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

FORM 10-Q

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

For the quarterly period ended JUNE 30, 1999

Commission file number 1-13782

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

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

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

As of July 19, 1999, 34,092,335 shares of Common Stock of the registrant were issued and outstanding, of which 8,443,876 shares were unallocated ESOP shares.

TABLE OF CONTENTS

		Page
	PART I - FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheet as of June 30, 1999 and December 31, 1998	3
	Condensed Consolidated Statement of Operations for the three and six months ended June 30, 1999 and 1998	4
	Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 1999 and 1998	5
	Notes to Condensed Consolidated Financial Statements	6-9
Item 2.	Management's Discussion and Analysis of Financial Position and Results of Operations	10-15
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	15
	PART II - OTHER INFORMATION	
Item 1.	Legal Proceedings	15-16
Item 4.	Submission of Matters to a Vote of Security Holders	16
Item 6.	Exhibits and Reports on Form 8-K	16
	Signatures	17

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET

Dollars in thousands, except par value	UNAUDITED JUNE 30 1999	DECEMBER 31 1998
ASSETS		
CURRENT ASSETS		
Cash	$ 6,487	$ 3,323
Accounts receivable	127,964	132,901
Inventories	111,444	103,560
Other	22,610	23,177
Total current assets	268,505	262,961
Property, plant and equipment	229,987	214,461
Accumulated depreciation	(99,502)	(89,480)
Property, plant and equipment, net	130,485	124,981
OTHER ASSETS		
Prepaid pension costs	6,699	5,724
Goodwill	151,113	151,658
Other intangibles	43,434	46,021
Other noncurrent assets	6,206	4,839
Total other assets	207,452	208,242
Total Assets	$606,442	$596,184
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$27,659	$30,579
Accounts payable	53,259	62,974
Accrued income taxes	9,377	8,352
Accrued interest	2,181	1,616
Customer deposits	18,402	20,426
Other accrued liabilities	47,234	43,603
Total current liabilities	158,112	167,550
Long-term debt	422,560	437,238
Reserve for postretirement benefits	16,848	16,238
Accrued pension costs	3,996	3,631
Other long-term liabilities	7,420	5,380
Total liabilities	608,936	630,037
SHAREHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, no shares issued	--	--
Common stock, $.01 par value; 100,000,000 shares authorized: 47,426,600 shares issued	474	474
Additional paid-in capital	108,709	107,720
Treasury stock, at cost, 13,401,822 and 13,532,092 shares	(186,028)	(187,654)
Unearned ESOP shares, at cost, 8,459,436 and 8,564,811 shares	(126,892)	(128,472)
Retained earnings	206,928	182,291
Unamortized restricted stock award	(85)	(162)
Accumulated other comprehensive income (loss)	(5,600)	(8,050)
Total shareholders' equity	(2,494)	(33,853)
Liabilities and Shareholders' Equity	$606,442	$596,184

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

In thousands, except per share data	THREE MONTHS ENDED JUNE 30 1999	THREE MONTHS ENDED JUNE 30 1998	SIX MONTHS ENDED JUNE 30 1999	SIX MONTHS ENDED JUNE 30 1998
Net sales	$193,981	$172,052	$385,185	$330,188
Cost of sales	130,649	117,005	260,308	223,345
Gross profit	63,332	55,047	124,877	106,843
Selling and marketing expenses	7,607	7,154	16,110	14,068
General and administrative expenses	13,422	12,719	26,250	24,303
Engineering expenses	9,629	7,016	18,536	13,454
Amortization expense	2,427	2,074	4,837	4,179
Total operating expenses	33,085	28,963	65,733	56,004
Income from operations	30,247	26,084	59,144	50,839
Other income and expense				
Interest expense	8,768	7,525	17,864	14,898
Other (income) expense, net	414	(312)	480	(443)
Income before income taxes and extraordinary item	21,065	18,871	40,800	36,384
Income taxes	7,852	7,171	15,198	13,826
Income before extraordinary item	13,213	11,700	25,602	22,558
Loss on extinguishment of debt, net of tax	--	(2,730)	(469)	(2,730)
Net income	$ 13,213	$ 8,970	$ 25,133	$ 19,828
EARNINGS PER COMMON SHARE				
Basic				
Income before extraordinary item	$0.52	$ 0.47	$ 1.01	$ 0.90
Extraordinary item, net	--	(0.11)	(0.02)	(0.11)
Net Income	$0.52	$0.36	$ 0.99	$ 0.79
Diluted				
Income before extraordinary item	$0.51	$ 0.45	$ 0.99	$ 0.88
Extraordinary item, net	--	(0.11)	(0.02)	(0.11)
Net Income	$0.51	$ 0.34	$ 0.97	$ 0.77
Weighted Average Shares Outstanding				
Basic	25,484	25,096	25,409	25,007
Diluted	26,079	25,837	25,916	25,733

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands	UNAUDITED SIX MONTHS ENDED JUNE 30 1999	1998
OPERATING ACTIVITIES		
Net income	$ 25,133	$ 19,828
Adjustments to reconcile net income to cash provided by operations		
Extraordinary loss on extinguishment of debt	469	2,730
Depreciation and amortization	12,658	12,999
Provision for ESOP contribution	2,262	2,455
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	4,580	(8,228)
Inventories	(7,413)	(10,270)
Accounts payable	(9,792)	2,853
Accrued income taxes	1,015	4,787
Accrued liabilities and customer deposits	2,056	(6,312)
Other assets and liabilities	604	(216)
Net cash provided by operating activities	31,572	20,626
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(11,671)	(14,405)
Acquisitions of businesses, net of cash acquired	(960)	(14,114)
Net cash used for investing activities	(12,631)	(28,519)
FINANCING ACTIVITIES		
Proceeds from Senior Note offering	76,875	--
Debt issuance costs	(1,926)	(978)
Net (repayments of) proceeds from the credit agreement	(52,055)	12,598
Repayments of other borrowings	(40,492)	(315)
Cash dividends	(493)	(489)
Proceeds from exercise of stock options and employee stock purchases	1,536	1,647
Net cash (used for) provided by financing activities	(16,555)	12,463
Effect of changes in currency exchange rates	778	(311)
Increase in cash	3,164	4,259
Cash, beginning of year	3,323	836
Cash, end of year	$ 6,487	$ 5,095

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999
(UNAUDITED)

1. BUSINESS

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

2. ACCOUNTING POLICIES

BASIS OF PRESENTATION The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission and include the accounts of Westinghouse Air Brake Company and its majority owned subsidiaries ("WABCO"). These condensed interim financial statements do not include all of the information and footnotes required for complete financial statements. In management's opinion, these financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods presented. Results for these interim periods are not necessarily indicative of results to be expected for the full year. Certain prior period amounts have been reclassified, where necessary, to conform to the current period presentation.

The notes included herein should be read in conjunction with the audited consolidated financial statements included in WABCO's Annual Report on Form 10-K for the year ended December 31, 1998.

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

OTHER COMPREHENSIVE INCOME Comprehensive income is defined as net income and all nonowner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss) consists entirely of foreign currency translation adjustments. Total comprehensive income for the second quarter ending June 30, 1999 and 1998 was $15.0 million and $7.8 million respectively, and for the six months ending June 30, 1999 and 1998 was $27.6 million and $18.7 million respectively.

3. ACQUISITIONS

On October 5, 1998, the Company purchased the railway electronics business of Rockwell Collins, Inc. ("RRE"), a wholly owned subsidiary of Rockwell International Corporation, for approximately $80 million in cash. The purchase was initially financed by obtaining additional term debt of $40 million through an amendment to the Company's existing credit facility, an unsecured bank loan of $30 million and additional borrowings under the Company's revolving credit agreement. RRE is a leading manufacturer and supplier of mobile electronics (display and positioning systems), data communications, and electronic braking systems for the railroad industry and its operations are in the United States. Revenues of the acquired business for its fiscal year ended September 30, 1998 were approximately $46 million.

During the past eighteen months, the Company also completed the following acquisitions:

i) The October 1998 acquisition of the United States railway service center business of Comet Industries, Inc. ("Comet"), for $13.2 million, financed through the issuance of $12.2 million of promissory notes. Annual revenue for its most recent fiscal year was approximately $20 million.

ii) In July 1998, the purchase of assets and assumption of certain liabilities of U.S.-based Lokring Corporation ("Lokring"), for $5.1 million in cash. Lokring develops, manufactures and markets patented non-welded connectors and sealing products for railroad and other industries. Annual sales in 1997 were approximately $10 million.

iii) The acquisition in April 1998, of 100% of the stock of RFS (E) Limited ("RFS") of England, for approximately $10.0 million including the assumption of certain debt. RFS is a leading provider of vehicle overhaul, conversion and maintenance services to Britain's railway industry. Annual revenue for its most recent fiscal year was approximately $27.5 million.

iv) The acquisition in April 1998, of the transit coupler product line of Hadady Corporation ("Hadady") located in the United States for $4.6 million in cash.

v) In February 1999, the acquisition of the mass transit electrical inverter and converter product line of AGC System & Technologies, Inc. of Canada for approximately $960 thousand.

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

4. INVENTORIES

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

Dollars in thousands	JUNE 30 1999	DECEMBER 31 1998
Raw materials	$ 49,961	$ 47,853
Work-in-process	42,107	29,965
Finished goods	19,376	25,742
Total inventory	$111,444	$103,560

5. DEBT OFFERING AND EXTRAORDINARY ITEM

In 1999, WABCO issued $75 million of 9 3/8% Senior Notes which mature in June 2005. The Senior Notes were issued at a premium resulting in an effective rate of 8.5%. The premium is being amortized over the life of the instruments.

The issuance improved WABCO's financial liquidity by i) using a portion of the proceeds to repay $30 million of debt associated with the RRE acquisition that bore interest at 9.56%, and; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility. As a result of the issuance and retirement of certain term debt, the Company wrote-off previously capitalized debt issuance costs of approximately $469 thousand, ($.02 per diluted share), net of tax, in the first quarter of 1999.

6. EARNINGS PER SHARE

The computation of earnings per share is as follows:

In thousands, except per share	THREE MONTHS ENDED JUNE 30 1999	THREE MONTHS ENDED JUNE 30 1998	SIX MONTHS ENDED JUNE 30 1999	SIX MONTHS ENDED JUNE 30 1998
BASIC EARNINGS PER SHARE				
Income, before extraordinary item, applicable to common shareholders	$13,213	$11,700	$25,602	$22,558
Divided by Weighted average shares outstanding	25,484	25,096	25,409	25,007
Basic earnings per share before extraordinary item	$0.52	$0.47	$1.01	$0.90
DILUTED EARNINGS PER SHARE				
Income, before extraordinary item, applicable to common shareholders	$13,213	$11,700	$25,602	$22,558
Divided by sum of Weighted average shares outstanding	25,484	25,096	25,409	25,007
Conversion of dilutive stock options	595	741	507	726
Diluted shares outstanding	26,079	25,837	25,916	25,733
Diluted earnings per share, before extraordinary item	$0.51	$0.45	$0.99	$0.88

7. LEGAL PROCEEDINGS

On February 12, 1999, GE Harris Railway Electronics, LLC and GE Harris Railway Electronic Services, LLC (collectively, "GE Harris") brought suit against the Company for alleged patent infringement and unfair competition related to a communications system installed in one of the Company's products. GE Harris is seeking to prohibit the Company from future infringement and is seeking an unspecified amount of money damages to recover, in part, royalties. While this lawsuit is in the earliest stages, the Company believes the technology developed by the Company does not infringe on the GE Harris patents. The Company plans to contest the infringement claims vigorously, in order to present alternative

product lines to customers in the rail industry.

8. SEGMENT INFORMATION

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

WABCO has three reportable segments - Railroad Group, Transit Group and Molded Products Group. The key factors used to identify these reportable segments are the organization and alignment of the Company's internal operations, the nature of the products and services and customer type. The business segments are:

RAILROAD GROUP consists of products geared to the production of freight cars and locomotives, including braking control equipment and train couplers, and in addition, to freight railroad companies. Revenues are derived from OEM and aftermarket sales and from repairs and services.

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

MOLDED PRODUCTS GROUP include manufacturing and distribution of brake shoes and discs and other rubberized products. Revenues are generally derived from the aftermarket.

Segment financial information for the three months ended June 30, 1999 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$112,886	$61,485	$19,610		$193,981
Intersegment sales	6,242	491	3,110	(9,843)	--
Total sales	$119,128	$61,976	$22,720	$ (9,843)	$193,981
Income from operations	21,043	4,889	7,261	(2,946)	30,247
Interest expense and other				9,182	9,182
Income before income taxes and extraordinary item	$ 21,043	$ 4,889	$ 7,261	$(12,128)	$ 21,065

Segment financial information for the three months ended June 30, 1998 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$102,521	$51,104	$18,427		$172,052
Intersegment sales	6,136	217	2,357	(8,710)	--
Total sales	$108,657	$51,321	$20,784	$ (8,710)	$172,052
Income from operations	20,637	3,025	5,591	(3,169)	26,084
Interest expense and other				7,213	7,213
Income before income taxes and extraordinary item	$ 20,637	$ 3,025	$ 5,591	$(10,382)	$ 18,871

Segment financial information for the six months ended June 30, 1999 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$231,202	$116,347	$37,636		$385,185
Intersegment sales	8,497	532	5,701	$(14,730)	--
Total sales	$239,699	$116,879	$43,337	$(14,730)	$385,185
Income from operations	43,466	9,259	12,707	(6,288)	59,144
Interest expense and other				18,344	18,344
Income before income taxes and extraordinary item	$ 43,466	$ 9,259	$12,707	$(24,632)	$ 40,800

Segment financial information for the six months ended June 30, 1998 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$190,207	$102,635	$37,346		$330,188
Intersegment sales	8,197	336	4,861	(13,394)	--
Total sales	$198,404	$102,971	$42,207	$(13,394)	$330,188
Income from operations	38,131	7,407	11,091	(5,790)	50,839
Interest expense and other				14,455	14,455
Income before income taxes and extraordinary item	$ 38,131	$ 7,407	$11,091	$(20,245)	$ 36,384

9. PENDING MERGER

On June 2, 1999, the Company agreed to merge with and into MotivePower Industries, Inc., pursuant to an Agreement and Plan of Merger. In the merger, each share of our Common Stock will be exchanged with 1.3 shares of MotivePower Common Stock. For accounting purposes, the transaction will be accounted for as a pooling of interests. The merger is intended to be a tax-free reorganization for federal income tax purposes and is subject to a variety of conditions, including approval by the shareholders of both companies at special meetings of shareholders scheduled for August 23, 1999. The Company has filed a Form S-4 that became effective on July 22, 1999, which contains specific details on the proposed merger.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and Westinghouse Air Brake Company's Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its 1998 Annual Report on Form 10-K.

OVERVIEW

Westinghouse Air Brake Company was formed in 1990 through the acquisition of the Railway Products Group of American Standard Inc. The Company is North America's largest manufacturer of value-added equipment for locomotives, railway freight cars and passenger transit vehicles.

The Company's business is comprised of three principal business segments: Railroad, Transit and Molded Products.

On June 2, 1999, the Company agreed to merge with and into MotivePower Industries, Inc., pursuant to an Agreement and Plan of Merger. In the merger, each share of our Common Stock will be exchanged with 1.3 shares of MotivePower Common Stock. The merger is intended to be a tax-free reorganization for federal income tax purposes and is subject to a variety of conditions, including approval by the shareholders of both companies. For accounting purposes, the transaction will be accounted for as a pooling of interests, and is expected to be completed in the third quarter of 1999.

SECOND QUARTER 1999 COMPARED TO SECOND QUARTER 1998

Summary Results of Operations

Dollars in millions, except per share	THREE MONTHS ENDED JUNE 30 1999	1998	PERCENT CHANGE
Net sales	$194.0	$172.1	12.7%
Gross profit margin	32.6%	32.0%	nm
Income from operations	$ 30.3	$ 26.1	16.1
Income before extraordinary item	13.2	11.7	12.8
Extraordinary item, net of tax	--	(2.7)	nm
Net income	13.2	9.0	46.7
Diluted earnings per share, before extraordinary item	0.51	0.45	13.3
Diluted earnings per share	0.51	0.34	50.0

nm-not meaningful

Excluding the $2.7 million, net of tax, extraordinary charge to write-off certain previously capitalized debt issuance costs in the second quarter of 1998, net income would have increased $1.5 million, or 12.8%. Diluted earnings per share before extraordinary item increased 13.3% to $0.51. Income from operations increased in the comparison primarily due to revenue growth and related gross profit.

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

- The Company completed several acquisitions that complement and enhance the mix of existing products and markets. Acquisitions completed during this timeframe were RRE, Comet, Lokring and Hadady. Aggregate incremental revenues from all of the above acquisitions were $17.6 million in the second quarter of 1999.

- Continued strength in the OEM market for freight cars.

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

Net Sales

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

Dollars in thousands	THREE MONTHS ENDED JUNE 30 1999	1998
Railroad Group	$112,886	$102,521
Transit Group	61,485	51,104
Molded Products Group	19,610	18,427
Net sales	$193,981	$172,052

Net sales for the second quarter of 1999 increased $21.9 million, or 12.7%, to $194.0 million. This increase was primarily attributable to incremental revenue

from the acquisitions referred to above within the Railroad Group, partially offset by decreased sales in the Company's British railroad vehicle overhaul business RFS(E) and increased sales within the Transit Group. Sales volumes within the Railroad Group also reflect a strong OEM market for freight cars, with approximately 19,000 freight cars delivered in the second quarter of 1999 compared to a similar amount in the same period of 1998.

Gross Profit

Gross profit increased 14.9% to $63.3 million in the second quarter of 1999 compared to $55.0 million in the same period of 1998. Gross margin, as a percentage of sales, was 32.6% compared to 32.0%. Gross margin is dependent on a number of factors including sales volume and product mix. Favorable margins on increased sales in the Molded Products and core Railroad Group operations more than offset incremental revenue from recent acquisitions at lower margins as compared to the Company's historical results.

Operating Expenses

Dollars in thousands	THREE MONTHS ENDED JUNE 30 1999	1998	PERCENT CHANGE
Selling and marketing	$ 7,607	$ 7,154	6.3
General and administrative	13,422	12,719	5.5
Engineering	9,629	7,016	37.2
Amortization	2,427	2,074	17.0
Total	$33,085	$28,963	

Total operating expenses as a percentage of net sales were 17.1% in the second quarter of 1999 as compared to 16.8% in the same period a year ago. Total operating expenses increased $4.1 million in the quarter-to-quarter comparison all of which related to operating expenses of the acquired businesses listed above.

Income from Operations

Operating income totaled $30.2 million in the second quarter of 1999 compared with $26.1 million. Higher operating income resulted from higher sales volume and related higher gross profit. As a percentage of sales, operating income was 15.6% and is substantially consistent with that of the prior year. Favorable volume changes at relatively strong operating margins in the Transit and Molded Products Groups was the primary reason for the increase in operating income.

Interest and Other Expense

Interest expense totaled $8.8 million, an increase of $1.3 million in the quarter-to-quarter comparison. The increase was primarily due to financing costs of recent acquisitions, partially offset by debt repayments.

Income Taxes

The provision for income taxes on income before extraordinary items increased to $7.9 million for the second quarter of 1999. The effective tax rate declined to 37.25% in the current quarter from 38.0% a year ago, resulting from additional benefits through our Foreign Sales Corporation and lower overall effective state tax rates.

SIX MONTH PERIOD ENDED JUNE 30, 1999
COMPARED TO SIX MONTH PERIOD ENDED JUNE 30, 1998

Summary Results of Operations

Dollars in millions, except per share	SIX MONTHS ENDED JUNE 30 1999	1998	PERCENT CHANGE
Net sales	$385.2	$330.2	16.7%
Gross profit margin	32.4%	32.4%	nm
Income from operations	$ 59.1	$50.8	16.3
Income before extraordinary item	25.6	22.6	13.3
Extraordinary item, net of tax	(0.5)	(2.7)	nm
Net income	25.1	19.8	26.8
Diluted earnings per share, before extraordinary item	0.99	0.88	12.5
Diluted earnings per share	0.97	0.77	26.0

nm-not meaningful

Excluding the $2.7 million and $0.5 million, net of tax, extraordinary charges to write-off certain previously capitalized debt issuance costs in the second quarter of 1998, and the first quarter of 1999, respectively, net income would have increased $3.0 million, or 13.3%. Diluted earnings per share before extraordinary item increased 12.5% to $0.99 per share. Income from operations increased in the comparison primarily due to revenue growth and related gross profit.

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

- The Company completed several acquisitions that complement and enhance the mix of existing products and markets. Acquisitions completed during this

timeframe were RRE, Comet, Lokring, Hadady, and RFS(E). Aggregate incremental revenues from all of the above acquisitions were $38.5 million, or 70% of the increase, in the six months ending June 30, 1999.

- In January 1999, the Company issued $75 million of Senior Notes at a premium resulting in an effective interest rate of 8.5% (See Note 5 - "Notes to Condensed Consolidated Financial Statements" included elsewhere in this report). As a result of the issuance and payoff of the unsecured credit facility, the Company wrote off previously capitalized debt issuance costs of approximately $469 thousand, net of tax ($.02 per diluted share) in the first quarter of 1999, which was reported as an extraordinary item.

- In the second quarter of 1998, the Company refinanced its credit agreement and wrote-off previously deferred financing costs of approximately $2.7 million ($0.11 per share) , net of income tax, reported as a non-cash, non-recurring, extraordinary item.

Net Sales

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

Dollars in thousands	SIX MONTHS ENDED JUNE 30 1999	1998
Railroad Group	$231,202	$190,207
Transit Group	116,347	102,635
Molded Products Group	37,636	37,346
Net sales	$385,185	$330,188

Net sales for the six month period ending June 30, 1999 increased $55.0 million, or 16.7%, to $385.2 million. This increase was primarily attributable to incremental revenue from the acquisitions referred to above within the Railroad Group, and increases in Transit sales are a result of continuing improvements to mass transit authority infrastructure pursuant to recent governmental funding legislation. Sales volumes within the Railroad Group also reflect a continuing strong OEM market for freight cars. In spite of this increase, the Company anticipates new freight car deliveries in 1999 and the immediate future to be lower than that of 1998; however, railroad OEM and aftermarket sales are expected to be reasonably strong for the foreseeable future.

Gross Profit

Gross profit increased to $124.9 million in the six month period ending June 30, 1999 compared to $106.8 million in the same period of 1998. Gross margin, as a percentage of sales, was 32.4%, the same as the prior period. Gross margin is dependent on a number of factors including sales volume and product mix. Favorable margins on increased sales in the Molded Product and core Railroad Group operations offset incremental revenue from recent acquisitions at lower margins as compared to the Company's historical results.

Operating Expenses

Dollars in thousands	SIX MONTHS ENDED JUNE 30 1999	1998	PERCENT CHANGE
Selling and marketing	$16,110	$14,068	14.5
General and administrative	26,250	24,303	8.0
Engineering	18,536	13,454	37.8
Amortization	4,837	4,179	15.7
Total	$65,733	$56,004	

Total operating expenses as a percentage of net sales were 17.1% in the six month period ending June 30, 1999 as compared to 17.0% in the same period a year ago. Total operating expenses increased $9.7 million in the period to period comparison, all of which related to operating expenses of the acquired businesses listed above. Excluding incremental revenues and operating expenses from businesses acquired in the comparative period, operating expenses as a percentage of sales would have decreased to 16.2% due to costs incurred in 1998 to install computer system upgrades that included Year 2000 compliant software. In addition, during the fourth quarter 1998 and first quarter of 1999, the Company completed the consolidation of several facilities as it integrated recently acquired businesses into its core operations.

Income from Operations

Operating income totaled $59.1 million in the six month period ending June 30, 1999 compared with $50.8 million in the same period of 1998. Higher operating income resulted from higher sales volume and related higher gross profit. As a percentage of sales, operating income was 15.4% and is substantially consistent with that of the prior year. Favorable volume changes at relatively stable operating margins in all of the business segments was the primary reason for the increase in operating income (See Note 8 - "Notes to Condensed Consolidated Financial Statements" included elsewhere in this report).

Interest and Other Expense

Interest expense totaled $17.9 million, an increase of $3.0 million in the comparison. The increase was primarily due to financing costs of recent acquisitions, partially offset by debt repayments.

Income Taxes

The provision for income taxes on income before extraordinary items increased to $15.2 million. The effective tax rate declined to 37.25% in the current year from 38.0% a year ago, resulting from additional benefits through our Foreign Sales Corporation and lower overall effective state tax rates.

LIQUIDITY AND CAPITAL RESOURCES

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

Dollars in millions	SIX MONTHS ENDED JUNE 30 1999	1998
Cash provided (used) by:		
Operating activities	$ 31.6	$ 20.6
Investing activities	(12.6)	(28.5)
Financing activities	(16.6)	12.5
Earnings before interest, taxes, depreciation and amortization	71.8	63.8

Operating cash flow in the six month period ending June 30, 1999 increased to $31.6 million from $20.6 million in the same period a year ago, primarily as a result of higher earnings and a significant decrease in the rate of growth in working capital. In addition, inventory levels are increasing within the Transit Group as production continues for future product deliveries related to the Metropolitan Transit Authority/New York City Transit project. Deliveries are expected to commence in the latter part of 1999.

Cash used for investing activities declined to $12.6 million from $28.5 million a year ago. In the six month period ending June 30, 1999 and 1998, the Company used $1.0 million and $14.1 million, respectively for certain business acquisitions. Gross capital expenditures were $11.6 million and $14.4 million in the six months ending June 30, 1999 and 1998, respectively. The majority of capital expenditures for these periods relates to incurring costs for upgrades to existing equipment, replacement of antiquated equipment and purchases of new equipment due to expansion of WABCO's operations, where the Company believes overall cost savings can be achieved through increasing efficiencies. The Company expects 1999 capital expenditures for equipment purchased for similar purposes to approximate $25 to $30 million.

In 1999, the Company issued $75 million of additional Senior Notes and used the proceeds to repay amounts outstanding on certain term debt and the balance to repay a portion of the Company's revolving credit facility, thereby increasing amounts available under the Credit Agreement (see below for additional information). Additionally, a significant amount of cash generated from operations in the six month period ended June 30, 1999 was used to repay a portion of the outstanding balance on the revolving credit facility. Historically, the Company has financed the purchase of significant businesses through utilizing the amounts available under the credit facility and/or obtaining amendments to or refinancings of the Credit Agreement. Future business acquisitions, if any, will likely require similar debt structurings.

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

The following table sets forth the Company's outstanding indebtedness and average interest rates at June 30, 1999. The revolving credit note and term loan interest rates are variable and dependent on market conditions. Interest on the Pulse note can vary with changes to prime.

Dollars in thousands	JUNE 30 1999	DECEMBER 31 1998
Credit Agreement, matures 12/2003		
Revolving credit, 6.5%	$ 61,000	$105,555
Term loan, 6.5%	195,000	202,500
9 3/8% Senior notes due 6/2005	175,000	100,000
Unsecured credit facility	--	30,000
Pulse note, 9.5%, due 1/2004	16,990	16,990
Comet notes	--	10,200
Other	2,229	2,572
Total	450,219	467,817
Less-current portion	27,659	30,579
Long-term portion	$422,560	$437,238

The Credit Agreement provides for an aggregate credit facility of $350 million, consisting of up to $170 million of June 1998 term loans, up to $40 million of September 1998 term loans, and up to $140 million of revolving loans. At June 30, 1999, amounts available under the revolving credit facility increased to $57 million.

In 1999, WABCO issued $75 million of 9 3/8% Senior Notes (with an effective rate of 8.5%) which mature in June 2005. The January issuance improved WABCO's financial liquidity by i) using a portion of the proceeds to repay $30 million of debt associated with the RRE acquisition that bore interest at 9.56%, and; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit

facility.

Management believes, based upon current levels of operations and forecasted earnings, that cash flow from operations, together with available borrowings under the Credit Agreement, will be adequate to make payments of principal and interest on debt, including the Notes, to make required contributions to the ESOP, to permit anticipated capital expenditures, and to fund working capital requirements and other cash needs for the foreseeable future, including 1999.

Nevertheless, the Company will remain leveraged to a significant extent and its debt service obligations will continue to be substantial. The debt of the Company requires the dedication of a substantial portion of future cash flows to the payment of principal and interest on indebtedness, thereby reducing funds available for capital expenditures and future business opportunities that the Company believes are available. The Company believes that cash flow and liquidity will be sufficient to meet its debt service requirements. If the Company's sources of funds were to fail to satisfy the Company's cash requirements, the Company may need to refinance its existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place. The Company intends to reduce its indebtedness in 1999 through generating operating income and by reducing working capital requirements and other measures.

EFFECTS OF YEAR 2000

The Company has information system improvement initiatives in process that include both new computer hardware and software applications. The new system is substantially operational and is year 2000 compliant. The estimated cost of the project is expected to be in the $8 to $10 million range with the majority of the costs, approximately $8 million, previously incurred. The majority of the expenditures incurred for hardware and purchased software related to this project have been capitalized and is amortized over their estimated useful lives. Other costs, such as training and advisory consulting, are expensed as incurred. These expenditures are not expected to have a significant impact on our future results of operations or financial condition.

The Company has identified other equipment that is used in operations that has non-information system characteristics and embedded technology components, such as those items with internal clocks. The Company will need to replace this type of equipment but does not believe a possible Year 2000 failure will have a significant impact on our operations. The estimated cost of replacement equipment is not considered significant.

The Company has received written assurances from some of our suppliers and customers and other providers acknowledging Year 2000 issues and stating their present intention to be compliant; however, not all customers, vendors and providers have provided such assurances.

The Company will continue to evaluate information technology applications, as well as those of the suppliers regularly, and based on such evaluation, will revise our Year 2000 readiness planning accordingly. The Company is evaluating its preparedness in a number of areas, including our information technology infrastructure, external resources, physical plant and production facilities, equipment and machinery, products and inventory.

In the evaluation and prioritization of Year 2000 concerns, the Company seeks to develop potential solutions to the Year 2000 issues identified in planning, consider these solutions in light of other information technology and business priorities, prioritize the various remediation tasks and develop an implementation schedule.
Identified problems are corrected as soon as practicable after identification.

The Company is in the process of developing contingency plans and actions for Year 2000 issues related to both internal and external systems. As part of this planning, the Company is evaluating the incremental cost of the contingency alternatives as compared to the perceived level of risk for Year 2000 problems. In some cases, we have determined that the perceived level of risk does not justify the cost of the contingency alternative. Contingency plans involve consideration of a number of possible actions, including, to the extent necessary or justified, the selection of alternative service providers and adjustments to staffing strategies, as ordering and billing procedures could be done manually. The Company plans to continue developing and modifying contingency plans throughout 1999 as the Company monitors and evaluates the progress of our internal and external Year 2000 compliance program.

With regard to contingency planning, as previously noted, the Company is assessing the Year 2000 readiness of key suppliers, distributors, customers and service providers. Toward that objective, since the Company has not received assurances from all of its suppliers and other service providers that they will be compliant, we are evaluating the risks to us that the failure of others to be Year 2000 ready would cause a material disruption to, or have a material effect on, our financial condition, business or operations. Although the Company has not determined the costs to handle Year 2000 failures by our third party suppliers or customers, we presently believe such costs will not be material. Due to the nature of our business, we do not anticipate that Year 2000 problems at our suppliers or customers will generate many problems with the process such suppliers or customers must undertake in order to provide products to us or purchase products from us, as the case may be. For example, our critical supplies include bar stock and scrap metal and are commodity materials that can be obtained from different sources. Further, these types of industries are not expected to be severely hampered by the Year 2000 issues. Rather, if anything, we expect that Year 2000 problems will affect the ability of suppliers or customers

to communicate with us in a manner in which we can efficiently obtain the necessary supplies or take customer orders. The Company has attempted to address these Year 2000 concerns by preparing to accept paper copy orders from customers and enter those orders into our own computer system, if our customers' computers are unable to communicate with our computers. The Company's ordering on the supply end is typically done by paper copy rather than computer, so it should not be negatively impacted by Year 2000 issues. The Company is also considering the advisability of augmenting our inventories of certain raw materials and finished products, securing additional sources for certain supplies and services and exploring the use of manual paper flow to handle both the distribution and sales channels, among other things.

The Company's products are generally sold with a limited warranty for defects. The Company has reviewed its products currently in use by our customers or being sold and does not believe that there will be material increases in warranty or liability claims arising out of year 2000 non-compliance. However, a material increase in such claims could have a material adverse effect on our financial condition, future results of operations and liquidity. If large scale systems failures occur, it could have a significant adverse effect on our financial condition, future results of operations and liquidity.

FORWARD LOOKING STATEMENTS

The Company believes 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. The Company has based these forward-looking statements on current expectations and projections about future events and believes assumptions made in connection with these statements are reasonable, however, there is no assurance these assumptions and expectations will prove to have been correct.

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

- Interest rates;
- Demand for services in the freight and passenger rail industry;
- Consolidations in the rail industry;
- Demand for our products and services;
- Gains and losses in market share;
- Demand for freight cars, locomotives, passenger transit cars and buses;
- Industry demand for faster and more efficient braking equipment;
- Continued outsourcing by our customers;
- Governmental funding for some of our customers;
- Future regulation/deregulation of our customers and/or the rail industry;
- General economic conditions in the markets which we compete, including North America, South America, Europe and Australia;
- Successful introduction of new products;
- Successful integration of newly acquired companies;
- Year 2000 concerns;
- Labor relations;
- Completion of additional acquisitions; and
- Other factors.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK In the ordinary course of business, WABCO is exposed to risks that increases in interest rates may adversely affect funding costs associated with $225 million of variable-rate debt (considering the effects of existing interest rate swaps), which represents 50% of total long-term debt at June 30, 1999. At June 30, 1999, an instantaneous 100 basis point increase in interest rates would reduce the Company's earnings annually by approximately $1.4 million, net of tax, assuming no additional intervention strategies by management.

FOREIGN CURRENCY EXCHANGE RISK The Company routinely enters into several types of financial instruments for the purpose of managing its exposure to foreign currency exchange rate fluctuations in countries in which the Company has significant operations. As of June 30, 1999, the Company had no instruments outstanding.

WABCO is also subject to certain risks associated with changes in foreign currency exchange rates to the extent its operations are conducted in currencies other than the U.S. dollar. For the six months ending June 30, 1999, approximately 75% of WABCO's net sales are in the United States, 12% in Canada and 13% in other international locations, primarily Europe. At June 30, 1999, the Company does not believe changes in foreign currency exchanges rates represent a material risk to results of operations or financial position.

LEGAL PROCEEDINGS

On February 12, 1999, GE Harris Railway Electronics, LLC and GE Harris Railway Electronic Services, LLC (collectively, "GE Harris") brought suit against the Company for alleged patent infringement and unfair competition related to a communications system installed in one of the Company's products. GE Harris is seeking to prohibit the Company from future infringement and is seeking an unspecified amount of money damages to recover, in part, royalties. While this lawsuit is in the earliest stages, the Company believes the technology developed by the Company does not infringe on the GE Harris patents. The Company plans to contest the infringement claims vigorously, in order to present alternative product lines to customers in the rail industry.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Company was held May 19, 1999. Two matters were considered and voted upon at the Annual Meeting: the election of three persons to serve as directors, and ratification of the appointment of Arthur Andersen LLP as independent public accountants to audit the financial statements of the Company and its subsidiaries for the 1999 fiscal year.

Nominations of Emilio A. Fernandez, William E. Kassling and James V. Napier to serve as directors for a term expiring in 2002 and the appointment of Arthur Andersen were considered and ultimately approved.

Nominee	Votes For	Votes Against	Votes Withheld	Broker Non-Votes
Emilio A. Fernandez	31,040,589	--	137,010	--
William E. Kassling	31,041,581	--	136,018	--
James V. Napier	30,879,972	--	297,627	--

	Votes For	Votes Against	Votes Withheld	Broker Non-Votes
Arthur Andersen LLP as auditors for 1999	31,161,542	6,781	9,276	--

On July 26, 1999, the Company first mailed a Joint Proxy Statement/Prospectus to the shareholders for the consideration of and voting upon the proposed merger between the Company and MotivePower Industries, Inc. A special meeting to further consider the proposal will be held on August 23, 1999.

EXHIBITS AND REPORTS ON FORM 8-K

Exhibit No. 27 "Financial Data Schedule" as of and for the Six Months ended June 30, 1999 is filed herewith.

There was a Current Report filed on Form 8-K on June 3, 1999 for the purpose of reporting the June 2, 1999 execution of the merger agreement (Item 5) between the Company and MotivePower Industries, Inc.

SIGNATURES

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

WESTINGHOUSE AIR BRAKE COMPANY

By: /s/ ROBERT J. BROOKS

Robert J. Brooks
Chief Financial Officer

Date: August 11, 1999

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

1,000

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
6,487
0
127,964
0
111,444
268,505
229,987
99,502
606,442
158,112
0
0
0
474
(2,968)
606,442
385,185
385,185
260,308
260,308
65,733
0
17,864
40,800
15,198
25,602
0
(469)
0
25,133
.99
.97