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 March 31, 2006

OR

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

For the transition period from to

Commission file number: 1-13782

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

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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.

Class	Outstanding at May 5, 2006
[Common Stock, $.01 par value per share]	48,523,913 shares

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

March 31, 2006 FORM 10-Q

TABLE OF CONTENTS

		Page
	PART I—FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005	3
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2006 and 2005	4
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2006 and 2005	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	33
Item 4.	Controls and Procedures	33
	PART II—OTHER INFORMATION	
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 5.	Other Information	34
Item 6.	Exhibits	34
	Signatures	35

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands, except shares and par value	Unaudited March 31, 2006	December 31, 2005
Assets		
Current Assets		
Cash and cash equivalents	$ 191,456	$ 141,365
Accounts receivable	168,445	206,891
Inventories	128,661	110,873
Deferred income taxes	15,422	15,838
Other current assets	10,800	7,959
Total current assets	514,784	482,926
Property, plant and equipment	360,802	358,759
Accumulated depreciation	(199,422)	(197,158)
Property, plant and equipment, net	161,380	161,601
Other Assets		
Goodwill	118,214	118,181
Other intangibles, net	38,643	39,129
Deferred income taxes	16,399	18,428
Other noncurrent assets	13,018	16,092
Total other assets	186,274	191,830
Total Assets	$ 862,438	$ 836,357
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 92,807	$ 93,551
Accrued income taxes	11,449	4,427
Customer deposits	70,826	71,098
Accrued compensation	19,579	25,274
Accrued warranty	16,622	16,158
Other accrued liabilities	25,751	30,971
Total current liabilities	237,034	241,479
Long-term debt	150,000	150,000
Reserve for postretirement and pension benefits	45,495	44,428
Deferred income taxes	7,451	7,381
Other long term liabilities	9,642	13,862
Total liabilities	449,622	457,150
Shareholders' Equity		
Preferred stock, 1,000,000 shares authorized, no shares issued	—	—
Common stock, $.01 par value; 100,000,000 shares authorized: 66,174,767 shares issued and 48,303,593 and 48,002,819 outstanding at March 31, 2006 and December 31, 2005, respectively	662	662
Additional paid-in capital	304,486	294,209
Treasury stock, at cost, 17,871,174 and 18,171,948 shares, at March 31, 2006 and December 31, 2005, respectively	(221,738)	(225,483)
Retained earnings	356,307	336,744
Accumulated other comprehensive loss	(26,901)	(26,925)
Total shareholders' equity	412,816	379,207
Total Liabilities and Shareholders' Equity	$ 862,438	$ 836,357

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share data	Unaudited Three Months Ended March 31 2006	2005
Net sales	$ 262,409	$ 241,800
Cost of sales	(187,319)	(184,788)
Gross profit	75,090	57,012
Selling, general and administrative expenses	(33,628)	(29,012)
Engineering expenses	(8,115)	(8,670)
Amortization expense	(867)	(971)
Total operating expenses	(42,610)	(38,653)
Income from operations	32,480	18,359
Other income and expenses		
Interest expense, net	(1,124)	(2,484)
Other income (expense), net	120	(1,149)
Income from continuing operations before income taxes	31,476	14,726
Income tax expense	(11,408)	(5,383)
Income from continuing operations	20,068	9,343
Discontinued operations		
Loss from discontinued operations (net of tax)	(22)	(95)
Net income	$ 20,046	$ 9,248
Earnings Per Common Share		
Basic		
Income from continuing operations	$ 0.42	$ 0.20
Loss from discontinued operations	—	—
Net income	$ 0.42	$ 0.20
Diluted		
Income from continuing operations	$ 0.41	$ 0.20
Loss from discontinued operations	—	—
Net income	$ 0.41	$ 0.20
Weighted average shares outstanding		
Basic	48,091	46,259
Diluted	48,741	46,985

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands	Unaudited Three Months Ended March 31, 2006	2005 Revised
Operating Activities		
Net income	$ 20,046	$ 9,248
Stock-based compensation expense	4,372	151
Adjustments to reconcile net income to net cash provided by operations:		
Discontinued operations	(345)	(94)
Depreciation and amortization	6,055	6,696
Excess income tax benefits from exercise of stock options	(1,764)	—
Changes in operating assets and liabilities		
Accounts receivable	37,990	(12,896)
Inventories	(17,902)	(7,026)
Accounts payable	(112)	14,629
Accrued income taxes	11,378	3,663
Accrued liabilities and customer deposits	(10,381)	(7,938)
Other assets and liabilities	(4,289)	5,876
Net cash provided by operating activities	45,048	12,309
Investing Activities		
Purchase of property, plant and equipment	(3,287)	(5,996)
Disposals of property, plant and equipment	—	975
Acquisition of business, net of cash received	—	(35,579)
Sale of discontinued operations	2,051	—
Discontinued operations	—	(2)
Net cash used for investing activities	(1,236)	(40,602)
Financing Activities		
Other repayments	—	(17)
Proceeds from the issuance of treasury stock for stock options and other benefit plans	4,012	5,029
Excess income tax benefits from exercise of stock options	1,764	—
Cash dividends ($0.01 per share for the three months ended March 31, 2006 and 2005)	(483)	(466)
Net cash provided by financing activities	5,293	4,546
Effect of changes in currency exchange rates	986	(3,360)
Increase (Decrease) in cash	50,091	(27,107)
Cash, beginning of year	141,365	95,257
Cash, end of period	$191,456	$ 68,150

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

1. BUSINESS

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in more than 80 countries throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 11 countries. In the first three months of 2006, about 30% percent of the Company's revenues came from outside the U.S.

2. ACCOUNTING POLICIES

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

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

The notes included herein should be read in conjunction with the audited consolidated financial statements included in Wabtec's Annual Report on Form 10-K for the year ended December 31, 2005. The December 31, 2005 information has been derived from the Company's December 31, 2005 Annual Report on Form 10-K.

Revenue Recognition Revenue is recognized in accordance with Staff Accounting Bulletins (SABs) 101, "Revenue Recognition in Financial Statements" and 104 "Revision of Topic 13." Revenue is recognized when products have been shipped to the respective customers, title has passed and the price for the product has been determined.

The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined. Provisions are made currently for estimated losses on uncompleted contracts.

Certain pre-production costs relating to long-term production and supply contracts have been deferred and will be recognized over the life of the contracts. Deferred pre-production costs were $5.2 million, and $4.9 million at March 31, 2006 and December 31, 2005, respectively.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted 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.

Stock-Based Compensation Effective January 1, 2006, Wabtec adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment," which requires the company to recognize compensation expense for stock-based compensation based on the grant date fair value. This expense must be

Table of Contents

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

recognized ratably over the requisite service period following the date of grant. Wabtec has elected the modified prospective transition method for adoption, and prior periods financial statements have not been restated. Prior to January 1, 2006, Wabtec accounted for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations.

Pro Forma Effect Prior to the Adoption of SFAS No. 123(R) Wabtec’s net income and earnings per share for 2005 would have been reduced to the pro forma amounts shown below if compensation expense had been determined based on the fair value at the grant dates in accordance with SFAS No. 123, “Accounting for Stock-Based Compensation,” and SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure an amendment of FASB Statement No. 123.”

In thousands, except per share	Three months ended March 31, 2005
Net income as reported	$ 9,248
Stock based compensation expense under FAS123, net of tax of $206	355
Pro forma	$ 8,893
Basic earnings per share	
As reported	$ 0.20
Pro forma	0.19
Diluted earnings per share	
As reported	$ 0.20
Pro forma	0.19

Stock-Based Plans Stock options have been granted at not less than market prices on the dates of grant. Generally, the options become exercisable over a three-year vesting period and expire ten years from the date of grant. In January 2006, Wabtec granted 32,000 stock options to certain individuals. The Company has now adopted a non-vested stock plan and issued 200,500 awards to executives in February 2006. The non-vested stock generally vests over four years from the date of grant. The Company established in 2004, a stock-based incentive plan for eligible employees and officers. The plan provides stock awards which vest upon attainment of certain three year performance targets. Wabtec also sponsors an employee stock purchase plan, whereby participants can purchase the Company’s common stock at 85% of the lesser of fair market value on the first or last day of each offering period.

Prior to January 1, 2006, no stock-based compensation expense was recognized for stock options. As a result of the implementation of SFAS No. 123(R), Wabtec recognized additional compensation expense of $574,000 or $0.01 per share. The Company recognized compensation expense of $4.4 million and $151,000 for stock-based plans for the three months ended March 31, 2006 and 2005, respectively. At March 31, 2006, unamortized compensation expense related to those stock options, non-vested shares and stock awards expected to vest totaled $21.8 million and will be recognized over a weighted average period of 2.1 years.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

Wabtec uses a Black-Scholes pricing model to estimate fair value at grant date for future option grants. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three months ended March 31,	
	2006	2005
Dividend yield	0.3%	0.3%
Risk-free interest rate	4.3%	4.8%
Stock price volatility	43.5	45.8
Expected life (years)	5.0	5.0

A summary of the Company's stock option activity and related information for the years indicated follows:

	2006			
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate intrinsic value
Beginning of year—January 1, 2006	2,204,065	$ 13.98		$ 28,477
Granted	32,000	26.66		190
Exercised	(259,725)	12.88		4,874
Canceled	—	—		—
End of quarter—March 31, 2006	1,976,340	$ 14.33	5.9	$ 36,108
Exercisable at end of quarter	1,693,986	$ 13.69	5.4	$ 32,033
Weighted average fair value of options granted during the quarter	$ 11.19			

The following table summarizes the non-vested stock and stock awards at March 31, 2006:

	Non-Vested Stock	Stock Awards	Weighted Average FMV
Outstanding at January 1, 2006	—	518,666	$ 16.34
Granted	200,500	320,000	35.87
Canceled	—	—	—
Outstanding at March 31, 2006	200,500	838,666	$ 26.12

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

As of March 31, 2006, stock awards issued under the incentive plan are awarded but not vested. These stock awards will vest based upon the achievement of certain financial goals for each three year period ending at December 31, 2006, 2007 and 2008, respectively. The stock awards included in the table above represent the maximum number of shares that may ultimately vest. As of March 31, 2006, based on the Company's performance, we estimate that the majority of these stock awards will vest and have recorded compensation expense accordingly. If our estimate of the number of these stock awards expected to vest changes in a future accounting period, compensation expense could be reduced and will be recognized over the remaining vesting period.

Financial Derivatives and Hedging Activities The Company has entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date the Company can either take delivery of the currency or settle on a net basis. All outstanding forward contracts are for the sale of U.S. Dollars (USD) and the purchase of Canadian Dollars (CAD). As of March 31, 2006, the Company had forward contracts with a notional value of $45 million CAD (or $37.7 million U.S.), with an average exchange rate of $0.838 USD per $1 CAD, resulting in the recording of a current asset and an increase in comprehensive income of $609,000, net of tax.

Foreign Currency Translation Assets and liabilities of foreign subsidiaries, except for the Company's Mexican operations whose functional currency is the U.S. Dollar, are translated at the rate of exchange in effect on the balance sheet date while income and expenses are translated at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from transactions, and the translation of financial statements are recorded in the Company's consolidated financial statements based upon the provisions of SFAS No. 52, "Foreign Currency Translation." The effects of currency exchange rate changes on intercompany transactions and balances of a long-term investment nature are accumulated and carried as a component of shareholders' equity. The effects of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts are charged or credited to earnings. Foreign exchange gain was $386,000 and loss was $976,000 for the three months ended March 31, 2006 and 2005, respectively.

Other Comprehensive Income (Loss) Comprehensive income (loss) is defined as net income and all other non-owner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, foreign currency hedges and pension related adjustments. Total comprehensive income was:

	Three months ended March 31,	
In thousands	2006	2005
Net income	$20,046	$ 9,248
Foreign currency translation adjustment	292	(2,078)
Unrealized loss on foreign exchange contracts, net of tax	(268)	(789)
Total comprehensive income	$20,070	$ 6,381

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

The components of accumulated other comprehensive income (loss) consisted of the following:

In thousands	March 31, 2006	December 31, 2005
Foreign currency translation adjustment	$ (1,184)	$ (1,476)
Unrealized gains on foreign exchange contracts, net of tax	609	877
Additional minimum pension liability, net of tax	(26,326)	(26,326)
Total accumulated comprehensive loss	$(26,901)	$ (26,925)

Reclassifications Certain prior year amounts have been reclassified where necessary, to conform to the current year presentation. For the quarter ended March 31, 2005, the Company has separately disclosed the cash flows attributable to its discontinued operations.

Recent Accounting Pronouncements In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs—an Amendment of ARB No. 43, Chapter 4." This standard provides clarification that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be recognized as current period charges. Additionally, this standard requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this standard are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. This statement did not have a material impact on the Company's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004) "Share-Based Payment." This Statement replaces FASB Statement No. 123 and supersedes APB Opinion No. 25. No. 123(R) eliminates the ability to account for share-based compensation transactions using the intrinsic method currently used by the Company. FASB No. 123(R) requires such transactions be accounted for using a fair-value-based method that would result in expense being recognized in the Company's financial statements. See description of the impact of adopting SFAS 123 in Note 2 to the "Notes of Consolidated Financial Statements" included elsewhere in this report.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires retrospective application to financial statements of prior periods for changes in accounting principle that are not adopted prospectively. This statement is effective for fiscal years beginning after December 15, 2005. This statement did not have a material impact on the Company's financial position or results of operations.

3. ACQUISITIONS AND DISCONTINUED OPERATIONS

On February 1, 2005, the Company completed the acquisition of the assets of Rütgers Rail S.p.A, a business with operations in Italy, Germany, France and Spain. The acquisition was accounted for as a purchase and accordingly, the purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. Operating results were included in the consolidated statement of operations from the acquisition date forward. The new company formed to hold the newly purchased assets of Rütgers Rail S.p.A. is named CoFren S.r.l. ("CoFren"). CoFren is one of the leading manufacturers of brake shoes, disc pads and interior trim components for rail applications in Europe. The purchase price was $35.9 million, net of cash received, resulting in additional goodwill of $5.7 million.

Table of Contents

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition:

In thousands	February 1, 2005
Current assets	$ 15,400
Property, plant & equipment	16,400
Intangible assets	5,400
Goodwill	5,700
Assets held for sale	3,800
Total Assets Acquired	46,700
Current liabilities	(10,100)
Total Liabilities Assumed	(10,100)
Net Assets Acquired	$ 36,600

Of the $5.4 million of acquired intangible assets, exclusive of goodwill, $3.5 million was assigned to customer relationships, $1.2 million was assigned to patents, $412,000 was assigned to trademarks and $324,000 was assigned to backlog.

The following unaudited pro forma financial information presents income statement results as if the acquisition had occurred January 1, 2005:

In thousands, except per share	Three months ended March 31, 2005
Net sales	$ 247,536
Gross profit	58,577
Net income	9,358
Diluted earnings per share	
As reported	$ 0.20
Pro forma	0.20

With the acquisition of Rutgers Rail, S.p.A., the Company decided to offer for sale a certain product division. As part of the purchase accounting, the net amount of this division had been revalued to its estimated net realizable value and had been classified as assets held for sale, which is included in other noncurrent assets on the balance sheet.

At March 31, 2006, the sale of this division was completed for approximately $2.5 million in cash and $271,000 receivable from the buyer, subject to a working capital adjustment which is expected to be finalized with the buyer in the 2nd quarter. The assets sold primarily included transit car interior products and services for customers located in Europe. This sale resulted in a gain of approximately $132,000 subject to the working capital adjustment mentioned earlier. Also, in the fourth quarter of 2005, the Company decided to liquidate its bus door joint venture in China.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

In accordance with SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets", the operating results of these businesses have been classified as discontinued operations for all years presented and are summarized as of December 31, as follows:

In thousands	Three months ended March 31, 2006	Three months ended March 31, 2005
Net sales	$ 2,597	$ 3,084
Income/(loss) before income taxes	25	(124)
Income tax expense/(benefit)	47	(29)
Loss from discontinued operations	$ (22)	$ (95)

In the fourth quarter of 2005, Wabtec established approximately $800,000 of certain reserves related to the relocation of certain operations. As of March 31, 2006, this reserve has not been used pending the resolution of certain operational issues.

4. INVENTORIES

The components of inventory, net of reserves, were:

In thousands	March 31, 2006	December 31, 2005
Raw materials	$ 42,422	$ 38,724
Work-in-process	67,087	54,953
Finished goods	19,152	17,196
Total inventory	$128,661	$ 110,873

5. RESTRUCTURING AND IMPAIRMENT CHARGES

In the first quarter of 2005, the Company recorded restructuring and asset impairment charges related to consolidating two U.K. facilities into one, relocating a product line from Canada to the U.S., and completion of a data center migration. $1.6 million of costs were expensed, consisting of severance costs of $250,000 for 13 employees, relocation and other costs of $210,000 and asset writeoffs of $1.1 million. These costs were incurred and paid for in the first quarter of 2005.

In the fourth quarter of 2005, the Company recorded restructuring charges relating to consolidating facilities of about $1 million. As of March 31, 2006, these costs have not been paid.

6. INTANGIBLES

Goodwill still remaining on the balance sheet is $118.2 million at both March 31, 2006 and December 31, 2005, respectively.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

As of both March 31, 2006 and December 31, 2005, the Company's trademarks had a net carrying amount of $19.9 million, respectively, and the Company believes these intangibles have an indefinite life. Intangible assets of the Company, other than goodwill and trademarks, consist of the following:

In thousands	March 31, 2006	December 31, 2005
Patents and other, net of accumulated amortization of $25,484 and $22,459	$ 9,176	$ 9,687
Customer relationships, net of accumulated amortization of $189 and $145	3,054	3,018
Covenants not to compete, net of accumulated amortization of $8,315 and $8,304	9	20
Intangible pension asset	6,457	6,457
Total	$ 18,696	$ 19,182

The weighted average useful life of patents was 13 years, customer relationships were 20 years, and covenants not to compete was five years. Amortization expense for intangible assets was $678,000 and $752,000 for the three months ended March 31, 2006 and 2005, respectively.

The change in the carrying amount of goodwill by segment for the three months ended March 31, 2006, is as follows:

In thousands	Freight Group	Transit Group	Total
Balance at December 31, 2005	$ 100,055	$ 18,126	$ 118,181
Foreign currency impact	(57)	90	33
Balance at March 31, 2006	$ 99,998	$ 18,216	$ 118,214

7. LONG-TERM DEBT

Long-term debt consisted of the following:

In thousands	March 31, 2006	December 31, 2005
6.875% Senior Notes	$ 150,000	$ 150,000
Total	$ 150,000	$ 150,000
Less–current portion	—	—
Long–term portion	$ 150,000	$ 150,000

Refinancing Credit Agreement

In January 2004, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This "Refinancing Credit Agreement" provided a $175 million five-year revolving credit facility expiring in January 2009. In November 2005, the Company entered into an amendment to the Refinancing Credit Agreement which, among other things, extended the expiration of the agreement until December 2010. At March 31, 2006, the Company had available bank borrowing capacity, net of $18.4 million of letters of credit, of approximately $156.6 million, subject to certain financial covenant restrictions.

Refinancing Credit Agreement borrowings bear variable interest rates indexed to the indices described below. The Company did not borrow under the Refinancing Credit Agreement during the quarter ended March 31, 2006 or during the year ended December 31, 2005.

Under the Refinancing Credit Agreement, the Company may elect a base interest rate or an interest rate based on the London Interbank Offered Rates of Interest ("LIBOR"). The base interest rate is the greater of LaSalle Bank National Association's prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is based on LIBOR plus a margin that ranges from 62.5 to 175 basis points depending on the Company's consolidated total indebtedness to cash flow ratios. The current margin is 62.5 basis points.

The Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations and sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; capital expenditures; and imposes a minimum interest expense coverage ratio and a maximum debt to cash flow ratio.

The Refinancing Credit Agreement contains customary events of default, including payment defaults, failure of representations or warranties to be true in any material respect, covenant defaults, defaults with respect to other indebtedness of the Company, bankruptcy, certain judgments against the Company, ERISA defaults and "change of control" of the Company. The Refinancing Credit Agreement includes the following covenants: a minimum interest coverage ratio of three, maximum debt to cash flow ratio of 3.25 and a minimum net worth of $180 million plus 50% of consolidated net income since September 30, 2003. The Company is in compliance with these measurements and covenants.

6.875% Senior Notes Due August 2013

In August 2003, the Company issued $150 million of Senior Notes due in 2013 ("Notes"). The Notes were issued at par. Interest on the Notes accrues at a rate of 6.875% per annum and is payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement, and for general corporate purposes.

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

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

8. EMPLOYEE BENEFIT PLANS

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

In thousands, except percentages	Pension Plans Three months ended March 31, 2006	Pension Plans Three months ended March 31, 2005	Postretirement Plan Three months ended March 31, 2006	Postretirement Plan Three months ended March 31, 2005
Net periodic benefit cost				
Service cost	$ 1,068	$ 944	$ 323	$ 197
Interest cost	1,971	1,964	654	663
Expected return on plan assets	(2,143)	(2,004)	—	—
Net amortization/deferrals	910	1,016	271	850
Net periodic benefit cost	$ 1,806	$ 1,920	$ 1,248	$ 1,710
Assumptions				
Discount rate	5.21%	5.89%	5.43%	6.20%
Expected long-term rate of return	6.96%	7.38%	NA	NA
Rate of compensation increase	3.38%	3.41%	NA	NA

The Company's funding methods are based on governmental requirements and differ from those methods used to recognize pension expense. The Company expects to contribute $8.9 million to the pension plans during 2006 but expects that this level of funding will decrease in future periods. Rebalancing of the asset allocation occurs on a quarterly basis.

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

9. INCOME TAXES

The overall effective income tax rate was 36.2% and 36.6% for the three months ended March 31, 2006 and 2005, respectively.

10. EARNINGS PER SHARE

The computation of earnings per share is as follows:

In thousands, except per share	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Basic earnings per share		
Income from continuing operations applicable to common shareholders	$20,068	$ 9,343
Divided by		
Weighted average shares outstanding	48,091	46,259
Basic earnings from continuing operations per share	$ 0.42	$ 0.20
Diluted earnings per share		
Income from continuing operations applicable to common shareholders	$20,068	$ 9,343
Divided by sum of the		
Weighted average shares outstanding	48,091	46,259
Conversion of dilutive stock options and non-vested stock	650	726
Diluted shares outstanding	48,741	46,985
Diluted earnings from continuing operations per share	$ 0.41	$ 0.20

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

11. WARRANTIES

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

In thousands	Three Months Ended March 31, 2006
Balance at December 31, 2005	$ 16,158
Warranty provision	2,471
Warranty claim payments	(2,007)
Balance at March 31, 2006	$ 16,622

12. COMMITMENTS AND CONTINGENCIES

In 2001, the Company sold the operating assets and liabilities of a non-core business unit to that business unit's management team. As part of the sale, Wabtec has guaranteed approximately $539,000 of bank debt of the buyer, which assists the buyer with certain working capital financing arrangements. The Company has no reason to believe that this debt will not be repaid or refinanced.

Actions 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. Since 2000, the number of such claims has increased. Most of these claims have been made against our wholly owned subsidiary, Railroad Friction Products Corporation (RFPC), and are based on a product sold by RFPC before we acquired American Standard, Inc.'s (ASI) 50% interest in RFPC in 1990. We acquired the remaining interest in RFPC in 1992. These claims include a suit against RFPC and its insurers seeking coverage under RFPC's insurance policies. On April 17, 2005, the claim against the Company contending that the Company assumed ASI's liability for asbestos claims arising from exposure to RFPC's products was resolved in the Company's favor.

Most of these claims, including all of the RFPC claims, are submitted to insurance carriers for defense and indemnity or to non-affiliated companies that retain the liabilities for the asbestos-containing products at issue. We cannot, however, assure that all these claims will be fully covered by insurance or that the indemnitors will remain financially viable. Our ultimate legal and financial liability with respect to these claims, as is the case with other pending litigation, cannot be estimated.

The GETS-GS litigation described in the Company's Annual Report on Form 10-K for the Year Ended December 31, 2005 was settled in April of 2006 for $3.8 million which approximates the liability accrued.

In April 2005, Amtrak decided to suspend its Acela Express train service due to cracks in the spokes of some of the cars' brake discs. Wabtec did not design or supply the braking system for the Acela cars. The braking system was supplied by Knorr Brake Corporation and the brake discs were designed by Faiveley Transport. Wabtec did provide, and machined approximately one-third of the brake discs for the cars and assisted Amtrak and others, including Bombardier Corporation, Alstom Transportation Inc., Knorr and Faiveley, in their evaluation and investigation of the brake disc cracks. Amtrak claims approximately $30 million in damages due to the suspension of the Acela service, which was resumed on a limited basis in July, and complete service was resumed in September. Wabtec has received notice of a potential claim for damages from Knorr and, in turn, has provided notice of a potential claim for damages to Faiveley. Wabtec does not believe that it has any material liability with regard to this matter.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

In March 2006, management began an internal investigation related to business transactions conducted by a subsidiary, Pioneer Friction Limited ("Pioneer"), in West Bengal, India. Through an internal compliance review, management discovered that disbursements were made which may be in violation of applicable laws and regulations. Pioneer is a fourth-tier subsidiary of Wabtec; two of the intermediate subsidiaries are Australian companies which are, in turn, owned by a U.S. holding company.

While the transactions are inconsequential and not material to the overall operations of Wabtec, they may result in potential penalties. Management has not concluded its investigation, but has informed Wabtec's Audit Committee, Board of Directors, and the appropriate authorities. Wabtec has not recorded a reserve related to this matter as of March 31, 2006, because the Company's potential exposure cannot be estimated based on management's current assessment of the situation.

The Company is subject to a number of other commitments and contingencies as described in its Annual Report on Form 10-K for the Year Ended December 31, 2005, filed on March 16, 2006. During the first three months of 2006, there were no material changes other than what is discussed above to the information described in Note 18 therein.

13. SEGMENT INFORMATION

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

Freight Group manufactures products and provides services geared to the production and operation of freight cars and locomotives, including braking control equipment, on-board electronic components and train coupler equipment. Revenues are derived from OEM sales, aftermarket sales and freight car repairs and services.

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

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 following tables are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

Beginning with the first quarter of 2006, the Company transferred certain operations from the Freight to Transit Group to reflect a shift in the markets and customers served by those operations. For the three-month period ended March 31, 2005, this reclassification increased Transit Group sales by about $16 million, and income from continuing operations before income taxes by $1.8 million. Prior period results have been adjusted for comparability purposes.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

Segment financial information for the three months ended March 31, 2006 is as follows:

In thousands	Freight Group	Transit Group	Corporate Activities	Total
Sales to external customers	$188,351	$74,058	$ —	$262,409
Intersegment sales/(elimination)	3,287	117	(3,404)	—
Total sales	$191,638	$74,175	$ (3,404)	$262,409
Income (loss) from operations	$ 41,497	$ 2,766	$ (11,783)	$ 32,480
Interest expense and other	—	—	(1,004)	(1,004)
Income (loss) from continuing operations before income taxes	$ 41,497	$ 2,766	$ (12,787)	$ 31,476

Segment financial information for the three months ended March 31, 2005 is as follows:

In thousands	Freight Group	Transit Group	Corporate Activities	Total
Sales to external customers	$166,211	$75,589	$ —	$241,800
Intersegment sales/(elimination)	2,454	58	(2,512)	—
Total sales	$168,665	$75,647	$ (2,512)	$241,800
Income (loss) from operations	$ 19,996	$ 4,222	$ (5,859)	$ 18,359
Interest expense and other	—	—	(3,633)	(3,633)
Income (loss) from continuing operations before income taxes	$ 19,996	$ 4,222	$ (9,492)	$ 14,726

14. GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION

Effective August 2003, the Company issued $150 million of Senior Notes due in 2013 (“Notes”). The obligations under the Notes are fully and unconditionally guaranteed by all U.S. subsidiaries as guarantors. In accordance with positions established by the Securities and Exchange Commission, the following shows separate financial information with respect to the parent, the guarantor subsidiaries and the non-guarantor subsidiaries. The principal elimination entries eliminate investment in subsidiaries and certain intercompany balances and transactions.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

Balance Sheet as of March 31, 2006:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash and Cash Equivalents	$ 134,682	$ (7,725)	$ 64,499	$ —	$ 191,456
Accounts Receivable	164	103,574	64,707	—	168,445
Inventories	—	86,628	42,033	—	128,661
Other Current Assets	18,553	4,083	3,586	—	26,222
Total Current Assets	153,399	186,560	174,825	—	514,784
Net Property, Plant and Equipment	5,521	95,101	60,758	—	161,380
Goodwill	8,521	76,727	32,966	—	118,214
Investment in Subsidiaries	822,824	155,202	24,755	(1,002,781)	—
Intangibles	9,198	24,629	4,816	—	38,643
Other Long Term Assets	13,809	4,258	11,350	—	29,417
Total Assets	$1,013,272	$ 542,477	$ 309,470	$(1,002,781)	$ 862,438
Current Liabilities	$ 16,576	$ 156,720	$ 65,502	$ —	$ 238,798
Intercompany	200,533	(223,464)	22,931	—	—
Long-Term Debt	150,000	—	—	—	150,000
Other Long Term Liabilities	233,347	(181,513)	8,990	—	60,824
Total Liabilities	600,456	(248,257)	97,423	—	449,622
Stockholders' Equity	412,816	790,734	212,047	(1,002,781)	412,816
Total Liabilities and Stockholders' Equity	$1,013,272	$ 542,477	$ 309,470	$(1,002,781)	$ 862,438

Balance Sheet for December 31, 2005:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash	$ 87,899	$ (2,758)	$ 56,224	$ —	$ 141,365
Accounts Receivable	145	135,281	71,465	—	206,891
Inventory	—	73,419	37,454	—	110,873
Other Current Assets	17,519	2,195	4,083	—	23,797
Total Current Assets	105,563	208,137	169,226	—	482,926
Net Property, Plant and Equipment	3,843	93,108	64,650	—	161,601
Goodwill	8,521	76,728	32,932	—	118,181
Investment in Subsidiaries	781,663	155,201	24,755	(961,619)	—
Intangibles	9,396	24,982	4,751	—	39,129
Other Long Term Assets	13,980	9,806	10,734	—	34,520
Total Assets	$922,966	$ 567,962	$ 307,048	$(961,619)	$ 836,357
Current Liabilities	$ 19,287	$ 155,992	$ 66,200	$ —	$ 241,479
Intercompany	320,568	(348,912)	28,344	—	—
Long-Term Debt	150,000	—	—	—	150,000
Other Long Term Liabilities	53,904	3,065	8,702	—	65,671
Total Liabilities	543,759	(189,855)	103,246	—	457,150
Stockholders' Equity	379,207	757,817	203,802	(961,619)	379,207
Total Liabilities and Stockholders' Equity	$922,966	$ 567,962	$ 307,048	$(961,619)	$ 836,357

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

Income Statement for the Three Months Ended March 31, 2006:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination(1)	Consolidated
Net Sales	$ —	$ 199,956	$ 99,493	$ (37,040)	$ 262,409
Cost of Sales	737	(140,016)	(79,726)	31,686	(187,319)
Gross Profit (Loss)	737	59,940	19,767	(5,354)	75,090
Operating Expenses	(13,454)	(20,386)	(8,770)	—	(42,610)
Operating Profit (Loss)	(12,717)	39,554	10,997	(5,354)	32,480
Interest (Expense) Income	(4,542)	2,972	446	—	(1,124)
Other (Expense) Income	(346)	337	129	—	120
Equity Earnings	41,000	(2,154)	—	(38,846)	—
Income (Loss) From Continuing Operations Before Income Tax	23,395	40,709	11,572	(44,200)	31,476
Income Tax Expense	(3,349)	(4,063)	(3,996)	—	(11,408)
Income (Loss) from Continuing Operations	20,046	36,646	7,576	(44,200)	20,068
Discontinued Operations	—	(27)	5	—	(22)
Net Income (Loss)	$ 20,046	$ 36,619	$ 7,581	$ (44,200)	$ 20,046

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.

Income Statement for the Three Months Ended March 31, 2005:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination(1)	Consolidated
Net Sales	$ —	$ 178,684	$ 97,128	$ (34,012)	$ 241,800
Cost of Sales	1,257	(135,668)	(79,635)	29,258	(184,788)
Gross Profit (Loss)	1,257	43,016	17,493	(4,754)	57,012
Operating Expenses	(10,299)	(19,932)	(8,422)	—	(38,653)
Operating Profit (Loss)	(9,042)	23,084	9,071	(4,754)	18,359
Interest (Expense) Income	(4,111)	1,725	(98)	—	(2,484)
Other (Expense) Income	(368)	718	(1,499)	—	(1,149)
Equity Earnings	21,425	2,258	—	(23,683)	—
Income (Loss) From Continuing Operations Before Income Tax	7,904	27,785	7,474	(28,437)	14,726
Income Tax Benefit (Expense)	1,344	(3,825)	(2,902)	—	(5,383)
Income (Loss) From Continuing Operations	9,248	23,960	4,572	(28,437)	9,343
Discontinued Operations	—	—	(95)	—	(95)
Net Income (Loss)	$ 9,248	$ 23,960	$ 4,477	$ (28,437)	$ 9,248

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

Condensed Statement of Cash Flows for the Three Months Ended March 31, 2006:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Cash Provided by (Used in) Operating Activities	$ 41,601	$ 33,466	$ 14,181	$ (44,200)	$ 45,048
Net Cash (Used in) Provided by Investing Activities	(111)	(1,814)	689	—	(1,236)
Net Cash Provided by (Used in) Financing Activities	5,293	(36,619)	(7,581)	44,200	5,293
Effect of Changes in Currency Exchange Rates	—	—	986	—	986
Increase (Decrease) in Cash	46,783	(4,967)	8,275	—	50,091
Cash at Beginning of Period	87,899	(2,758)	56,224	—	141,365
Cash at End of Period	$134,682	$ (7,725)	$ 64,499	$ —	$ 191,456

Condensed Statement of Cash Flows for the Three Months Ended March 31, 2005:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Cash (Used in) Provided by Operating Activities	$ (6,359)	$ 35,720	$ 11,385	$ (28,437)	$ 12,309
Net Cash Used in Investing Activities	(557)	(38,470)	(1,575)	—	(40,602)
Net Cash Provided by (Used in) Financing Activities	4,563	(23,960)	(4,494)	28,437	4,546
Effect of Changes in Currency Exchange Rates	—	—	(3,360)	—	(3,360)
(Decrease) Increase in Cash	(2,353)	(26,710)	1,956	—	(27,107)
Cash at Beginning of Period	41,117	24,849	29,291	—	95,257
Cash at End of Period	$38,764	$ (1,861)	$ 31,247	$ —	$ 68,150

15. OTHER INCOME (EXPENSE)

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

	Three Months Ended March 31,	
In thousands	2006	2005
Foreign currency gain (loss)	$ 386	$ (976)
Other miscellaneous expense	(266)	(173)
Total other income (expense)	$ 120	$ (1,149)

Table of Contents

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 2005 Annual Report on Form 10-K, filed March 16, 2006.

OVERVIEW

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in more than 80 countries throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 11 countries. In the first three months of 2006, about 30% percent of the Company's revenues came from outside the U.S.

Management Review and Future Outlook

Wabtec's long-term financial goals are to generate free cash flow in excess of net income, maintain a strong credit profile while minimizing our overall cost of capital, increase margins through strict attention to cost controls, and increase revenues through a focused growth strategy. In addition, management monitors the Company's short-term operational performance through measures such as quality and on-time delivery.

Freight rail industry statistics, such as carloadings and orders for new freight cars, are continuing to improve in 2006. Deliveries of new freight cars increased to 68,657 in 2005, and orders increased to 80,703. As a result, at year-end the backlog of freight cars ordered was 69,408. This trend continued in the first quarter of 2006, with orders climbing to 35,991, deliveries of 18,542, and a backlog of 86,857. Sales in our freight segment have benefited from that trend. Following are quarterly freight car statistics for the past three years:

	Orders	Deliveries	Backlog
First quarter 2004	17,962	10,012	42,242
Second quarter 2004	19,770	10,071	51,446
Third quarter 2004	20,315	11,790	61,052
Fourth quarter 2004	12,244	14,419	58,677
	70,291	46,292	
First quarter 2005	17,563	15,781	59,416
Second quarter 2005	19,132	17,914	60,544
Third quarter 2005	17,439	16,987	60,986
Fourth quarter 2005	26,569	17,975	69,408
	80,703	68,657	
First quarter 2006	35,991	18,542	86,857

Deliveries of transit cars were 918 and 819 for the years ended December 31, 2005 and 2004, respectively. Deliveries of locomotives were 1,106 and 1,202 for the years ended December 31, 2005 and 2004, respectively.

Source: Railway Supply Institute and Management Estimates

Carloadings and Intermodal Units Originated have increased over the past three years reflecting higher rail traffic and ultimately better opportunities for maintenance and aftermarket sales for the Company:

Carloadings Originated (in thousands):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2004	4,296	4,327	4,267	4,171	17,061
2005	4,403	4,366	4,309	4,135	17,213
2006	4,338	n/a	n/a	n/a	n/a

Intermodal Units Originated (in thousands):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2004	2,585	2,750	2,810	2,849	10,994
2005	2,781	2,885	2,992	3,036	11,694
2006	2,937	n/a	n/a	n/a	n/a

Source: Association of American Railroads—Weekly Rail Traffic

In addition to this cyclical rebound in orders and rail traffic, we expect to generate future increases in sales and earnings from executing our four-point growth strategy:

- Global and Market Expansion;
- Aftermarket Products and Services;
- New Products and Technologies; and
- Acquisitions.

In 2006 and beyond, we will continue to face many challenges, including increased costs for raw materials, especially steel; higher costs for medical and insurance premiums; and foreign currency fluctuations. In addition, we face general economic risks, as well as the risk that our customers could curtail spending on new and existing equipment. Risks associated with our four-point growth strategy include the level of investment that customers are willing to make in new technologies developed by the industry and the Company, and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to reflect changes in market conditions and risks.

The Company continues to evaluate possible restructuring actions that, if taken, would be expected to result in ongoing benefits, but would require significant one-time charges against income.

RESULTS OF OPERATIONS

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

In millions	Three Months Ended March 31, 2006	2005
Net sales	$ 262.4	$ 241.8
Cost of sales	(187.3)	(184.8)
Gross profit	75.1	57.0
Selling, general and administrative expenses	(33.6)	(29.0)
Engineering expenses	(8.1)	(8.7)
Amortization expense	(0.9)	(1.0)
Total operating expenses	(42.6)	(38.7)
Income from operations	32.5	18.3
Interest expense, net	(1.1)	(2.5)
Other income (expense), net	0.1	(1.1)
Income from continuing operations before income taxes	31.5	14.7
Income tax expense	(11.4)	(5.4)
Income from continuing operations	20.1	9.3
Loss from discontinued operations	(0.1)	(0.1)
Net income	$ 20.0	$ 9.2

FIRST QUARTER 2006 COMPARED TO FIRST QUARTER 2005

The following table summarizes the results of operations for the period:

	Three months ended March 31,		
In thousands	2006	2005	Percent Change
Net sales	$262,409	$241,800	8.5%
Income from operations	32,480	18,359	76.9%
Net income	20,046	9,248	116.8%

Net sales increased by 8.5% from $241.8 million in the first quarter of 2005 to $262.4 million in the same period in 2006, primarily as a result of increased sales of freight car components, and price increases. Aftermarket parts sales also increased because of carloadings and intermodal units originated. The Company did not realize any significant net sales change from foreign exchange. Net income for the first quarter of 2006 was $20 million or $0.41 per diluted share. Net income for the first quarter of 2005 was $9.2 million or $0.20 per diluted share. This increase in net income was primarily due to increased sales volume, price increases, and improved profitability on the Company's locomotive modules contract.

Net sales Beginning with the first quarter of 2006, the Company transferred certain operations from the Freight to Transit Group to reflect a shift in the markets and customers served by those operations. Prior period results have been adjusted for comparability purposes. For the three-month period ended March 31, 2005, this reclassification increased Transit Group sales by about $16 million. The following table shows the Company's net sales by business segment:

In thousands	Three months ended March 31, 2006	2005
Freight Group	$ 188,351	$ 166,211
Transit Group	74,058	75,589
Net sales	$ 262,409	$ 241,800

Net sales for the first quarter of 2006 increased $20.6 million, or 8.5%, as compared to the same period of 2005. Sales increased in the Freight Group reflecting higher sales of pneumatic air brake components related to increased deliveries of freight cars. Industry deliveries of new freight cars for the first quarter of 2006 increased to 18,542 units as compared to 15,781 in the same period of 2005. Freight Group aftermarket sales remained consistent with the prior year quarter. Transit Group sales declined slightly from $75.6 million in the first quarter of 2005, to $74.1 million for the same quarter in 2006. This is primarily the result of lower transit car OEM activity offset by increased aftermarket sales. Transit car OEM volume is expected to increase during 2007 with the ramp up of certain large contracts.

Gross profit Gross profit increased to $75.1 million in the first quarter of 2006 compared to $57 million in the same period of 2005. Gross profit is dependent on a number of factors including pricing, sales volume and product mix. In the first quarter of 2006, gross profit, as a percentage of sales, was 28.6% compared to 23.6% in 2005. This increase in gross profit percentage is due to a variety of factors including improved performance of a locomotive module contract which was profitable in the first quarter of 2006, compared to a loss of $4.1 million in the first quarter of 2005. Other factors include increased sales volume, a favorable product mix, price increases, and certain continuing cost reductions. The provision for warranty expense was $1 million higher than the prior-year quarter, which negatively impacted gross profit. The Company is continuing to take action to improve margins in future quarters, including price increases and ongoing initiatives to increase productivity and efficiency.

Operating expenses The following table shows our operating expenses:

	Three months ended March 31,		
In thousands	2006	2005	Percent Change
Selling, general and administrative expenses	$33,628	$29,012	15.9%
Engineering expenses	8,115	8,670	(6.4)%
Amortization expense	867	971	(10.7)%
Total operating expenses	$42,610	$38,653	10.2%

Operating expenses increased $4 million in the first quarter of 2006 compared to the same period of 2005. These expenses were 16.2% and 16.0% of sales for the quarters ended March 31, 2006 and 2005, respectively. The overall increase is due to expense recognized in connection with the adoption of SFAS 123(R) and certain other share-based compensation accruals for long-term incentive plans. During 2005, operating expenses included an information technology asset writeoff of $1.1 million.

Income from operations Income from operations totaled $32.5 million (or 12.4% of sales) in the first quarter of 2006 compared with $18.4 million (or 7.6% of sales) in the same period of 2005. The increase was due to higher sales, partially offset by increased operating expenses.

Interest expense, net Interest expense, net decreased 54.8% in the first quarter of 2006 compared to the same period of 2005 primarily due to the Company's overall higher cash balances and rising interest rates, resulting in higher interest income.

Other income (expense), net The Company recorded foreign exchange income of $386,000 and expense of $976,000, respectively, in the first quarter of 2006 and 2005, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts and charged or credited to earnings.

Income taxes The effective income tax rate was 36.2% and 36.6% for the first quarter of 2006 and 2005, respectively.

Net income Net income for the first quarter of 2006 increased $10.8 million, compared with the same period of 2005. The increase was due to higher sales and improved profitability, partially offset by increased operating expenses.

Table of Contents

Liquidity and Capital Resources

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

In thousands	Three months ended March 31, 2006	Three months ended March 31, 2005
Cash provided (used) by:		
Operating activities	$45,048	$ 12,309
Investing activities	(1,236)	(40,602)
Financing activities	5,293	4,546
Earnings before interest, taxes, depreciation and amortization (EBITDA)	38,658	23,846

Management utilizes EBITDA as a measure of liquidity. The following is a reconciliation of EBITDA to net cash provided by operating activities:

In thousands	Three months ended March 31, 2006	Three months ended March 31, 2005
Net cash provided by operating activities	$ 45,048	$12,309
Change in operating assets and liabilities	(14,920)	3,692
Change from stock-based compensation expense	(4,372)	(151)
Change from discontinued operations	370	129
Interest expense	1,124	2,484
Income tax expense	11,408	5,383
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 38,658	$23,846

EBITDA is defined as earnings before deducting interest expense, income taxes and depreciation and amortization. Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles, management believes that it is useful to an investor in evaluating Wabtec because it is widely used as a measure to evaluate a company's operating performance and ability to service debt. Financial covenants in our credit facility include ratios based on EBITDA. EBITDA does not purport to represent cash generated by operating activities and should not be considered in isolation or as substitute for measures of performance in accordance with generally accepted accounting principles. In addition, because EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by EBITDA may be limited by working capital, debt service and capital expenditure requirements, and by restrictions related to legal requirements, commitments and uncertainties.

Operating activities Cash provided by operations in the first three months of 2006 was $45 million as compared to $12.3 million in the same period of 2005. The cash provided in 2006 consisted mainly of net income of $20 million and depreciation and amortization of $6.1 million. Working capital, excluding the impact of currency exchange rates decreased $20.2 million, as inventory increased $17.9 million, accounts payable and accruals decreased $9.5 million, and accounts receivable decreased $38 million. Inventory increased due to timing of purchases for certain contracts. Accounts receivable decreased because of collection of progress billings on certain customer contracts.

Investing activities In the first three months of 2006 and 2005, cash used in investing activities was $1.2 million and $40.6 million, respectively. In 2005, The Company acquired the assets of Rütgers Rail S.p.A. for $35.6 million, net of cash received. Capital expenditures were $3.3 million and $6 million in the first three months of 2006 and 2005, respectively. The majority of capital expenditures for these periods relates to upgrades to and replacement of existing equipment.

Financing activities In the first three months of 2006 and 2005, cash provided by financing activities was $5.3 million and $4.5 million, respectively. The cash provided in both 2006 and 2005 included $4 million and $5 million, respectively, of proceeds from the issuance of treasury stock for stock options and other benefit plans, offset by about $500,000 of dividend payments.

The following table shows our outstanding indebtedness at March 31, 2006 and December 31, 2005. The other term loan interest rates are variable and dependent on market conditions.

In thousands	March 31, 2006	December 31, 2005
6.875% Senior Notes due 2013	$ 150,000	$ 150,000
Total	$ 150,000	$ 150,000
Less-current portion	—	—
Long-term portion	$ 150,000	$ 150,000

Cash balance at March 31, 2006 and December 31, 2005 was $191.5 million and $141.4 million, respectively.

Credit Agreement

In January 2004, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This "Refinancing Credit Agreement" provided a $175 million five-year revolving credit facility expiring in January 2009. In November 2005, the Company entered into an amendment to the Refinancing Credit Agreement which, among other things, extended the expiration of the agreement until December 2010. At March 31, 2006, the Company had available bank borrowing capacity, net of $18.4 million of letters of credit, of approximately $156.6 million, subject to certain financial covenant restrictions.

Refinancing Credit Agreement borrowings bear variable interest rates indexed to the indices described below. The Company did not borrow under the Refinancing Credit Agreement during the quarter ended March 31, 2006 year ended December 31, 2005.

Under the Refinancing Credit Agreement, the Company may elect a base interest rate or an interest rate based on the London Interbank Offered Rates of Interest ("LIBOR"). The base interest rate is the greater of LaSalle Bank National Association's prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is based on LIBOR plus a margin that ranges from 62.5 to 175 basis points depending on the Company's consolidated total indebtedness to cash flow ratios. The current margin is 62.5 basis points.

The Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations and sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; capital expenditures; and imposes a minimum interest expense coverage ratio and a maximum debt to cash flow ratio.

The Refinancing Credit Agreement contains customary events of default, including payment defaults, failure of representations or warranties to be true in any material respect, covenant defaults, defaults with respect to other indebtedness of the Company, bankruptcy, certain judgments against the Company, ERISA defaults and "change of control" of the Company. The Refinancing Credit Agreement includes the following covenants: a minimum interest coverage ratio of three, maximum debt to cash flow ratio of 3.25 and a minimum net worth of $180 million plus 50% of consolidated net income since September 30, 2003. The Company is in compliance with these measurements and covenants.

6 7/8% Senior Notes Due August 2013

In August 2003, the Company issued $150 million of Senior Notes due in 2013 (the “Notes”). The Notes were issued at par. Interest on the notes accrues at a rate of 6.875% per annum and is payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company’s existing credit agreement, and for general corporate purposes.

In 2001, we sold the operating assets and liabilities of a non-core business unit to its management team. As part of the sale, we guaranteed approximately $539,000 of bank debt of the buyer, which assists the buyer with certain working capital financing arrangements. We have no reason to believe that this debt will not be repaid or refinanced.

The Company believes, based on current levels of operations and forecasted earnings, cash flow and liquidity will be sufficient to fund its working capital and capital equipment needs as well as to meet its debt service requirements. If the Company’s sources of funds were to fail to satisfy the Company’s cash requirements, the Company may need to refinance its existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place.

Forward Looking Statements

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

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

Economic and industry conditions

- materially adverse changes in economic or industry conditions generally or in the markets served by us, including North America, South America, Europe, Australia and Asia;
- demand for 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, cancelled, 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; or
- fluctuations in interest rates and foreign currency exchange rates;

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;
- completion and integration of acquisitions; or
- the development and use of new technology;

Competitive factors

- the actions of competitors;

Political/governmental factors

- political stability in relevant areas of the world;
- future regulation/deregulation of our customers and/or the rail industry;
- levels of governmental funding on transit projects, including for some of our customers;
- political developments and laws and regulations; or
- the outcome of our existing or any future legal proceedings, including litigation involving our principal customers and any litigation with respect to environmental, asbestos-related matters and pension liabilities; and

Transaction or commercial factors

- the outcome of negotiations with partners, governments, suppliers, customers or others.

Statements in this 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.

Critical Accounting Policies

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include the accounting for derivatives, environmental matters, warranty reserves, the testing of goodwill and other intangibles for impairment, proceeds on assets to be sold, pensions and other postretirement benefits, and tax matters. Management uses historical experience and all available information to make these judgments and estimates, and actual results will inevitably differ from those estimates and assumptions that are used to prepare the Company’s financial statements at any given time. Despite these inherent limitations, management believes that Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) and the financial statements and related footnotes provide a meaningful and fair perspective of the Company. A discussion of the judgments and uncertainties associated with accounting for derivatives and environmental matters can be found in the “Notes to Consolidated Financial Statements” included elsewhere in this report.

On January 1, 2006, Wabtec adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), “Share-Based Payment,” which requires the company to recognize compensation expense for stock-based compensation based on the fair value of the share-based employee grants. SFAS No. 123(R) revises SFAS No. 123 “Accounting for Stock-Based Compensation” and supersedes Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees.” Wabtec elected the modified prospective application method for adoption, and prior periods financial statements have not been restated.

SFAS No. 123(R) requires Wabtec to recognize compensation expense for stock-based compensation ratably over the requisite service period based on the fair value of the grant. Using the Black Scholes pricing model, determining the fair value of stock options at grant date requires judgment including estimates for the average risk-free interest rate, expected volatility, expected exercise behavior, expected dividend yield, and expected forfeitures. If any of these assumptions differ significantly from actual, stock-based compensation expense could be impacted. Compensation expense for the Employee Stock Purchase Plan, and Non-Vested Stock awards are based on fair market values determined at the date of award.

Prior to the adoption of SFAS No. 123(R), the company accounted for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations using the intrinsic value method, which resulted in no compensation cost for options granted.

A summary of the Company's significant accounting policies is included in Note 2 in the "Notes to Consolidated Financial Statements" included elsewhere in this report. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Accounts Receivable and Allowance for Doubtful Accounts:		
The Company provides an allowance for doubtful accounts to cover anticipated losses on uncollectible accounts receivable.	The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.	If our estimates regarding the collectibility of troubled accounts, and/or our actual losses within our receivable portfolio exceed our historical experience, we may be exposed to the expense of increasing our allowance for doubtful accounts.
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.	If the market value of our products were to decrease due to changing market conditions, the Company could be at risk of incurring the cost of additional reserves to adjust inventory value to a market value lower than stated cost.
Inventory is reviewed to ensure that an adequate provision is recognized for excess, slow moving and obsolete inventories.	The Company compares inventory components to prior year sales history and current backlog and anticipated future requirements. To the extent that inventory parts exceed estimated usage and demand, a reserve is recognized to reduce the carrying value of inventory. Also, specific reserves are established for known inventory obsolescence.	If our estimates regarding sales and backlog requirements are inaccurate, we may be exposed to the expense of increasing our reserves for slow moving and obsolete inventory.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Goodwill and Indefinite-Lived Intangibles:		
Goodwill and indefinite-lived intangibles are required to be tested for impairment at least annually. The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill).	We use a combination of a guideline public company market approach and a discounted cash flow model (“DCF model”) to determine the current fair value of the business. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market share, sales volume and pricing, costs to produce and working capital changes.	Management considers historical experience and all available information at the time the fair values of its business are estimated. However, actual amounts realized may differ from those used to evaluate the impairment of goodwill. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to additional impairment losses that could be material to our results of operations.
Warranty Reserves:		
The Company provides warranty reserves to cover expected costs from repairing or replacing products with durability, quality or workmanship issues occurring during established warranty periods.	In general, reserves are provided for as a percentage of sales, based on historical experience. In addition, specific reserves are established for known warranty issues and their estimable losses.	If actual results are not consistent with the assumptions and judgments used to calculate our warranty liability, the Company may be at risk of realizing material gains or losses.
Accounting for Pensions and Postretirement Benefits:		
These amounts are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality).	Significant judgments and estimates are used in determining the liabilities and expenses for pensions and other postretirement benefits. The rate used to discount future estimated liabilities is determined considering the rates available at year-end on debt instruments that could be used to settle the obligations of the plan. The long-term rate of return is estimated by considering historical returns and expected returns on current and projected asset allocations and is generally applied to a five-year average market value of assets.	If assumptions used in determining the pension and other postretirement benefits change significantly, these costs can fluctuate materially from period to period.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Income Taxes:		
As a global company, Wabtec records an estimated liability or benefit for income and other taxes based on what it determines will likely be paid in various tax jurisdictions in which it operates.	The estimate of our tax obligations are uncertain because management must use judgment to estimate the exposures associated with our various filing positions.	Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters including the resolution of the tax audits in the various affected tax jurisdictions and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the recorded amount.
Revenue Recognition:		
Revenue is recognized in accordance with Staff Accounting Bulletins (SABs) 101, “Revenue Recognition in Financial Statements” and 104 “Revision of Topic 13.”	Revenue is recognized when products have been shipped to the respective customers, title has passed and the price for the product has been determined.	Should market conditions and customer demands dictate changes to our standard shipping terms, the Company may be impacted by longer than typical revenue recognition cycles.
The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined.	For long-term contracts, revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined.	Provisions are made currently for estimated losses on uncompleted contracts.
Certain pre-production costs relating to long term production and supply contracts have been deferred and will be recognized over the life of the contracts.	Pre-production costs are recognized over the expected life of the contract usually based on the Company’s progress toward the estimated number of units expected to be delivered under the production or supply contract.	A charge to expense for unrecognized portions of pre-production costs could be realized if the Company’s estimate of the number of units to be delivered changes or the underlying contract is cancelled.

Recent Accounting Pronouncements

See Notes 2 and 6 of “Notes to Condensed Consolidated Financial Statements” included elsewhere in this report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

In the ordinary course of business, Wabtec is exposed to risks that increases in interest rates may adversely affect funding costs associated with its variable-rate debt. There was no outstanding variable-rate debt at March 31, 2006.

Foreign Currency Exchange Risk

The Company occasionally enters into several types of financial instruments for the purpose of managing its exposure to foreign currency exchange rate fluctuations in countries in which the Company has significant operations. As of March 31, 2006, we had several such instruments outstanding to hedge currency rate fluctuation in 2006.

The Company entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date we can either take delivery of the currency or settle on a net basis. All outstanding forward contracts and option agreements are for the sale of U.S. Dollars (USD) and the purchase of Canadian Dollars (CAD). As of March 31, 2006, the Company has forward contracts with a notional value of $45 million CAD (or $37.7 million U.S.), with an average exchange rate of $0.838 USD per $1 CAD, resulting in the recording of a current asset and an increase in comprehensive income of $609,000, net of tax.

Wabtec is also subject to certain risks associated with changes in foreign currency exchange rates to the extent its operations are conducted in currencies other than the U.S. dollar. For the first three months of 2006, approximately 69% of Wabtec’s net sales are in the United States, 11% in Canada, 2% in Mexico, and 18% in other international locations, primarily Europe.

Item 4. CONTROLS AND PROCEDURES

Wabtec’s principal executive officer and its principal financial officer have evaluated the effectiveness of Wabtec’s “disclosure controls and procedures,” (as defined in Exchange Act Rule 13a-15(e)) as of March 31, 2006. 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 March 31, 2006, that has materially affected, or is reasonably likely to materially affect, Wabtec’s internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS AND COMMITMENTS AND CONTINGENCIES

Except as disclosed in Note 12 of the Company's Notes to Condensed Consolidated Financial Statements for the Quarterly Period Ended March 31, 2006, there have been no other material changes to report regarding the Company's commitments and contingencies as described in Note 18 of the Company's Annual Report on Form 10-K for the Year Ended December 31, 2005.

Item 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our 2005 Annual Report on Form 10-K.

Item 5. OTHER INFORMATION

On February 16, 2006 the Company's Board of Directors granted non-vested stock to officers of the Company under the Company's 2000 Stock Incentive Plan as follows:

Officer	Shares
Anthony J. Carpani	9,000
Patrick D. Dugan	1,500
Alvaro Garcia-Tunon	9,000
Timothy J. Logan	9,000
Albert J. Neupaver	32,500
Barry L. Pennypacker	9,000
George A. Socher	1,500
Scott E. Wahlstrom	9,000
Timothy R. Wesley	9,000
Total	89,500

The form of non-vested stock agreement is attached hereto as Exhibit 10.4.

Item 6. EXHIBITS

The following exhibits are being filed with this report:

3.1	Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995, filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866), and incorporated herein by reference.
3.2	Amended and Restated By-Laws of the Company, dated as of January 6, 2006, filed as an exhibit to Form 8-K filed on January 9, 2006.
10.1	Employment Agreement with Albert J. Neupaver dated effective February 1, 2006, filed herewith (exhibits omitted will be provided to SEC upon request).
10.2	Amended and Restated Stock Incentive Plan, filed as Annex A to Company's Schedule 14A filed on April 13, 2006.
10.3	Amended and Restated Director Plan, filed as Annex B to the Company's Schedule 14A filed on April 13, 2006.
10.4	Form of Restricted Stock Agreement, filed herewith.
10.5	Restricted Stock Agreement with Albert J. Neupaver dated February 1, 2006, filed herewith.
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

SIGNATURES

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

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

By /s/ ALVARO GARCIA-TUNON

Alvaro Garcia-Tunon,
Senior Vice President,
Chief Financial Officer and Secretary

DATE: May 10, 2006

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description and Method of Filing
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10.3	Amended and Restated Director Plan, filed as Annex B to the Company's Schedule 14A filed on April 13, 2006.
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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

Exhibit 10.1

December 16, 2005

Mr. Albert J. Neupaver
88 Lintel Dr.
McMurray, PA 15317

Dear Al:

On behalf of the Wabtec Board of Directors, I am pleased to formally offer you the position of President and CEO of Wabtec Corporation ("the Company"). As discussed, this is subject to successful completion of reference and background checks and a successful completion of a physical examination. Please find below the terms and conditions of your employment agreement with the Company:

Title and Job Scope: Your title will be President and CEO of Wabtec Corporation reporting directly to the Chairman of the Board of Directors of Wabtec. You will also serve as a board member on the Wabtec Board of Directors. As President and CEO, you will have overall profit and loss accountability for the Company and day to day responsibility for the business. You will also have all management report to or through you as no other management will report to the Board of Directors.

Base Salary: Your base salary will be $600,000 effective as soon as you are available. Your position will be the Company's highest paid position and your compensation will be monitored by the Compensation Committee of the Board of Directors, which has overall responsibility to review and monitor executive compensation.

Executive Perquisites And Benefits: As a key member of our senior management team, you will receive a Company paid automobile (your choice) which will include lease payment, insurance and maintenance. In addition, you will receive membership for a Country club at your choice and you will also be eligible for a membership at the Duquesne club. In addition, you will also receive an annual reimbursement equal to $40,000 to reimburse you for estate and tax planning and preparation, fuel for Company car, additional club dues that have not been previously reimbursed or other out of pocket expenses related to your job. Other benefits would include participation in a 401K plan (Company contribution and match up to 6% subject to cap limitation), annual physical, participation in Company medical, dental, vision plan, flexible spending accounts, long term and short term disability plans, basic life insurance equal to $750,000 and participation in the Company's discounted stock purchase program (up to $25,000 of Wabtec stock each year discounted at 15% subject to plan rules).

Executive Bonus Plan: Your participation in the Wabtec Executive Bonus Plan will be at a 50% target incentive. The bonus is a function of the Company's overall financial performance, your personal performance and Board approval. Although your target bonus is set at 50% of your base salary, you have the potential to earn as much as 112.50% of your base salary under this plan- (copy of plan attached). For the 2006 year, the Company would guarantee a minimum payout equal to one half your target bonus.

Long Term Incentive Plan (Three Yr Plan): Beginning in 2006, you will participate in the Company's three year long term incentive plan. This plan is designed to reward executives on meeting or exceeding Economic Profit growth goals. The plan is structured as a rolling three year plan, meaning each year would form a new performance cycle, i.e. (2006-2008),

(2007-2009) etc. Each executive selected to participate in this plan will receive a target grant of performance units at the beginning of each three year performance cycle. The actual number of performance units earned at the end of the period will depend on Wabtec's ability to achieve threshold, target and maximum performance goals. Your target grant is anticipated to be 30,000 shares annually subject to board approval. If the Company achieves the minimum or threshold Economic Profit goals over the three year period, you would receive one half of your target performance units or 15,000 Wabtec shares. On the other hand, if the Company achieves the maximum Economic Profit goals over the three year performance period, you would receive two times your target shares or 60,000 Wabtec shares. Since this is a rolling plan, this would be reset each year and a new three year plan would be established. As you can see, the potential for rapid stock accumulation certainly exists as Wabtec performs under this plan (copy of plan attached).

Stock Options: The Compensation Committee and the Board of Directors evaluates the stock option plan on an annual basis. Based on past practice, the Company has awarded an annual stock option grant to the Chief Executive Officer in the range of 50,000 – 75,000. This grant is typically awarded in the February board meeting of each year and is subject to Compensation Committee approval.

Make Whole Provision: Please see attached Exhibit A. We have valued our make whole proposal at approximately $2,340,000. Upon authorization of the Compensation Committee, we would grant you 90,000 shares of restricted stock vesting in annual 25% increments from your start date. In the event that you resign, quit or voluntarily leave the Company, you would only receive the shares that have vested. In the event that you are terminated for reasons other than cause, including death or disability, you will receive the entire 90,000 shares.

Severance: In the event your employment is terminated with the Company in the first two years of your employment for reasons other than discharge for cause, death or disability, we will enter into an agreement wherein you will receive twenty four months of your current base salary and target bonus upon termination plus continued participation in the Company's medical benefit program for two years from your termination date. After you have been with the Company for two years, you would then be eligible for a normal severance for executives. In the event that your employment is terminated due to a change of control (double trigger) your severance would be equal to two times your base and target bonus and you would be eligible to participate in the Company's medical benefit program for two years from your termination date. In either scenario, you would be eligible to receive continued benefits under COBRA for an additional eighteen months after your coverage with the Company terminates.

If the foregoing is acceptable, please indicate your acceptance to this offer by signing below.

Al, we are confident that you are going to be a tremendous success to Wabtec. I personally look forward to a mutually beneficial association.

Yours truly,

/s/ William E. Kassling

William E. Kassling
Chairman, President and CEO

AGREED:

/s/ Albert J. Neupaver

Albert J. Neupaver

Exhibit 10.4

2000 STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), and **[NAME OF EMPLOYEE]**, an employee of the Corporation or one of its Subsidiaries (the "Grantee"), for good and valuable consideration the receipt and adequacy of which are hereby acknowledged and intending to be legally bound hereby, agree as follows:

1. *Restricted Stock Award*. The Corporation hereby confirms the award to the Grantee of thousand ( ) shares of Common Stock, par value $0.01 per share, of the Corporation (the "Restricted Stock"), under and subject to the terms and conditions of the Corporation's 2000 Stock Incentive Plan, as amended through February 16, 2006 (the "Plan") and this Agreement. The Plan is incorporated by reference and made a part of this Agreement as though set forth in full herein. Terms which are capitalized but not defined in this Agreement have the same meaning as in the Plan unless the context otherwise requires. This Restricted Stock award shall be effective as of February 16, 2006 (the "Effective Date"), provided that this Agreement is executed by the Grantee and delivered to the Corporation. As of the Effective Date, the Grantee shall be a shareholder of the Corporation with respect to the Restricted Stock and shall have all the rights of a shareholder with respect to the Restricted Stock, including the right to vote the Restricted Stock and to receive all dividends and other distributions paid with respect to such Restricted Stock, subject to the restrictions of the Plan and this Agreement.

2. *Acceptance of Restricted Share Award*. The Grantee accepts the award of the Restricted Stock confirmed hereby, subject to the restrictions of the Plan and this Agreement.

3. *Restrictions*.

A. If the Grantee's employment with the Corporation or any of its Subsidiaries terminates on the dates set forth below in this Section 3(A) for any reason or without any reason, other than as a result of the Grantee's death or permanent and total disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986 (the "Code") or any successor section), and the employment restriction has not previously lapsed by virtue of Section 3(C) hereof, the shares of the Restricted Stock set forth in the table below in this Section 3(A) which have not been previously forfeited to the Corporation shall, upon such termination of employment and without any further action, be forfeited to the Corporation by the Grantee and cease to be issued and outstanding shares of the Common Stock of the Corporation:

Date of Termination of Employment	Number of Shares of the Restricted Stock Forfeited
On or Before February 15, 2008	
Between February 16, 2008 and February 15, 2009, inclusive	
Between February 16, 2009 and February 15, 2010, inclusive	
On and After February 16, 2010	0

If the Grantee remains employed with the Corporation or any of its Subsidiaries on the respective dates on which the shares of the Restricted Stock are no longer subject to forfeiture under the preceding table, the shares of the Restricted Stock have not been previously forfeited to the Corporation pursuant to Section 3(B) hereof and the employment restriction has not previously lapsed by virtue of Section 3(C) hereof, the employment restriction imposed hereby on the respective shares of the Restricted Stock shall lapse and a certificate representing such shares shall be issued or transferred by the Corporation to the Grantee. If the Grantee's employment with the Corporation or any of its Subsidiaries terminates as a result of the Grantee's death or permanent and total disability (within the meaning of Section 22(e)(3) of the Code or any successor section), the employment restriction imposed hereby on the shares of the Restricted Stock which have not been previously forfeited to the Corporation pursuant to Section 3(B) hereof and on which the employment restriction has not previously lapsed shall lapse and a certificate representing such shares shall be issued or transferred by the Corporation to the Grantee (or the Grantee's personal representative).

B. If the Grantee (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(D) of the Plan applies), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Corporation may cause all shares of the Restricted Stock remaining subject to the employment restriction imposed hereby to be immediately forfeited to the Corporation and the Grantee shall have no further rights with respect to such shares. Whether the Grantee has engaged in any of the activities referred to in the immediately preceding sentence shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

C. If (i) a Section 8 Event occurs, (ii) the employment restriction imposed hereby on the shares of the Restricted Stock has not previously lapsed, (iii) such shares of the Restricted Stock have not been previously forfeited to the Corporation, and (iv) the Grantee is not a person referred to in the proviso to Section 8(A)(7) of the Plan, the employment restriction imposed hereby on such shares of the Restricted Stock remaining subject to the employment restriction imposed hereby shall lapse upon the occurrence of any Section 8 Event and a certificate representing such shares shall be issued or transferred by the Corporation to the Grantee.

D. Except for transfers to a trust that is revocable by the Grantee alone as permitted by Section 6(A) of the Plan and subject to the conditions set forth therein, the Grantee shall not sell, exchange, assign, alienate, pledge, hypothecate, encumber, charge, give, transfer or otherwise dispose of, either voluntarily or by operation of law, any shares of the Restricted Stock, or any rights or interests appertaining thereto, prior to the lapse of the employment restriction imposed hereby and the issuance or transfer by the Corporation to the Grantee of certificates with respect to such shares as provided herein, except that the shares of the Restricted Stock may be transferred by the Grantee by Will or, if the Grantee dies intestate, by the laws of descent and distribution of the state of domicile of the Grantee at the time of death. Subsequent to the lapse of the employment restriction imposed hereby, Grantee agrees that the Restricted Stock cannot be offered, sold, pledged or otherwise disposed of, and the Grantee will not offer, sell, pledge or otherwise dispose of the Restricted Stock, except pursuant to (i) an effective registration statement under the Securities Act of 1933, as amended (the “1933 Act”) and qualification under applicable state and foreign securities laws, or (ii) in accordance with Rule 144 under the 1933 Act.

E. As of the Effective Date, certificates representing the shares of the Registered Stock shall be issued in the name of the Grantee and held by the Corporation in escrow until the earlier of the forfeiture of the shares of the Restricted Stock to the Corporation or, subject to Section 4 hereof, the lapse of the employment restriction set forth herein with respect to such shares. The Grantee shall execute and deliver to the Corporation a blank stock power in form acceptable to the Corporation with respect to each of the certificates representing the shares of the Restricted Stock. Such stock power shall be returned to the Grantee if the employment restriction imposed hereby lapses with respect to the shares to which the stock power relates.

4. *Section 83(b) Election; Withholding of Taxes*. The Grantee shall be advised by the Corporation or a Subsidiary as to the amount of any Federal income or employment taxes required to be withheld by the Corporation or such Subsidiary on the compensation income resulting from the award of the Restricted Stock. The timing of the withholding will depend on whether the Grantee made an election under Section 83(b) of the Code. State, local or foreign income or employment taxes may also be required to be withheld by the Corporation or a Subsidiary on any compensation income resulting from the award of the Restricted Stock. The Grantee shall pay any taxes required to be withheld directly to the Corporation or any Subsidiary in cash upon receipt. If the Grantee does not pay any taxes required to be withheld directly to the Corporation or one of its Subsidiaries within ten days after any such request, the Corporation or any of its Subsidiaries may withhold such taxes from any other compensation to which the Grantee is entitled from the Corporation or any of its Subsidiaries. The

Grantee shall hold the Corporation and its Subsidiaries harmless in acting to satisfy the withholding obligation in this manner if it becomes necessary to do so. Notwithstanding other provisions of this Agreement, the certificates representing the shares of the Restricted Stock shall not be released from escrow until all taxes required to be withheld with respect to the Restricted Stock have been paid to the Corporation or a Subsidiary.

5. *Interpretation of Plan and Agreement*. This Agreement is the restricted stock agreement referred to in Section 6(A) of the Plan. If there is any conflict between the Plan and this Agreement, the provisions of the Plan shall control. Any dispute or disagreement which shall arise under or in any way relate to the interpretation or construction of the Plan or this Agreement shall be resolved by the Committee and the decision of the Committee shall be final, binding and conclusive for all purposes.

6. *Effect of Agreement on Rights of Corporation and Grantee*. This Agreement does not confer any right on the Grantee to continue in the employ of the Corporation or any Subsidiary or interfere in any way with the rights of the Corporation or any Subsidiary to terminate the employment of the Grantee.

7. *Binding Effect*. This Agreement shall be binding upon the successors and assigns of the Corporation and upon the legal representatives, heirs and legatees of the Grantee.

8. *Entire Agreement*. This Agreement constitutes the entire agreement between the Corporation and the Grantee and supersedes all prior agreements and understandings, oral or written, between the Corporation and the Grantee with respect to the subject matter of this Agreement.

9. *Amendment*. This Agreement may be amended only by a written instrument signed by the Corporation and the Grantee.

10. *Section Headings*. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any of the provisions of this Agreement.

11. *Governing Law*. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the Corporation and the Grantee have executed this Agreement as of this 16th day of February, 2006.

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION

By: ______________________________

Scott Wahlstrom
Vice President, Human Resources

WITNESS:

____

GRANTEE:

____

Print or Type Name:

Exhibit 10.5

2000 STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), and ALBERT J. NEUPAVER, an employee of the Corporation or one of its Subsidiaries (the "Grantee"), for good and valuable consideration the receipt and adequacy of which are hereby acknowledged and intending to be legally bound hereby, agree as follows:

1. *Restricted Stock Award*. The Corporation hereby confirms the award to the Grantee of ninety thousand (90,000) shares of Common Stock, par value $0.01 per share, of the Corporation (the "Restricted Stock"), under and subject to the terms and conditions of the Corporation's 2000 Stock Incentive Plan, as amended through February 16, 2006 (the "Plan") and this Agreement. The Plan is incorporated by reference and made a part of this Agreement as though set forth in full herein. Terms which are capitalized but not defined in this Agreement have the same meaning as in the Plan unless the context otherwise requires. This Restricted Stock award shall be effective as of February 1, 2006 (the "Effective Date"), provided that this Agreement is executed by the Grantee and delivered to the Corporation. As of the Effective Date, the Grantee shall be a shareholder of the Corporation with respect to the Restricted Stock and shall have all the rights of a shareholder with respect to the Restricted Stock, including the right to vote the Restricted Stock and to receive all dividends and other distributions paid with respect to such Restricted Stock, subject to the restrictions of the Plan and this Agreement.

2. *Acceptance of Restricted Share Award*. The Grantee accepts the award of the Restricted Stock confirmed hereby, subject to the restrictions of the Plan and this Agreement.

3. *Restrictions*.

A. If the Grantee's employment with the Corporation or any of its Subsidiaries terminates on the dates set forth below in this Section 3(A) for any reason other than as a result of the Grantee's death or permanent and total disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986 (the "Code") or any successor section) or as a result of termination by the Corporation or any Subsidiary without cause, and the employment restriction has not previously lapsed by virtue of Section 3(C) hereof, the shares of the Restricted Stock set forth in the table below in this Section 3(A) which have not been previously forfeited to the Corporation shall, upon such termination of employment and without any further action, be forfeited to the Corporation by the Grantee and cease to be issued and outstanding shares of the Common Stock of the Corporation:

Date of Termination of Employment	Number of Shares of the Restricted Stock Forfeited
On or Before January 31, 2007	90,000
Between February 1, 2007 and January 31, 2008, inclusive	67,500
Between February 1, 2008 and January 31, 2009, inclusive	45,000
Between February 1, 2009 and January 31, 2010, inclusive	22,500
On and After February 1, 2010	0

If the Grantee remains employed with the Corporation or any of its Subsidiaries on the respective dates on which the shares of the Restricted Stock are no longer subject to forfeiture under the preceding table, the shares of the Restricted Stock have not been previously forfeited to the Corporation pursuant to Section 3(B) hereof and the employment restriction has not previously lapsed by virtue of Section 3(C) hereof, the employment restriction imposed hereby on the respective shares of the Restricted Stock shall lapse and a certificate representing such shares shall be issued or transferred by the Corporation to the Grantee. If the Grantee's employment with the Corporation or any of its Subsidiaries terminates as a result of the Grantee's death or permanent and total disability (within the meaning of Section 22(e)(3) of the Code or any successor section) or as a result of termination by the Corporation or any of its Subsidiaries without cause, the employment restriction imposed

hereby on the shares of the Restricted Stock which have not been previously forfeited to the Corporation pursuant to Section 3(B) hereof and on which the employment restriction has not previously lapsed shall lapse and a certificate representing such shares shall be issued or transferred by the Corporation to the Grantee (or the Grantee's personal representative).

B. If the Grantee (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(D) of the Plan applies), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Corporation may cause all shares of the Restricted Stock remaining subject to the employment restriction imposed hereby to be immediately forfeited to the Corporation and the Grantee shall have no further rights with respect to such shares. Whether the Grantee has engaged in any of the activities referred to in the immediately preceding sentence shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

C. If (i) a Section 8 Event occurs, (ii) the employment restriction imposed hereby on the shares of the Restricted Stock has not previously lapsed, (iii) such shares of the Restricted Stock have not been previously forfeited to the Corporation, and (iv) the Grantee is not a person referred to in the proviso to Section 8(A)(7) of the Plan, the employment restriction imposed hereby on such shares of the Restricted Stock remaining subject to the employment restriction imposed hereby shall lapse upon the occurrence of any Section 8 Event and a certificate representing such shares shall be issued or transferred by the Corporation to the Grantee.

D. Except for transfers to a trust that is revocable by the Grantee alone as permitted by Section 6(A) of the Plan and subject to the conditions set forth therein, the Grantee shall not sell, exchange, assign, alienate, pledge, hypothecate, encumber, charge, give, transfer or otherwise dispose of, either voluntarily or by operation of law, any shares of the Restricted Stock, or any rights or interests appertaining thereto, prior to the lapse of the employment restriction imposed hereby and the issuance or transfer by the Corporation to the Grantee of certificates with respect to such shares as provided herein, except that the shares of the Restricted Stock may be transferred by the Grantee by Will or, if the Grantee dies intestate, by the laws of descent and distribution of the state of domicile of the Grantee at the time of death. Subsequent to the lapse of the employment restriction imposed hereby, Grantee agrees that the Restricted Stock cannot be offered, sold, pledged or otherwise disposed of, and the Grantee will not offer, sell, pledge or otherwise dispose of the Restricted Stock, except pursuant to (i) an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act") and qualification under applicable state and foreign securities laws, or (ii) in accordance with Rule 144 under the 1933 Act.

E. As of the Effective Date, certificates representing the shares of the Registered Stock shall be issued in the name of the Grantee and held by the Corporation in escrow until the earlier of the forfeiture of the shares of the Restricted Stock to the Corporation or, subject to Section 4 hereof, the lapse of the employment restriction set forth herein with respect to such shares. The Grantee shall execute and deliver to the Corporation a blank stock power in form acceptable to the Corporation with respect to each of the certificates representing the shares of the Restricted Stock. Such stock power shall be returned to the Grantee if the employment restriction imposed hereby lapses with respect to the shares to which the stock power relates.

4. *Section 83(b) Election; Withholding of Taxes*. The Grantee shall be advised by the Corporation or a Subsidiary as to the amount of any Federal income or employment taxes required to be withheld by the Corporation or such Subsidiary on the compensation income resulting from the award of the Restricted Stock. The timing of the withholding will depend on whether the Grantee made an election under Section 83(b) of the Code. State, local or foreign income or employment taxes may also be required to be withheld by the Corporation

or a Subsidiary on any compensation income resulting from the award of the Restricted Stock. The Grantee shall pay any taxes required to be withheld directly to the Corporation or any Subsidiary in cash upon receipt. If the Grantee does not pay any taxes required to be withheld directly to the Corporation or one of its Subsidiaries within ten days after any such request, the Corporation or any of its Subsidiaries may withhold such taxes from any other compensation to which the Grantee is entitled from the Corporation or any of its Subsidiaries. The Grantee shall hold the Corporation and its Subsidiaries harmless in acting to satisfy the withholding obligation in this manner if it becomes necessary to do so. Notwithstanding other provisions of this Agreement, the certificates representing the shares of the Restricted Stock shall not be released from escrow until all taxes required to be withheld with respect to the Restricted Stock have been paid to the Corporation or a Subsidiary.

5. *Interpretation of Plan and Agreement*. This Agreement is the restricted stock agreement referred to in Section 6(A) of the Plan. If there is any conflict between the Plan and this Agreement, the provisions of the Plan shall control. Any dispute or disagreement which shall arise under or in any way relate to the interpretation or construction of the Plan or this Agreement shall be resolved by the Committee and the decision of the Committee shall be final, binding and conclusive for all purposes.

6. *Effect of Agreement on Rights of Corporation and Grantee*. This Agreement does not confer any right on the Grantee to continue in the employ of the Corporation or any Subsidiary or interfere in any way with the rights of the Corporation or any Subsidiary to terminate the employment of the Grantee.

7. *Binding Effect*. This Agreement shall be binding upon the successors and assigns of the Corporation and upon the legal representatives, heirs and legatees of the Grantee.

8. *Entire Agreement*. This Agreement constitutes the entire agreement between the Corporation and the Grantee and supersedes all prior agreements and understandings, oral or written, between the Corporation and the Grantee with respect to the subject matter of this Agreement.

9. *Amendment*. This Agreement may be amended only by a written instrument signed by the Corporation and the Grantee.

10. *Section Headings*. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any of the provisions of this Agreement.

11. *Governing Law*. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the Corporation and the Grantee have executed this Agreement as of this 1st day of February, 2006.

WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION

By: /S/ SCOTT WAHLSTROM
Scott Wahlstrom
Vice President, Human Resources

WITNESS:

/S/ JENNIFER GOLDSTEIN

GRANTEE:

/S/ ALBERT J. NEUPAVER
Albert J. Neupaver

Exhibit 31.1

CERTIFICATION

I, Albert J. Neupaver, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

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

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

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

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

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

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

Date: May 10, 2006

/s/ ALBERT J. NEUPAVER

Name: **Albert J. Neupaver**
Title: **President and Chief Executive Officer**

Exhibit 31.2

CERTIFICATION

I, Alvaro Garcia-Tunon, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

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

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

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

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

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

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

Date: May 10, 2006

By /s/ ALVARO GARCIA-TUNON

Alvaro Garcia-Tunon,
Senior Vice President,
Chief Financial Officer and Secretary

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, the undersigned officers of Westinghouse Air Brake Technologies Corporation (the "*Company*"), hereby certify, to the best of their knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (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/ ALBERT J. NEUPAVER

Albert J. Neupaver
President and Chief Executive Officer

Date: May 10, 2006

By /s/ ALVARO GARCIA-TUNON

Alvaro Garcia-Tunon,
Senior Vice President,
Chief Financial Officer and Secretary

Date: May 10, 2006