5 million and $3 million for the three months ended September 30, 2021 and 2020, respectively, and were primarily for footprint rationalization and related headcount actions. Excluding restructuring and transaction costs, SG&A increased $4 million primarily due to employee compensation and benefit costs. Additionally, engineering and amortization expenses remained consistent year over year.

FIRST NINE MONTHS OF 2021 COMPARED TO FIRST NINE MONTHS OF 2020

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

In millions	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net sales:		
Sales of goods	$ 4,562.2	$ 4,540.5
Sales of services	1,187.2	991.9
Total net sales	5,749.4	5,532.4
Cost of sales:		
Cost of goods	(3,368.2)	(3,327.1)
Cost of services	(664.6)	(573.7)
Total cost of sales	(4,032.8)	(3,900.8)
Gross profit	1,716.6	1,631.6
Operating expenses:		
Selling, general and administrative expenses	(766.5)	(712.9)
Engineering expenses	(123.5)	(123.7)
Amortization expense	(214.7)	(211.6)
Total operating expenses	(1,104.7)	(1,048.2)
Income from operations	611.9	583.4
Other income and expenses:		
Interest expense, net	(134.7)	(150.3)
Other income, net	25.0	5.8
Income before income taxes	502.2	438.9
Income tax expense	(130.5)	(113.4)
Net income	371.7	325.5
Less: Net (income) loss attributable to noncontrolling interest	(3.9)	1.0
Net income attributable to Wabtec shareholders	$ 367.8	$ 326.5

The following table shows the major components of the change in sales in the nine months ended September 30, 2021 from the nine months ended September 30, 2020:

In millions	Freight Segment	Transit Segment	Total
First Nine Months of 2020 Net Sales	$ 3,743.0	$ 1,789.4	$ 5,532.4
Acquisitions	76.7	—	76.7
Foreign Exchange	25.1	126.7	151.8
Organic	(30.6)	19.1	(11.5)
First Nine Months of 2021 Net Sales	$ 3,814.2	$ 1,935.2	$ 5,749.4

Net sales

Net sales for the nine months ended September 30, 2021 increased by $217 million, or 3.9%, to $5.7 billion compared to the same period in 2020. Transit segment organic sales increased $19 million due to improved demand for original equipment door, HVAC, and brakes systems. This increase is partially offset by an organic decrease in the Freight segment of $31 million due to lower locomotive Equipment sales, particularly in North America and lower Digital Electronics sales due to supply chain disruptions partially offset by an increase in Services sales from higher locomotive modernizations and a decrease in locomotive parkings. Favorable changes in foreign exchange rates increased sales by $152 million and sales from the acquisition of Nordco contributed $77 million.

Cost of sales

Cost of sales for the nine months ended September 30, 2021 increased by $132 million, or 3.4%, to $4.0 billion compared to the same period in 2020. Cost of sales for the nine months ended September 30, 2021 includes $48 million of restructuring costs, primarily for footprint rationalization and headcount actions in Europe. Cost of sales in the first nine months of 2020 included $23 million of restructuring costs, primarily for the exit of certain product lines, footprint rationalization and related headcount actions as part of the integration of the GE Transportation acquisition and in response to the COVID-19 pandemic. Excluding these charges in both years, cost of sales as a percentage of sales was 69.3% in 2021 and 70.1% in 2020, representing a 0.8 percentage point decrease. The decrease can be attributed to synergy savings and the structural cost actions taken in the prior year, partially offset by increased metals, transportation and labor costs.

Operating expenses

Total operating expenses increased $57 million, or 5.4%, in the first nine months of 2021 compared to the same period in 2020. Operating expenses as a percentage of sales was 19.2% and 18.9% for the nine months ended September 30, 2021 and 2020, respectively. Restructuring and transaction costs included in SG&A were $32 million and $41 million for the nine months ended September 30, 2021 and 2020, respectively and were primarily for headcount actions and footprint rationalization programs. Excluding restructuring and transaction costs and $9 million of incremental expense from the acquisition of Nordco, SG&A increased $54 million primarily due to higher employee compensation and benefit costs and costs incurred to support the higher sales volumes. Engineering expense remained flat and amortization expense increased $3 million due to the acquisition of Nordco.

Interest expense, net

Interest expense, net, decreased $16 million in the first nine months of 2021 compared to the same period in 2020 attributable to lower overall average debt balances and lower interest rates.

Other income, net

Other income, net, was $25 million of income in the first nine months of 2021 compared to $6 million of income in the same period of 2020. The variance is primarily driven by foreign exchange gains in the current year as compared to losses in the prior year as well as higher equity income in the current year.

Income taxes

The effective income tax rate was 26.0% and 25.8% for the nine months ended September 30, 2021 and 2020, respectively. The increase in the effective rate is primarily the result of withholding tax expense on intercompany dividends incurred during the nine months ended September 30, 2021.

Freight Segment

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

In millions	Nine Months Ended September 30, 2021	2020
Net sales:		
Sales of goods	$ 2,645.6	$ 2,774.6
Sales of services	1,168.6	968.4
Total net sales	3,814.2	3,743.0
Cost of sales:		
Cost of goods	(1,950.6)	(2,039.2)
Cost of services	(650.2)	(555.0)
Total cost of sales	(2,600.8)	(2,594.2)
Gross profit	1,213.4	1,148.8
Operating expenses	(703.2)	(685.4)
Income from operations ($)	$ 510.2	$ 463.4
Income from operations (%)	13.4%	12.4%

The following table shows the major components of the change in net sales for the Freight Segment in the first nine months of 2021 from the first nine months of 2020:

In millions	
First Nine Months of 2020 Net Sales	$ 3,743.0
Acquisitions	76.7
Foreign Exchange	25.1
Changes in Sales by Product Line:	
Equipment	(174.4)
Components	8.0
Digital Electronics	(36.3)
Services	172.1
First Nine Months of 2021 Net Sales	$ 3,814.2

Net sales

Freight Segment sales for the nine months ended September 30, 2021 increased by $71 million, or 1.9%, to $3.81 billion, compared to the same period in 2020. Organic sales decreased by $31 million primarily due to lower locomotive Equipment sales, particularly in North America and lower Digital Electronics sales due to supply chain constraints and COVID-19 disruptions, partially offset by an increase in Services sales due to higher locomotive modernizations and overhauls and a decrease in parking of locomotives. The organic sales decrease was more than offset by sales from acquisitions of $77 million and the effects of favorable foreign exchange rates of $25 million.

Cost of sales

Freight Segment cost of sales for the nine months ended September 30, 2021 increased by $7 million, to $2.60 billion, compared to the same period in 2020. Cost of sales for the nine months ended September 30, 2021 includes $6 million of restructuring and transaction costs, primarily for a charge related to purchase price accounting for the step-up of Nordco inventory and headcount actions as part of the ongoing integration actions related to the GE Transportation acquisition. Cost of sales in the first nine months of 2020 included $16 million of restructuring costs, primarily for the exit of certain product lines, costs for site closures, and related headcount actions as part of the integration of the GE Transportation acquisition and in response to the COVID-19 pandemic. Excluding these charges in both years, cost of sales as a percentage of sales was 68.0% and 68.9% in for the nine months ended September 30, 2021 and 2020, respectively, representing a 0.9 percentage point decrease. The decrease can be attributed to a favorable mix of sales and improved absorption of fixed costs, partially offset by increased metals, transportation and labor costs.

Operating expenses

Freight Segment operating expenses for the nine months ended September 30, 2021 increased $18 million compared to the same period in 2020. Restructuring and transaction costs included in SG&A were $11 million and $28 million for the nine months ended September 30, 2021 and 2020, respectively and were primarily for headcount actions and footprint rationalization as part of the integration of GE Transportation. Excluding restructuring and transaction and $9 million of incremental expense for acquisitions, SG&A increased $26 million primarily due to higher employee compensation and benefit costs. Engineering expense decreased $3 million due to cost control measures on research and development projects and amortization expense increased $3 million due to the acquisition of Nordco.

Transit Segment

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

In millions	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net sales	$ 1,935.2	$ 1,789.4
Cost of sales	(1,432.0)	(1,306.6)
Gross profit	503.2	482.8
Operating expenses	(343.9)	(309.9)
Income from operations ($)	$ 159.3	$ 172.9
Income from operations (%)	8.2 %	9.7 %

The following table shows the major components of the change in net sales for the Transit Segment in the first nine months of 2021 from the first nine months of 2020:

In millions	
First Nine Months of 2020 Net Sales	$ 1,789.4
Foreign Exchange	126.7
Changes in Sales by Product Line:	
Original Equipment Manufacturing	21.4
Aftermarket	(2.3)
First Nine Months of 2021 Net Sales	$ 1,935.2

Net sales

Transit Segment sales for the nine months ended September 30, 2021 increased by $146 million, or 8.1%, to $1.94 billion compared to the same period in 2020, with foreign exchange rates being the primary driver of the increase. Transit segment organic sales increased $19 million due to improved demand for original equipment door, HVAC, and brakes systems.

Cost of sales

Transit Segment cost of sales for the nine months ended September 30, 2021 increased by $125 million, or 9.6%, to $1.43 billion compared to the same period in 2020. Cost of sales for the nine months ended September 30, 2021 and 2020 includes $43 million and $8 million of restructuring and transactions costs, respectively, primarily for footprint rationalization in Europe. Excluding these costs, cost of sales as a percentage of sales was 71.8% in 2021 and 72.6% in 2020, a 0.8 percentage point decrease over the comparable period in 2020, attributable to improved operational efficiency and the impact that the COVID-19 pandemic had on margins in 2020, partially offset by increased metals, transportation and labor costs.

Operating expenses

Transit Segment operating expenses increased $34 million, or 11.0%, in 2021 to 17.8% of sales. Restructuring and transaction costs included within SG&A were $12 million and $6 million for the nine months ended September 30, 2021 and 2020, respectively, and were primarily for headcount actions and footprint rationalization in Europe. Excluding restructuring and transaction costs, SG&A increased $25 million primarily due to higher employee compensation and benefit costs and to support the increase in sales volumes. Engineering expense increased $3 million and amortization expense remained consistent year over year.

Liquidity and Capital Resources

Liquidity is provided primarily by operating cash flow and borrowings under the Company's Senior Notes and Senior Credit Facility with a consortium of commercial banks. The following is a summary of selected cash flow information and other relevant data:

	Nine Months Ended September 30,	
In millions	**2021**	**2020**
Cash provided by (used for):		
Operating activities	$ 759.3	$ 458.1
Investing activities	$ (475.3)	$ (119.9)
Financing activities	$ (433.3)	$ (360.8)

Operating activities In the first nine months of 2021, cash provided by operations was $759 million compared to cash provided by operations of $458 million in the first nine months of 2020. Significant changes to the sources and (uses) of cash for the nine month periods include the following:

- ($6) million from net changes in working capital driven by: ($210) million related to changes in receivables due to timing and volume of sales and the net change in the Revolving Receivables Program; ($40) million unfavorable change in inventory primarily from inventory build-ups in response to supply chain challenges; $244 million improvement from accounts payable, primarily due to the timing of payments to suppliers and the COVID-19 related impacts on expenditures in 2020;
- approximately $140 million related to cash payments made during 2020 for costs related to the GE Transportation acquisition and settlement of litigation that did not recur;
- and $114 attributable to higher Net income and other changes in the related statement of income.

Investing activities In the first nine months of 2021 and 2020, cash used for investing activities was $475 million and $120 million, respectively. The major components of the cash outflow in 2021 were $79 million in additions to property, plant and equipment for investments in our facilities and manufacturing processes, and $405 million in net cash paid for the acquisition of Nordco. This compares to $99 million in property, plant, and equipment for additions in the first nine months of 2020 and $40 million in net cash paid for acquisitions during 2020. Additional information with respect to acquisitions is included in Note 3 of the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this report.

Financing activities In the first nine months of 2021, cash used for financing activities was $433 million which included $4.3 billion in proceeds from debt, $4.5 billion in repayments of debt, $200 million in stock repurchases and $69 million of dividend payments. In the first nine months of 2020, cash used for financing activities was $361 million, which included $2.9 billion in proceeds from debt, $3.1 billion in repayments of debt, $105 million in stock repurchases and $69 million of dividend payments.

As of September 30, 2021, the Company held approximately $456 million of cash, cash equivalents and restricted cash, of which $29 million of cash was classified as restricted cash. Of the $456 million, approximately $55 million was held within the United States and approximately $401 million was held outside of the United States, primarily in Europe, India, Brazil, and China. While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States.

Additional information with respect to credit facilities and long-term debt is included in Note 8 of the "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this report.

Revolving Receivables Program

In May 2020, the Company entered into a revolving agreement to transfer up to $150 million of certain receivables of the Originators through our bankruptcy-remote subsidiary to a financial institution on a recurring basis in exchange for cash equal to the gross receivables transferred. The bankruptcy remote subsidiary is a separate legal entity with its own creditors, and its assets are not available to pay creditors of the Company or any other affiliates of the Company. During the first quarter of 2021, the Company amended its revolving agreement to increase the amount of certain receivables that can be transferred from $150 million to $200 million. As customers pay their balances, we transfer additional receivables into the program, resulting in our gross receivables sold exceeding net cash flow impacts (e.g., collect and reinvest). The sold receivables are fully guaranteed by our bankruptcy-remote subsidiary which held additional receivables of $284.8 million at September 30, 2021 that are pledged as collateral under this agreement. The transfers are recorded at the fair value of the proceeds received and obligations assumed less derecognized receivables. No obligation was recorded at September 30, 2021 as the estimated expected credit losses on receivables sold is insignificant. Our maximum exposure to loss related to these receivables transferred is limited to the amount outstanding. The Company has agreed to guarantee the performance of the Originators respective obligations under the revolving agreement. None of the Company (except for the bankruptcy-remote consolidated subsidiary referenced above) nor the Originators guarantees the collectability of the receivables under the revolving agreements.

Supply Chain Financing Program

The Company has entered into supply chain financing arrangements with third-party financial institutions to provide our vendors with enhanced payment options while providing the Company with added working capital flexibility. The Company does not provide any guarantees under these arrangements, does not have an economic interest in our supplier's voluntary participation and does not receive an economic benefit from the financial institutions. The arrangements do not change the payable terms negotiated by the Company and our vendors and does not result in a change in the classification of amounts due as accounts payable in the consolidated balance sheet.

Guarantor Summarized Financial Information

The obligations under the Company's US Notes, Senior Credit Facility, and 364 Day Facility have been fully and unconditionally guaranteed by certain of the Company's U.S. subsidiaries. Each guarantor is 100% owned by the parent company, with the exception of GE Transportation, a Wabtec Company, which has 15,000 shares outstanding of Class A Non-Voting Preferred Stock held by General Electric Company. The Euro Notes are issued by Wabtec Netherlands and are fully and unconditionally guaranteed by the Company.

The following tables present summarized financial information of the parent and the guarantor subsidiaries on a combined basis for the Company's US Notes, Senior Credit Facility, and 364 Day Facility. The combined summarized financial information eliminates intercompany balances and transactions among the parent and guarantor subsidiaries and equity in earnings and investments in any guarantor subsidiaries or non-guarantor subsidiaries. The summarized financial information is provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and guarantor subsidiaries.

Summarized Statement of Income

In millions	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries Nine Months Ended September 30, 2021
Net sales	$ 2,786.5
Gross profit	$ 641.5
Net income attributable to Wabtec shareholders	$ 106.5

Summarized Balance Sheet

	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries	
In millions	September 30, 2021	December 31, 2020
Current assets	$ 926.1	$ 1,092.3
Noncurrent assets	$ 1,950.4	$ 1,835.7
Current liabilities	$ 1,149.8	$ 1,408.8
Long-term debt	$ 3,482.0	$ 3,779.6
Other non-current liabilities	$ 577.1	$ 373.9

The following is a description of the transactions between the combined Westinghouse Air Brake Technologies Corp. and guarantor subsidiaries with non-guarantor subsidiaries.

In millions	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries Nine Months Ended September 30, 2021	
Net sales to non-guarantor subsidiaries	$	494.2
Purchases from non-guarantor subsidiaries	$	100.8

In millions	Unaudited Westinghouse Air Brake Technologies Corp. and Guarantor Subsidiaries September 30, 2021	
Amount due from/(to) non-guarantor subsidiaries	$	(3,356.9)

Summarized Financial Information—Euro Notes

The obligations under Wabtec Netherlands' Euro Notes are fully and unconditionally guaranteed by the Company. Wabtec Netherlands is a wholly-owned, indirect subsidiary of the Company. Wabtec Netherlands is a holding company and does not have any independent operations. Its assets consist of its investments in subsidiaries, which are separate and distinct legal entities that are not guarantors of the Euro Notes and have no obligations to pay amounts due under Wabtec Netherlands' obligations.

The following tables present summarized financial information of Wabtec Netherlands, as the issuer of the Euro Notes, and the Company, as the parent guarantor, on a combined basis. The combined summarized financial information eliminates all intercompany balances and transactions among Wabtec Netherlands and the Company as well as all equity in earnings from and investments in any subsidiary of the Company, other than Wabtec Netherlands, which we refer to below as the Non-Issuer and Non-Guarantor Subsidiaries. The summarized financial information is provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and parent guarantor.

Summarized Statement of Income

In millions	Unaudited Issuer and Guarantor Nine Months Ended September 30, 2021	
Net sales	$	401.9
Gross profit	$	76.9
Net income attributable to Wabtec shareholders	$	(290.4)

Summarized Balance Sheet

	Unaudited Issuer and Guarantor			
In millions	September 30, 2021		December 31, 2020	
Current assets	$	213.8	$	407.9
Noncurrent assets	$	699.8	$	709.8
Current liabilities	$	436.6	$	824.1
Long-term debt	$	4,055.4	$	3,779.6
Other non-current liabilities	$	308.2	$	314.1

The following is a description of the transactions between the combined Westinghouse Air Brake Technologies Corp. and Wabtec Netherlands, with the subsidiaries of Westinghouse Air Brake Technologies Corp., other than Wabtec Netherlands, none of which are guarantors of the Euro Notes.

In millions	Unaudited Issuer and Guarantor Nine Months Ended September 30, 2021
Net sales to non-guarantor subsidiaries	$ 52.1
Purchases from non-guarantor subsidiaries	$ 82.1

In millions	Unaudited Issuer and Guarantor September 30, 2021
Amount due from/(to) non-guarantor subsidiaries	$ (5,565.1)

Company Stock Repurchase Plan

On February 11, 2021, the Board of Directors increased its stock repurchase authorization to increase the amount available for stock repurchases to $500 million of the Company's outstanding shares. This new stock repurchase authorization supersedes the previous authorization of $500 million of which about $292.2 million remained. No time limit was set for the completion of the program which conforms to the requirements under the Senior Credit Facility and the Senior Notes currently outstanding. The Company may repurchase shares in the future at any time, depending upon market conditions, our capital needs and other factors. Purchases of shares may be made by open market purchases or privately negotiated purchases and may be made pursuant to Rule 10b5-1 plan or otherwise.

Forward Looking Statements

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

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

Economic and industry conditions

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

Operating factors

- supply disruptions;
- technical difficulties;
- changes in operating conditions and costs;
- increases in raw material costs;

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

Competitive factors

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

Political/governmental factors

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

COVID-19 factors

- the severity and duration of the pandemic;
- deterioration of general economic conditions;
- shutdown of one or more of our operating facilities;
- supply chain and sourcing disruptions;
- ability of our customers to pay timely for goods and services delivered;
- health of our employees;
- ability to retain and recruit talented employees; or
- difficulty in obtaining debt or equity financing.

Statements in this Quarterly Report on Form 10-Q apply only as of the date on which such statements are made, and we undertake no obligation to update any statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. Reference is also made to the risk factors set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Critical Accounting Policies

A summary of critical accounting policies is included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. In particular, judgment is used in areas such as accounts receivable and the allowance for doubtful accounts, inventories, goodwill and indefinite-lived intangibles, business combinations, warranty reserves, stock-based compensation, income taxes and revenue recognition. There have been no significant changes in accounting policies since December 31, 2020.

Contractual Obligations

On June 3, 2021, Wabtec Netherlands completed a public offering and sale of €500.0 million aggregate principal amount of Euro Notes. The Euro Notes will bear interest from June 3, 2021, at a rate equal to 1.250% per year, with payments made annually commencing on December 3, 2021. Additionally, during the second quarter of 2021, all U.S. dollar-denominated Term Loans were repaid. As a result of these collective changes, interest payment obligations related to total debt as of September 30, 2021 are expected to be $164.8 million for 2021, $310.8 million for 2022-2023, $230.6 million for 2024-2025, and $226.0 million thereafter for a combined total of $932.2 million. Further, as of September 30, 2021, contractual obligations related to the repayment of Long-term debt are expected to be $3.8 million for 2021, $250.0 million for 2022-2023, $1,261.4 million for 2024-2025, and $2,579.7 million thereafter for a combined total of $4,094.9 million.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the year ended December 31, 2020. Our exposure to market risk has not changed materially since December 31, 2020. Refer to Note 13 - Derivative Financial Instruments and Hedging of "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this report for additional information regarding interest rate and foreign currency exchange risk.

Item 4. CONTROLS AND PROCEDURES

Wabtec’s principal executive officer and its principal financial officer have evaluated the effectiveness of Wabtec’s “disclosure controls and procedures,” (as defined in Exchange Act Rule 13a-15(e)) as of September 30, 2021. Based upon their evaluation, the principal executive officer and principal financial officer concluded that Wabtec’s disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by Wabtec in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to provide reasonable assurance that information required to be disclosed by Wabtec in such reports is accumulated and communicated to Wabtec’s Management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There was no change in Wabtec’s “internal control over financial reporting” (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2021, that has materially affected, or is reasonably likely to materially affect, Wabtec’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Additional information with respect to legal proceedings is included in Note 15 of “Notes to Condensed Consolidated Financial Statements” included in Part I, Item 1 of this report.

Item 1A. RISK FACTORS

In response to the cybersecurity exposure discussed in Part I Item II - Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q, the Company has reviewed and updated the below risk factor. Other than the below risk factor, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

We face cybersecurity and data protection risks relating to cyber-attacks and information technology failures that could cause loss of confidential information and other business disruptions.

We rely extensively on the security, stability, and availability of technology systems in our business. We also collect, process, and retain sensitive and confidential customer information, including proprietary business information, personal data and other information that may be subject to privacy and security laws, regulations and/or customer-imposed data protection controls. Our business may be adversely impacted by unintentional technology disruptions, including those resulting from programming errors, employee operational errors, software defects, and product vulnerabilities.

We also provide technological products integral to train operation. Accordingly, our business may be adversely impacted by disruptions to our own or third-party information technology infrastructure, which could result from cybersecurity incidents, including, but not limited to, unauthorized access to the Company’s information technology systems, data access or acquisition, and/or encryption of the Company’s environment. For instance, one of our vendors publicly disclosed vulnerabilities in its operating system that we use for certain Wabtec products. A successful exploitation of our own or our vendors’ information technology infrastructure could result in service interruptions, safety hazards, misappropriation of confidential information, process failures, security breaches or other operational difficulties. Such an event could result in decreased revenues and increased capital, insurance or operating costs, including the increased costs of security to protect the Company’s infrastructure, among other results. Insurance maintained by the Company to protect against loss of business and other related consequences resulting from cyber incidents may not be sufficient to cover all damages. A disruption or compromise of the Company’s technology systems, even for short periods of time, could have a material adverse effect.

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

The following table summarizes the Company's stock repurchase activity for the three months ended September 30, 2021:

Issuer Purchases of Common Stock

In millions, except shares and price per share	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Programs (1)
July 2021	—	$ —	—	$ 499.4
August 2021	2,265,103	$ 87.89	2,265,103	$ 300.3
September 2021	—	$ —	—	$ 300.3
Total quarter ended September 30, 2021	2,265,103	$ —	2,265,103	$ 300.3

(1) On February 11, 2021, the Board of Directors increased its stock repurchase authorization such that the Company has $500 million available for stock repurchases of the Company’s outstanding shares. This new stock repurchase authorization supersedes the previous authorization of $500 million of which about $292.2 million remained. No time limit was set for the completion of the program which conforms to the requirements under the Senior Credit Facility and the Senior Notes currently outstanding. The Company may repurchase shares in the future at any time, depending upon market conditions, our capital needs and other factors. Purchases of shares may be made by open market purchases or privately negotiated purchases and may be made pursuant to Rule 10b5-1 plan or otherwise.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable

Item 6. EXHIBITS

The following exhibits are being filed with this report:

10.1	Employment Continuation Agreement of John A. Olin dated as of September 14, 2021
10.2	Transition Agreement of Patrick A. Dugan dated as of September 9, 2021
22.1	List of Subsidiary Guarantors
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements 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/ JOHN A. OLIN

John A. Olin
Executive Vice President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

DATE: October 27, 2021

EMPLOYMENT CONTINUATION AGREEMENT

THIS EMPLOYMENT CONTINUATION AGREEMENT (this “Agreement”) between Westinghouse Air Brake Technologies Corporation, a Delaware corporation (the “Company”), and John A. Olin, (the “Executive”), dated as of this 14th day of September, 2021.

WITNESSETH:

WHEREAS, the Company has employed the Executive in an officer position and has determined that the Executive holds an important position with the Company;

WHEREAS, the Company believes that, in the event it is confronted with a situation that could result in a change in ownership or control of the Company, continuity of management will be essential to its ability to evaluate and respond to such situation in the best interests of stockholders;

WHEREAS, the Company understands that any such situation will present significant concerns for the Executive with respect to the Executive’s financial and job security;

WHEREAS, the Company desires to assure itself of the Executive’s services during the period in which it is confronting such a situation, and to provide the Executive certain financial assurances to enable the Executive to perform the responsibilities of the position without undue distraction and to exercise judgment without bias due to personal circumstances; and

WHEREAS, to achieve these objectives, the Company and the Executive desire to enter into an agreement providing the Company and the Executive with certain rights and obligations upon the occurrence of a Change of Control or Potential Change of Control (as defined in Section 2).

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, and intending to be legally bound, it is hereby agreed by and between the Company and the Executive as follows:

1. Operation of Agreement.

(a) Effective Date. The effective date of this Agreement shall be the date on which a Change of Control occurs (the “Effective Date”), provided that, if (i) this Agreement has been terminated prior to the Effective Date as provided in Section 13(c) hereof, or (ii) the Executive is not either employed by the Company on the Effective Date or deemed to be employed on the Effective Date pursuant to Section 1(b), then this Agreement shall be void and without effect.

(b) Termination of Employment Following a Potential Change of Control.

If either (i) the Executive’s employment is terminated by the Company without Cause (as defined in Section 6(c)) or by the Executive with Good Reason (as defined in Section 6(d)) after the occurrence of a Potential Change of Control and prior to the occurrence of a

Change of Control or (ii) the Company terminates this Agreement pursuant to Section 13(c) after the occurrence of a Potential Change of Control and prior to the occurrence of a Change of Control and (iii) a Change of Control, which also constitutes a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), occurs within one year of such termination, the Executive shall be deemed, solely for purposes of determining the Executive's rights under this Agreement, to have remained employed until the Effective Date and to have been terminated by the Company without Cause immediately after the Effective Date.

(c) Effect of Agreement on Rights of the Executive. The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement except in circumstances relating to a Potential Change of Control as provided for in Section 1(b).

2. Definitions.

(a) Change of Control. For the purposes of this Agreement, a "Change of Control" shall mean:

(i) The Company acquires actual knowledge that any Person, other than the Company, a Subsidiary, or any employee benefit plan(s) sponsored by the Company or a Subsidiary, has acquired the Beneficial Ownership, directly or indirectly, of securities of the Company entitling such Person to 20% or more of the Voting Power of the Company;

(ii) The making of a Tender Offer resulting in the acquisition of securities of the Company entitling the holders thereof to 20% or more of the Voting Power of the Company;

(iii) The making of a solicitation subject to Rule 14a-11 under the Securities Exchange Act of 1934, as amended (the "1934 Act") (or any successor Rule) resulting in the election or removal of 50% or more of the members of the Board or any class of the Board by any person other than the Company or less than 51 % of the members of the Board (excluding vacant seats) shall be Continuing Directors;

(iv) The stockholders of the Company shall approve a merger, consolidation, share exchange, division or sale or other disposition of assets of the Company as a result of which the stockholders of the Company immediately prior to such transaction shall not hold, directly or indirectly, immediately following such transaction at least 60% 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 20% of the consolidated assets of the Company immediately prior to the transaction; or

(v) Any other event occurs which is deemed to be a Change of Control by the Board in its reasonable determination after a consideration of relevant facts and circumstances; provided, however, that (x) if securities beneficially owned by the Executive are included in determining the Beneficial Ownership of a Person referred to in paragraph (i) above, (y) the Executive 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 (ii) above or (z) if the Executive 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 Company) referred to in paragraph (iii) above, then no Change of Control with respect to the Executive shall be deemed to have occurred by reason of such event.

(b) Potential Change of Control. For the purposes of this Agreement, a "Potential Change of Control" shall be deemed to have occurred if:

(i) a Person commences a Tender Offer (with adequate financing) for securities representing at least 20% of the Voting Power of the Company's securities or announces or otherwise makes known a bona fide intent to commence such a tender offer, excepting any offers that, if completed, would result in an acquisition not constituting a Change of Control; or (ii) the Company enters into an agreement the consummation of which would constitute a Change of Control; or (iii) there is commenced a solicitation of proxies for the election of directors of the Company by anyone other than the Company which solicitation, if successful, would effect a Change of Control; or (iv) any other event occurs which is deemed to be a Potential Change of Control by the Board in its reasonable determination after a consideration of relevant facts and circumstances.

(c) Board. For purposes of this Agreement, "Board" shall mean the Board of Directors of the Company.

(d) Continuing Directors. For purposes of this Agreement, "Continuing Directors" shall mean a director of the Company who either (i) was a director of the Company immediately prior to the Effective Date or (ii) is an individual whose election, or nomination for election, as a director of the Company 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 Company which would be subject to Rule 14a-11 under the 1934 Act or any successor rule).

(e) Person. For purposes of this Agreement, "Person" shall be used as that term is used in Sections 13(d) and 14(d) of the 1934 Act.

(f) Beneficial Ownership. For purposes of this Agreement, “Beneficial Ownership” shall be determined as provided in Rule 13d-3 under the 1934 Act.

(g) Voting Power. For purposes of this Agreement, 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).

(h) Tender Offer. For purposes of this Agreement, “Tender Offer” shall mean a tender offer or exchange offer to acquire securities of the Company (other than such an offer made by the Company or any Subsidiary), whether or not such offer is approved or opposed by the Board.

(i) Subsidiary. For purposes of this Agreement, “Subsidiary” shall mean any corporation in an unbroken chain of corporations beginning with the Company, 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.

3. Employment Period. Subject to Section 6 of this Agreement, the Company agrees to continue the Executive in its employ, and the Executive agrees to remain in the employ of the Company, for the period (the “Employment Period”) commencing on the Effective Date and ending on the twenty-four month anniversary of the Effective Date.

4. Position and Duties.

(a) No Reduction in Position. During the Employment Period, the Executive’s position, authority, responsibilities, title and status shall be at least commensurate with those held, exercised and assigned immediately prior to the Effective Date. It is understood that, for purposes of this Agreement, such position, authority, responsibilities, title and status shall not be regarded as not commensurate merely by virtue of the fact that a successor shall have acquired all or substantially all of the business and/or assets of the Company; provided, however, that the Executive’s ceasing to hold the position and title held immediately prior to the Effective Date with a public company during the Employment Period shall be deemed to constitute a reduction in the Executive’s position and/or title. The Executive’s services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location within 35 miles from such location (or such other distance not in excess of 50 miles as shall be set forth in the Company’s relocation policy as in effect immediately prior to the Effective Date).

(b) Business Time. During the Employment Period, the Executive agrees to devote full attention during normal business hours to the business and affairs of the Company and to use her best efforts to perform faithfully and efficiently the responsibilities assigned to the Executive hereunder, to the extent necessary to discharge such responsibilities, except for (i) time spent in managing personal, financial and legal affairs and serving on corporate, civic or charitable boards or committees, in each case only if and to the extent not substantially interfering with the performance of such responsibilities, and (ii) periods of vacation and sick leave to which the Executive is entitled. It is expressly understood and agreed that the Executive's continuing to serve on any boards and committees on which the Executive is serving or with which the Executive is otherwise associated immediately preceding the Effective Date shall not be deemed to interfere with the performance of the Executive's services to the Company.

5. Compensation.

(a) Base Salary. During the Employment Period, the Executive shall receive a base salary at a monthly rate at least equal to the monthly salary paid to the Executive by the Company and any of its affiliated companies immediately prior to the Effective Date, payable on a monthly basis in accordance with the Company's standard payroll practices. The base salary may be increased (but not decreased) at any time and from time to time by action of the Board or any committee thereof or any individual having authority to take such action in accordance with the Company's regular practices. The Executive's base salary, as it may be increased from time to time, shall hereafter be referred to as "Base Salary". Neither the Base Salary nor any increase in Base Salary after the Effective Date shall serve to limit or reduce any other obligation of the Company hereunder.

(b) Annual Bonus. During the Employment Period, in addition to the Base Salary, for each fiscal year of the Company ending during the Employment Period and for each partial fiscal year during the Employment Period, the Executive shall be afforded the opportunity to receive an annual bonus or partial bonus, as applicable, on terms and conditions no less favorable to the Executive (taking into account reasonable changes in the Company's goals and objectives) than the annual bonus opportunity that had been made available to the Executive for the fiscal year ended immediately prior to the Effective Date, provided that the amount of bonus which shall be awarded to the Executive during each year of the Employment Period shall be an amount not less than the target bonus amount for such Executive in the fiscal year ending immediately prior to the Effective Date (the "Annual Bonus Opportunity"). Any amount payable in respect of the Annual Bonus Opportunity shall be paid within $2^{1/2}$ months following the year for which the amount (or prorated portion) is earned and is no longer subject to a substantial risk of forfeiture, in accordance with the Company's standard payroll practices, unless electively deferred by the Executive pursuant to any deferral programs or arrangements that the Company may make available to the Executive.

(c) Long-term Incentive Compensation Programs. During the Employment Period, the Executive shall participate in all long-term incentive compensation programs for key executives, including stock option or stock incentive plans, at a level that is commensurate with the Executive's opportunity to participate in such plans immediately prior to the Effective Date, or, if more favorable to the Executive, at the level made available to the Executive or other similarly situated officers at any time thereafter. During the Employment Period, the Company will offer such plans and programs to the Executive as were in effect immediately prior to the Change of Control or, if more favorable to the Executive when measured against particular plans or programs previously offered, replacement plans or programs.

(d) Benefit Plans. During the Employment Period, the Executive (and, to the extent applicable, the Executive's dependents) shall be entitled to participate in or be covered under all pension, retirement, deferred compensation, savings, medical, dental, health, disability, group life, accidental death and travel accident insurance plans and programs of the Company and its affiliated companies at a level that is commensurate with the Executive's participation in such plans immediately prior to the Effective Date, or, if more favorable to the Executive, at the level made available to the Executive or other similarly situated officers at any time thereafter. During the Employment Period, the Company will offer such plans and programs to the Executive as were in effect immediately prior to the Change of Control or, if more favorable to the Executive when measured against particular plans or programs previously offered, replacement plans or programs. All payments by the Company hereunder excepting payments for Accrued Obligations (as defined in Section 7(a)) shall be taken into account (to the extent permitted by, and consistent with, law and the terms of the applicable plan document) in determining the amount of contributions to be made by or on behalf of the Executive under any tax-qualified defined contribution plan of the Company.

(e) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and procedures of the Company as in effect immediately prior to the Effective Date, payable on a monthly basis. Notwithstanding the foregoing, the Company shall apply the policies and procedures in effect after the Effective Date to the Executive, if such policies and procedures are more favorable to the Executive than those in effect immediately prior to the Effective Date. In no event, however, will any expense which is incurred in a particular year be reimbursed later than the end of the Executive's taxable year following the taxable year in which the expense was incurred. The amount of reimbursable expenses incurred in one taxable year by the Executive shall not affect the amount of reimbursable expenses in a different taxable year, and such reimbursement shall not be subject to liquidation or exchange for another benefit.

(f) Vacation and Fringe Benefits. During the Employment Period, the Executive shall be entitled to paid vacation and fringe benefits at a level that is commensurate with the paid vacation and fringe benefits available to the Executive immediately prior to the Effective Date, or, if more favorable to the Executive, at the level made available to the Executive or other similarly situated officers at any time thereafter.

(g) Indemnification. During and after the Employment Period, the Company shall indemnify the Executive and hold the Executive harmless from and against any claim, loss or cause of action arising from or out of the Executive's performance as an officer, director or employee of the Company or any of its subsidiaries or in any other capacity, including any fiduciary capacity, in which the Executive serves at the request of the Company to the maximum extent permitted by applicable law and the Company's Certificate of Incorporation and By-laws (the "Governing Documents") and the Company shall maintain existing or comparable policies of insurance covering such matters, provided that in no event shall the protection afforded to the Executive hereunder be less than that afforded under the Governing Documents as in effect immediately prior to the Effective Date.

(h) Office and Support Staff. The Executive shall be entitled to an office with furnishings and other appointments, and to secretarial and other assistance, at a level that is at least commensurate with the foregoing provided to other similarly situated officers provided that such items shall be at least equivalent to those provided for the Executive immediately prior to the Effective Date.

6. Termination. The provisions of this Section 6 shall only apply to the termination of the Executive's employment following a Change of Control and, in the case of Section 6(d), a Potential Change of Control.

(a) Death, Disability or Retirement. This Agreement shall terminate automatically upon the Executive's death, termination due to the Executive being "disabled" (a "Disability") within the meaning of Section 409A(a)(2)(C) of the Code or successor provision, or voluntary retirement under any of the Company's retirement plans as in effect from time to time.

(b) Voluntary Termination. The Executive may, upon not less than 30 days' written notice to the Company, voluntarily terminate employment for any reason (including early retirement under the terms of any of the Company's retirement plans as in effect from time to time), provided that any termination by the Executive pursuant to Section 6(d) on account of Good Reason (as defined therein) shall not be treated as a voluntary termination under this Section 6(b).

(c) Cause. The Company may terminate the Executive's employment for Cause. For purposes of this Agreement, "Cause" means (i) the Executive's conviction of, or plea of nolo contendere to, a felony or a crime involving moral turpitude; (ii) an act or acts of dishonesty or gross misconduct on the Executive's part which result or are intended to result in material damage to the Company's business or reputation; (iii) the Executive's alcohol or drug addiction; or (iv) the willful and continued failure by the Executive to substantially perform the Executive's required duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or Disability or any actual or anticipated failure after the termination by the Executive for Good Reason as defined in paragraph 6(d), below) after a written demand for substantial performance is delivered to the Executive by the Company, which demand specifically identifies the manner in which the Company believes that the Executive has not substantially performed the required duties.

(d) Good Reason. Following the occurrence of a Change of Control or Potential Change of Control, the Executive may terminate employment for Good Reason; provided, however, termination of employment for Good Reason following a Potential Change of Control shall not result in any payments or benefits hereunder unless the Effective Date actually occurs and the additional conditions of Section 1 (b) are satisfied. For purposes of this

Agreement, “Good Reason” means the occurrence of any of the following, without the express written consent of the Executive, after the occurrence of a Change of Control or Potential Change of Control:

(i) (A) the assignment to the Executive of any duties inconsistent in any material adverse respect with the Executive’s position, authority, responsibilities, title or status as contemplated by Section 4 of this Agreement, or (B) any other material adverse change in such position, responsibilities, authority, title or status, including without limitation the Executive’s ceasing to hold the position and title held immediately prior to the Effective Date with a public company during the Employment Period, or any removal of the Executive from or any failure to re-elect the Executive to any position, except in connection with the termination of the Executive’s employment due to Cause, Disability, retirement, death or voluntary termination for reasons other than those set forth in this Section 6(d);

(ii) any failure by the Company to comply with any of the provisions of Section 5 of this Agreement, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) any purported termination of the employment of the Executive by the Company which is not due to (A) the Executive’s Disability, (B) the Executive’s death, (C) the Executive’s retirement, (D) a termination by the Company for Cause in accordance with Section 6(c) or (E) the Executive’s voluntary termination for reasons other than those set forth in this Section 6(d);

(iv) the Company’s requiring the Executive to be based at any office or location more than 35 miles (or such other distance not in excess of 50 miles as shall be set forth in the Company’s relocation policy as in effect immediately prior to the Effective Date) from that location at which the Executive performed services specified under the provisions of Section 4 immediately prior to the Change of Control or Potential Change of Control, as the case may be, or the Company’s requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date; or

(v) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 12(b).

Notwithstanding the foregoing, in no event shall the mere occurrence of a Change of Control or Potential Change of Control, absent any further impact on the Executive, be deemed to constitute Good Reason.

(e) Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(e). For purposes of this Agreement, a “Notice of Termination” means a written notice given, in the case of a termination for Cause, within 30 days of the Company’s having actual knowledge of the events giving rise to such termination, and in the case of a termination for Good Reason, within 90 days of the Executive's having actual knowledge of the events giving rise to such termination, and which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing the Executive's rights hereunder.

(f) Date of Termination. For the purpose of this Agreement, the term "Date of Termination" means (i) in the case of a termination for which a Notice of Termination is required, the date of receipt of such Notice of Termination or, if later, the date specified therein, as the case may be, and (ii) in all other cases, the actual date on which the Executive's employment terminates during the Employment Period. For purposes of this Agreement, the term "termination" when used in the context of a condition to, or timing of, payment hereunder shall be interpreted to mean a "separation from service" as that term is used in Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively, "Code Section 409A").

7. Obligations of the Company upon Termination.

(a) Death or Disability. If the Executive's employment is terminated during the Employment Period by reason of the Executive's death or Disability, this Agreement shall terminate without further obligations to the Executive or the Executive's legal representatives under this Agreement other than those obligations accrued hereunder at the Date of Termination, and the Company shall pay to the Executive (or the Executive's beneficiary or estate) (i) the Executive's full Base Salary through the Date of Termination (the "Earned Salary"), (ii) any vested amounts or benefits owing to the Executive under the Company's otherwise applicable employee benefit plans and programs, including any compensation previously deferred by the Executive (together with any accrued earnings thereon) and not yet paid by the Company and any accrued vacation pay not yet paid by the Company (the "Accrued Obligations"), and (iii) any other benefits payable due to the Executive's death or Disability under the Company's plans, policies or programs (the "Additional Benefits").

Any Earned Salary shall be paid in cash in a single lump sum 30 days (or at such earlier date required by law), following the Date of Termination, in accordance with the Company's standard payroll practices. Accrued Obligations and Additional Benefits shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(b) Cause and Voluntary Termination. If, during the Employment Period, the Executive's employment is terminated for Cause or voluntarily terminated by the Executive (other than on account of Good Reason following a Change of Control), the Company shall pay the Executive (i) the Earned Salary in cash in a single lump sum 30 days (or at such earlier date required by law), following the Date of Termination, in accordance with the Company's standard payroll practices and (ii) the Accrued Obligations in accordance with the terms of the applicable plan, program or arrangement and giving effect to the reason for termination.

(c) Termination by the Company other than for Cause and Termination by the Executive for Good Reason.

(i) Lump Sum Payments. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause, or the Executive terminates employment for Good Reason, the Company shall pay to the Executive the following amounts:

(A) the Executive's Earned Salary;

(B) a cash amount (the "Severance Amount') equal to two times the sum of

(1) the Executive's annual Base Salary; and

(2) the target bonus amount for the Executive for the fiscal year ending immediately prior to the Effective Date; and

(C) the Accrued Obligations.

The Earned Salary shall be paid on the last day of the month during which the Date of Termination occurs. The Severance Amount shall be paid in cash in a single lump sum 30 days following the Date of Termination; provided that if Executive is a Specified Employee under Code Section 409A on the termination of employment then such amount shall be paid on the first day following the six month anniversary of the Executive's termination of employment; provided further that if such amount is paid by reason of the circumstances described in Section 1(b), then payment shall be made upon the Change in Control described in such section. Accrued Obligations shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(ii) Continuation of Benefits. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause, or the Executive terminates employment for Good Reason, the Executive (and, to the extent applicable, the Executive's dependents) shall be entitled, after the Date of Termination until the earlier of (x) the twenty-four month anniversary of the Date of Termination (the "End Date") and (y) the date the Executive becomes eligible for comparable benefits under a similar plan, policy or program of a subsequent employer, to continue participation in all of the Company's employee and executive welfare and fringe benefit plans (the "Benefit Plans"). Executive shall notify the Company within ten days of becoming eligible for comparable benefits. To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program, the Company shall provide a comparable benefit under another plan or from the Company's general assets. To the extent any such benefits cannot be provided on a non-taxable basis then the provision of such benefits shall be delayed until the first day following the six month anniversary of the Executive's termination of employment if the Executive is a Specified Employee under Code Section 409A on the termination of employment. The Executive's participation in the Benefit Plans will be on the same terms and conditions that would have applied had the Executive continued to be employed by the Company through the End Date.

(d) Limit on Payments by the Company.

(i) Application of Section 7(d). In the event that any amount or benefit paid or distributed to the Executive pursuant to this Agreement, taken together with any amounts or benefits otherwise paid or distributed to the Executive by the Company or any affiliated company (collectively, the "Covered Payments"), would be an "excess parachute payment" as defined in Section 280G of the Code and would thereby subject the Executive to the tax (the "Excise Tax") imposed under Section 4999 of the Code (or any similar tax that may hereafter be imposed), the provisions of this Section 7(d) shall apply to determine the amounts payable to Executive pursuant to this Agreement.

(ii) Calculation of Benefits. Immediately following delivery of any Notice of Termination, the Company shall notify the Executive of the aggregate present value of all termination benefits to which the Executive would be entitled under this Agreement and any other plan, program or arrangement as of the projected Date of Termination, together with the projected maximum payments, determined as of such projected Date of Termination, that could be paid without the Executive being subject to the Excise Tax.

(iii) Imposition of Payment Cap. If (A) the aggregate value of the Severance Amount, Accrued Obligations, continuation of benefits and other amounts to be paid or provided to the Executive under this Agreement and any other plan, agreement or arrangement with the Company exceeds the amount which can be paid to the Executive without the Executive incurring an Excise Tax and (B) the Executive would receive a greater net-after-tax amount (taking into account all applicable taxes payable by the Executive, including any Excise Tax) by applying the limitation contained in this Section 7(d)(iii), then such amounts payable to the Executive under this Section 7 shall be reduced (but not below zero) to the maximum amount which may be paid hereunder without the Executive becoming subject to such an Excise Tax (such reduced payments to be referred to as the "Payment Cap"). In the event that the Executive receives reduced payments and benefits pursuant to the previous sentence, the Executive shall have the right to designate, to the extent consistent with Code Section 409A, which of the payments and benefits otherwise provided for in this Agreement that the Executive will receive in connection with the application of the Payment Cap.

(iv) Application of Section 280G. For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax and the amount of such Excise Tax,

(A) such Covered Payments will be treated as “parachute payments” within the meaning of Section 280G of the Code, and all “parachute payments” in excess of the “base amount” (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the good faith judgment of the Company’s independent certified public accountants appointed prior to the Effective Date or tax counsel selected by such accountants (the “Accountants”), the Company has a reasonable basis to conclude that such Covered Payments (in whole or in part) either do not constitute “parachute payments” or represent reasonable compensation for personal services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the “base amount,” or such “parachute payments” are otherwise not subject to such Excise Tax, and

(B) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(v) For purposes of determining whether the Executive would receive a greater net-after-tax benefit were the amounts payable under this Agreement reduced in accordance with Paragraph 7(d)(iii), the Executive shall be deemed to pay:

(A) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the calendar year in which the first amounts are to be paid hereunder, and

(B) any applicable state and local income taxes at the highest applicable marginal rate of taxation for such calendar year, net of the maximum reduction in Federal income taxes which could be obtained from the deduction of such state or local taxes if paid in such year;

provided, however, that the Executive may request that such determination be made based on the Executive’s individual tax circumstances, which shall govern such determination so long as the Executive provides to the Accountants such information and documents as the Accountants shall reasonably request to determine such individual circumstances.

(vi) If the Executive receives reduced payments and benefits, under this Section 7(d) (or this Section 7(d) is determined not to be applicable to the Executive because the Accountants conclude that the Executive is not subject to any Excise Tax) and it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding (a “Final Determination”) that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Agreement, the aggregate “parachute payments” within the meaning of Section 280G of the Code paid to the Executive or for the Executive’s benefit are in an amount that would result in the Executive being subject to an Excise Tax, then the Executive shall have an obligation to repay to the Company on the fifth day following the Final Determination the amount equal to such excess parachute payments, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date of the payment hereunder to the date of repayment by the Executive. If this Section 7(d) is not applied to reduce the Executive's entitlements under this Section 7 because the Accountants determine that the Executive would not receive a greater net-after-tax benefit by applying this Section 7(d) and it is established pursuant to a Final Determination that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Agreement, the Executive would have received a greater net-after-tax benefit by subjecting the Executive's payments and benefits hereunder to the Payment Cap, the Executive shall have an obligation to repay to the Company on the fifth day following the Final Determination the aggregate "parachute payments" paid to the Executive or for the Executive's benefit in excess of the Payment Cap, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date of the payment hereunder to the date of repayment by the Executive. If the Executive receives reduced payments and benefits by reason of this Section 7(d) and it is established pursuant to a Final Determination that the Executive could have received a greater amount without exceeding the Payment Cap, then the Company shall pay the Executive the aggregate additional amount which could have been paid without exceeding the Payment Cap on the fifth day following the Final Determination, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the original payment due date to the date of actual payment by the Company.

8. **Non-Exclusivity of Rights**. Except as expressly provided herein, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive, stock option or other plan or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other agreements with the Company or any of its affiliated companies, including employment agreements or stock option agreements. Except as otherwise provided herein, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

9. **Full Settlement**. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others whether by reason of the subsequent employment of the Executive or otherwise, except as otherwise provided herein. In the event of a termination of the Executive's employment by the Company other than for Cause or termination of employment by the Executive for Good Reason, the Executive shall have no duty to seek any other employment after termination of employment with the Company, and the Company hereby waives and agrees not to raise or use any defense based on the position that the Executive had a duty to mitigate or reduce the amounts due to the Executive hereunder by seeking other employment, whether suitable or unsuitable, and should the Executive obtain other employment, then the only effect of such on the obligations of the Company hereunder shall be that the Company shall be entitled to credit against any payments which would otherwise be made pursuant to Section 7(c)(ii) hereof, any comparable payments to which the Executive is entitled under the employee and executive welfare benefit plans maintained by the Executive's other employer or employers in connection with services to such employer or employers after termination of the Executive's employment with the Company.

10. **Legal Fees and Expenses**. If the Executive asserts any claim in any contest (whether initiated by the Executive or by the Company) as to the validity, enforceability or interpretation of any provision of this Agreement, the Company shall pay the Executive's costs (or cause such costs to be paid) in so asserting, including, without limitation, reasonable attorneys' fees and expenses, if the Executive is the prevailing party in such contest, as determined by the arbitrators selected pursuant to Section 13(b) hereof to resolve such contest. Any payment to the Executive shall be made within 30 days following the final decision rendered in such arbitration; provided however that no such payments may be made to Executive until the first day following the six month anniversary of the Executive's termination if the Executive is a Specified Employee under Code Section 409A upon termination of employment and Executive shall not be afforded any election with respect to the taxable year of payment of such amount.

11. **Covenants**. For and in consideration of the salary and benefits to be provided by the Company hereunder, including the severance arrangements set forth herein, the Executive agrees that:

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, (i) obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and (ii) not otherwise public knowledge (other than by reason of an unauthorized act by the Executive). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, unless compelled pursuant to an order of a court or other body having jurisdiction over such matter, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

No Company policy or individual agreement between the Company and the Executive (including this Agreement) shall prevent the Executive from providing, without prior notice to the Company, information to government authorities regarding possible legal violations, participating in investigations, testifying in proceedings regarding the Company's past or future conduct, engaging in any future activities protected under the whistleblower statutes administered by any government agency (e.g., EEOC, NLRB, SEC, etc.) or receiving a monetary award from a government-administered whistleblower award program for providing information directly to a government agency.

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

(b) Company Property. Except as expressly provided herein, promptly following the Executive's termination of employment, the Executive shall return to the Company all property of the Company and all copies thereof in the Executive's possession or under the Executive's control.

(c) Non-Competition. While the Executive is employed by the Company and for a period of one year after the date of the Executive's termination of employment with the Company for any reason the Executive will not, directly or indirectly, anywhere in which the Company operates and/or sells products and services: (i) act as an officer, manager, advisor, executive, shareholder, or consultant to any business in which her duties at or for such business include oversight of or actual involvement in providing services which are competitive with the services or products being provided or which are being produced or developed by the Company, or were under investigation by the Company within the last two years prior to the end of the Executive's employment with the Company (such services or products are collectively referred to herein as "Services or Products"), (ii) recruit investors on behalf of an entity which engages in activities which are competitive with the Services or Products, or (iii) become employed by such an entity in any capacity which would require the Executive to carry out, in whole or in part, the duties the Executive has performed for the Company which are competitive with the Services or Products . Notwithstanding the foregoing, the Executive may purchase or otherwise acquire up to (but not more than) 1% of any class of securities of any enterprise (but without otherwise participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934. The Executive acknowledges that this restriction will prevent the Executive from acting in any of the foregoing capacities for any competing entity operating or conducting business within the area in which the Company operates and/or sells products and services and that this scope is reasonable in light of the business of the Company.

(d) Non-Solicitation. The Executive agrees that for a period of one year following the termination of the Executive's employment with the Company for any reason, including without limitation termination for Cause or without Cause, the Executive shall not, directly or indirectly, solicit the business of, or do business with: (i) any customer that the Executive approached, solicited or accepted business from on behalf of the Company, and/or was provided confidential or proprietary information about while employed by the Company within the one year period preceding the Executive's separation from the Company; and (ii) any prospective customer of the Company who was identified to or by the Executive and/or who Executive was provided confidential or proprietary information about while employed by the Company within the one year period preceding the Executive's separation from the Company, for purposes of marketing, selling and/or attempting to market or sell Services or Products. While the Executive is employed by the Company and for a period of one year after the date of the Executive's termination of employment with the Company for any reason, the Executive shall not (directly or indirectly) on her own behalf or on behalf of any other person or entity solicit or induce, or cause any other person or entity to solicit or induce, or attempt to solicit or induce, any employee or consultant to leave the employ of or engagement by the Company or its successors, assigns or affiliates, or to violate the terms of their contracts with the Company.

(e) Injunctive Relief and Other Remedies with Respect to Covenants. The Executive acknowledges and agrees that the covenants and obligations of the Executive with respect to confidentiality and Company property relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause the Company irreparable injury for which adequate remedies are not available at law. Therefore, the Executive agrees that the Company shall (i) be entitled to pursue an injunction, restraining order or such other equitable relief (without the requirement to post bond) restraining the Executive from committing any violation of the covenants and obligations contained in this Section 11 and (ii) have no further obligation to make any payments to the Executive hereunder following any finding by a court or an arbitrator that the Executive has engaged in a material violation of the covenants and obligations contained in this Section 11. These remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity. The Company may withhold amounts otherwise payable to the Executive and recoup amounts previously paid to the Executive under this Agreement upon any violation of the provisions of this Section 11.

12. Non-Assignment and Successors.

(a) Non-Assignable. This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives, including by will or the laws of descent and distribution.

(b) Successors. This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

13. Miscellaneous.

(a) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, applied without reference to principles of conflict of laws.

(b) Arbitration. Except to the extent provided in Section 11(e), any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding arbitration. The arbitration shall be held in the City of Pittsburgh, Commonwealth of Pennsylvania, and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration, and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both the Company and the Executive. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties and the third appointed by the other two arbitrators.

(c) Amendments and Termination. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives, except that the Company may amend this Agreement from time to time without the consent of the Executive to the extent deemed necessary or appropriate, in its sole discretion, to effect compliance with Code Section 409A, which amendments may result in a reduction of benefits provided hereunder and/or other unfavorable changes to Executive. Executive hereby irrevocably consents to such amendments. This Agreement may be terminated by either the Company or the Executive at any time prior to the occurrence of a Change of Control without liability, except as may arise in circumstances relating to a Potential Change in Control as provided for herein.

(d) Entire Agreement. Excepting any plans, agreements or arrangements specifically referred to in this Agreement, this Agreement constitutes the entire agreement between the parties hereto with respect to the matters referred to herein. No other agreement relating to the terms of the Executive's employment by the Company, oral or otherwise, shall be binding between the parties unless it is in writing and signed by the party against whom enforcement is sought. There are no promises, representations, inducements or statements between the parties other than those that are expressly contained herein. The Executive acknowledges that he is entering into this Agreement of her own free will and accord, and with no duress, that he has read this Agreement and that he understands it and its legal consequences.

(e) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand-delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the home address of the Executive noted on the records of the Company

If to the Company: Chairman of the Board
Westinghouse Air Brake Technologies Corporation
30 Isabella Street
Pittsburgh, Pennsylvania 15212

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(f) Tax Withholding. The Company shall withhold from any amounts payable under this Agreement such Federal, state, foreign, or local taxes or levies as shall be required to be withheld pursuant to any applicable law or regulation. For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(g) Severability; Reformation. In the event that one or more of the provisions of this Agreement shall become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. In the event that any of the provisions of Section 11 are not enforceable in accordance with its terms, the Executive and the Company agree that such Sections shall be reformed to make such Sections enforceable in a manner which provides the Company the maximum rights permitted at law.

(h) Waiver. Waiver by any party hereto of any breach or default by the other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by either party hereto to assert its or her rights hereunder on any occasion or series of occasions.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(j) Captions. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Executive has hereunder set her hand and the Company has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

/s/ Nicole B. Theophilus

Nicole B. Theophilus
EVP & CHRO

EXECUTIVE

/s/ Patricia R. Schade	/s/ John A. Olin
Witnessed	John A. Olin

TRANSITION AGREEMENT

This Transition Agreement (including the Exhibits attached hereto, this "Transition Agreement") is made and entered into on September 9, 2021 (the "Effective Date"), by and between Patrick Dugan ("Executive") and Westinghouse Air Brake Technologies Corporation (the "Company").

WHEREAS, Executive is employed by the Company as Executive Vice President and Chief Financial Officer;

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

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

a) Date of Termination. Executive's employment with the Company will terminate effective as of December 31, 2021 (the "Date of Termination"). Executive acknowledges that, effective as of October 1, 2021, Executive will resign from his position as Executive Vice President and Chief Financial Officer and be employed as Strategic Advisor to the Chief Executive Officer. While employed, Executive will continue to report directly to the Chief Executive Officer of the Company. Executive shall resign from his position as Strategic Advisor to the Chief Executive Officer as of the Date of Termination. On or prior to the Date of Termination, Executive shall also resign from all other positions Executive holds as an officer, director or employee of the Company or any of its subsidiaries and affiliates. Executive will promptly execute such documents and take such actions as may be necessary or reasonably requested by the Company or any of its subsidiaries or affiliates to effectuate or memorialize the resignation of such positions.

b) Severance Benefits. In consideration for Executive's (i) execution of this Transition Agreement, (ii) continuing employment with the Company through the Date of Termination, (iii) execution of the release of claims attached hereto as **Exhibit A** (the "Release") on December 24, 2021 and the Supplemental Release ("Supplemental Release") on the Date of Termination, (iv) non-revocation of the Release and Supplemental Release, and (v) compliance with the post-employment restrictions set forth below, Executive will receive the payments and benefits as specified on the attached **Exhibit B**, subject to applicable tax withholding (collectively, the "Severance Benefits"). Notwithstanding the foregoing, if Executive dies prior to the Date of Termination, the Severance Benefits shall vest and be paid pursuant to **Exhibit B** to Executive's surviving spouse or, if Executive has no surviving spouse, Executive's estate, at the same time and in such amounts as otherwise would have been received by Executive; provided Executive's surviving spouse or the executor of Executive's estate, as applicable, executes, and does not revoke, the Release (with such changes thereto as the Company deems necessary to reflect that Executive's surviving spouse or the executor of Executive's estate, as applicable, and not Executive, is executing such Release). The Severance Benefits are in full satisfaction of all payment obligations of the Company and its subsidiaries under the Company's Stock Incentive Plans ("Equity Plans"), the Company Long Term Incentive Plan and other compensation arrangements of the Company and its subsidiaries.

c) <u>Transition Period</u>. From the Effective Date through the Date of Termination or, if earlier, the date of Executive's death or voluntary resignation (the "<u>Transition Period</u>"), Executive shall continue to be paid his current base salary of $700,000 ("<u>Base Salary</u>") and receive his current employee benefits, including Executive's eligibility to earn an annual bonus for 2021 in accordance with the terms and conditions of the Company's annual bonus program. For the purposes of determining the amount of annual bonus, the Company will use the annual target bonus opportunity of 80% of Base Salary, adjusted for the Company's performance against predetermined annual goals, and no less than the results for similar corporate-wide named executive officers. Payment of the annual bonus will be consistent with other similar corporate-wide named executive officers, but no later than March 15, 2022.

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

e) <u>Post-Employment Restrictive Covenants</u>. Executive recognizes the legitimate business interests of the Company in protecting its goodwill or other business interests and represents that the post-employment restrictions outlined in the Equity Plan and Award Agreements do not unduly restrict or curtail his legitimate efforts to earn a livelihood in light of the substantial consideration Executive will receive. The non-competition, non-solicitation (employee or customer) or non-interference covenants in any equity plans and award agreements will continue to apply to Executive after the Date of Termination. Those covenants state and Executive agrees to the following:

Restrictions on Competition. Except where prohibited by state or local law, Executive covenants and agrees that during the period of his employment by the Company and for a period of one (1) year after Executive ceases to be employed by the Company, directly or indirectly, on his behalf or on behalf of or in conjunction with any person, business, firm, company, or other entity, set up, join, become employed by, be engaged in, or provide any advice or services to, any enterprise which develops, produces, markets, sells or services any product or service which is the same as or similar to products or services manufactured and sold by the business or function freight or transit rail industry. This covenant is limited to any state in the United States of America and country in which the Company is or has been doing business during the twelve (12) months prior to his termination. Executive acknowledges that this covenant is reasonable, and that he has received sufficient consideration for the covenants contained herein. Executive agrees that a court may modify any provision herein that it deems unreasonable or unenforceable, and the remainder shall remain in full force and effect.

Non-Solicitation. Executive covenants and agrees that for a period of one (1) year after he ceases to be employed by the Company, he will not, for himself, as an agent or employee, or on behalf of any person, association, partnership, corporation or other entity directly or indirectly, solicit the business, or aid to assist anyone else in the solicitation of business from, any customer or prospective customer of the Company or supplier of parts used in the manufacturing of products by the Company with whom he had direct or indirect contact or about whom he may have acquired any knowledge while employed by the Company. Executive also agrees that, during his employment with the Company and for one (1) year after Employee ceases to be employed by the Company, he will not, directly or indirectly: solicit or induce, or attempt to solicit or induce, any employee of the Company to leave the Company for any reason whatsoever, or hire or participate in the hiring or interviewing of any employee of the Company; or provide names or other information about the Company's employees for the purpose of assisting others to hire or interview such employees. For purposes of this paragraph, a Company employee means any person who is a current Wabtec employee or was employed by Wabtec within six (6) months of any action by Executive that violates this covenant. Executive acknowledges that this covenant is reasonable, and that he has received sufficient consideration for the covenants contained herein. Executive agrees that a court may modify any provision herein that it deems unreasonable or unenforceable, and the remainder shall remain in full force and effect.

f) Indemnification and Director & Officer Insurance Obligations. The Company reaffirms its obligations pursuant to already existing D&O policies and obligations.

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

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

i) Taxes. The Company may withhold from any amounts payable under this Transition Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling. Notwithstanding any other provision of this Transition Agreement, the Company shall not be obligated to guarantee any particular tax result for Executive with respect to any payment provided to Executive hereunder, and Executive shall be responsible for any taxes imposed on Executive with respect to any such payment.

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

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

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

[*Signatures on the following page.*]

Westinghouse Air Brake Technologies Corporation

By: /s/ Nicole B. Theophilus
Name: Nicole B. Theophilus
Title: Executive Vice President,
Chief Human Resources Officer

/s/ Patrick Dugan
Patrick Dugan

[Signature Page to Transition Agreement – Dugan]

<u>Exhibit A</u>

Release of Claims

(see attached)

Release

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

WHEREAS, the entering into and non-revocation of this Release is a condition to Executive's right to receive certain payments and benefits under the Transition Agreement, dated as of September 9, 2021, by and between the Company and Executive (the "Transition Agreement"). Capitalized terms used and not defined herein shall have the meaning provided in the Transition Agreement.

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

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

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

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

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

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

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

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

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

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

4. **Exclusions for Certain Claims**. Notwithstanding the foregoing, Executive and the Company agree that this Release specifically excludes (i) Executive's rights and the Company's obligations under the Transition Agreement, (ii) applicable statutory rights to indemnification for actions taken within the scope of his employment and his service as an officer or director of the Company or any of its subsidiaries, which shall include the availability of all insurance coverage that may apply to such claims, and (iii) claims that may not, as a matter of law, be released. Further, Executive and the Company agree that nothing herein shall be construed to prevent Executive from enforcing rights, if any, under ERISA to recover any vested benefits or instituting any action to enforce the terms of this Release.

5. **Government Investigations**. The parties agree that nothing in this Release shall be construed to prohibit Executive from filing a charge with the Equal Employment Opportunity Commission (hereinafter "EEOC") to enforce the ADEA and other laws, the Securities Exchange Commission or other similar governmental agency, or from participating in investigations with such entities. However, Executive acknowledges that by executing this Release, Executive waives his right to seek or accept individual remedies or monetary damages in any such action or lawsuit arising from such charges or investigations, or in connection with any complaint or charge that Executive may file with an administrative agency, including, but not limited to, reinstatement, back pay, front pay, damages, attorneys' fees or experts' fees, except with respect to any monetary recovery under the Dodd-Frank Wall

Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002 or Section 21F of the Securities Exchange Act of 1934. Executive further agrees that if any person, organization or other entity should bring a claim against the Releasees involving any matter covered by this Release, Executive will not accept any personal relief in any such action, including damages, attorneys' fees, costs and all other legal or equitable relief.

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

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

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

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

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

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

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

7. **Governing Law**. This Release will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflicting provision or rule (whether of the Commonwealth of Pennsylvania or any other jurisdiction) that would cause the laws of any jurisdiction other than the Commonwealth of Pennsylvania to be

applied. In furtherance of the foregoing, the internal law of the Commonwealth of Pennsylvania will control the interpretation and construction of this Release, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply. Further, to the extent that Executive or the Company is required to initiate legal action to enforce any right or obligation under this Release, Executive and the Company agree that any such litigation shall be filed and determined by the United States District Court for the Western District of Pennsylvania or the Court of Common Pleas for Allegheny County; and both Executive and the Company consent to the exclusive personal jurisdiction of such courts.

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

9. **Voluntary Execution**. Executive acknowledges that Executive is executing this Release voluntarily and of Executive's own free will and that Executive fully understands and intends to be bound by the terms of this Release. Further, Executive acknowledges that Executive received a copy of this Release on September 9, 2021, that Executive has carefully read and fully understands all of the provisions and effects of this Release; that Executive has been advised to consult with an attorney prior to executing this Release; that Executive participated in the creation of and is voluntarily entering into this Release; and that neither the Company nor its agents or attorneys have made any representations or promises as to the terms or effects of this Release other than those contained in this Release.

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

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

[Signature on Following Page]

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

Dated: ______________________________ __________________________________

Name: Patrick Dugan

Acknowledged and Agreed:

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION

By:_____________________________________
Name: Nicole B. Theophilus
Title: Executive Vice President, Chief Human Resources Officer

Exhibit B

Severance Benefits

1. On December 31, 2021, the Company shall pay to Executive a lump sum cash amount equal to $2,520,000, which equals two times the sum of (a) Executive's annual Base Salary of $700,000 and (b) Executive's target bonus amount, which is $560,000.

2. On December 31, 2021, the Company shall also pay to Executive a lump sum cash amount of $50,000 to reimburse certain additional costs.

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

4. The nonstatutory stock options granted to Executive on February 10, 2015, February 9, 2016, February 7, 2017, February 6, 2018, March 6, 2019, February 7, 2020, and February 11, 2021 (itemized below) shall, to the extent not already fully vested, become fully vested and exercisable as of December 31, 2021 and shall be exercisable at any time prior to December 31, 2024, or if earlier, the expiration date of the stock option; provided, that, if the Company adopts a policy on or prior to December 31, 2021 that applies to the Company's retiring executives in general, and such policy provides for more favorable treatment with respect to the period of time to exercise stock options after an executive's retirement, then Executive shall be entitled to such longer period of time provided by such policy (but no later than the expiration date of the stock option) to exercise any outstanding options which have not previously been exercised by Executive.

Date of Grant	**Total Number of Unexercised Shares Subject to the Stock Option as of the Effective Date**	**Total Number of Unvested Shares Subject to the Stock Option as of the Effective Date**
February 10, 2015	875	0
February 9, 2016	2,100	0
February 7, 2017	3,675	0
February 6, 2018	5,600	1,400
March 6, 2019	7,700	2,567
February 7, 2020	7,606	5,070
February 11, 2021	6,987	6,987
Total		

5. The unvested shares of common stock of the Company subject to Restricted Stock Agreements granted to Executive on February 6, 2018, March 6, 2019, February 7, 2020, and February 11, 2021 (itemized below) shall be fully vested as of December 31, 2021.

Date of Grant	**Total Number of Unvested Shares Subject to the Restricted Stock Award as of the Effective Date**
February 6, 2018*	2,000
February 6, 2018	1,400
March 6, 2019	3,333
March 6, 2019	2,566
February 7, 2020	5,070
February 11, 2021	6,987
Total	

*The 2,000 unvested shares of the Restricted Stock Award granted on February 6, 2018 vest on December 31, 2021 if Executive remains employed through December 31, 2021.

6. With respect to the performance units of the Company granted to Executive on March 6, 2019, February 7, 2020 and February 11, 2021 (itemized below) (collectively, the "Performance Units"), Executive will be entitled to receive, at such time that the Performance Units would otherwise be paid under the terms of the applicable award agreement and the Company's 2011 Stock Incentive Plan governing such Performance Units, a number of shares of common stock of the Company equal to the product of (A) the total number of Performance Units Executive would have earned based on actual performance assuming Executive remained employed through the end of the applicable performance cycle (or, if a Section 11 Event (as defined in the Company's 2011 Stock Incentive Plan) occurs prior to the end of the applicable performance cycle, the total number that would have been considered earned under the applicable award agreement as a result of the Section 11 Event), multiplied by (B) a fraction (the "Proration Fraction"), the numerator of which is the total number of whole months that have elapsed during the applicable performance period through the Date of Termination and the denominator of which is 36. Performance Units earned will be based on actual performance consistent with the plan targets as set for participants by the Board of Directors, and no less than the results for similar corporate-wide named executive officers.

Date of Grant	**Total Number of Performance Units Subject to the Award at Target Level**	**Proration Fraction**	**Prorated Number of Performance Units Subject to the Award at Target Level**
March 6, 2019	11,000	36/36	11,000
February 7, 2020	10,865	24/36	7,244
February 11, 2021	10,568	12/36	3,523
Total			

7. If Executive dies before all Severance Benefits due to Executive under this Transition Agreement have been paid, the amounts of Severance Benefits remaining due shall be paid to his surviving

spouse (or, if none, his estate), at the same time such amounts would have otherwise been paid to Executive.

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

Exhibit 22.1

Guarantor Subsidiaries of Westinghouse Air Brake Technologies

The obligations under the Company's US Notes, the Senior Credit Facility, and 364 Day Facility have been fully and unconditionally guaranteed by certain of the Company's U.S. subsidiaries. Each guarantor is 100% owned by the parent company, with the exception of GE Transportation, a Wabtec Company, which has 15,000 shares outstanding of Class A Non-Voting Preferred Stock held by General Electric Company. The Euro Notes are issued by Wabtec Netherlands and are fully and unconditionally guaranteed by the Company.

As of September 30, 2021:

The US Notes and Senior Credit Facility
Issuer: Westinghouse Air Brake Technologies Corporation
Guarantors: GE Transportation, a Wabtec Company
RFPC Holding Corp.
Schaefer Equipment, Inc.
Standard Car Truck Company
Transportation IP Holdings, LLC
Transportation Systems Services Operations Inc.
Wabtec Holding Corp.
Wabtec Railway Electronics Holdings, LLC
Wabtec Transportation Systems, LLC
Workhorse Rail, LLC

The Euro Notes
Issuer: Wabtec Transportation Netherlands B.V.
Guarantor: Westinghouse Air Brake Technologies Corporation

Exhibit 31.1

CERTIFICATION

I, Rafael Santana, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 27, 2021

By:	/s/ RAFAEL SANTANA
Name:	**Rafael Santana**
Title:	**President and Chief Executive Officer**

Exhibit 31.2

CERTIFICATION

I, John A. Olin, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 27, 2021

By:	/s/ JOHN A. OLIN
Name:	**John A. Olin**
Title:	**Executive Vice President and Chief Financial Officer**

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officers of Westinghouse Air Brake Technologies Corporation (the "*Company*"), hereby certify, to the best of their knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "*Report*") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ RAFAEL SANTANA
	Rafael Santana **President and Chief Executive Officer**
Date:	October 27, 2021
By:	/s/ JOHN A. OLIN
	John A. Olin, **Executive Vice President and Chief Financial Officer**
Date:	October 27, 2021