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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, 1999

Commission file number 1-13782

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

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

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

As of April 26, 1999, 33,944,452 shares of Common Stock of the registrant were issued and outstanding, of which 8,477,571 shares were unallocated ESOP shares.

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WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET

Dollars in thousands, except par value	UNAUDITED MARCH 31 1999	DECEMBER 31 1998
ASSETS		
CURRENT ASSETS		
Cash	$4,627	$3,323
Accounts receivable	137,921	132,901
Inventories	107,703	103,560
Other	21,573	23,177
Total current assets	271,824	262,961
Property, plant and equipment	223,849	214,461
Accumulated depreciation	(95,783)	(89,480)
Property, plant and equipment, net	128,066	124,981
OTHER ASSETS		
Prepaid pension costs	6,526	5,724
Goodwill	151,797	151,658
Other intangibles	44,738	46,021
Other noncurrent assets	6,509	4,839
Total other assets	209,570	208,242
Total Assets	$609,460	$596,184
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$20,264	$30,579
Accounts payable	51,347	62,974
Accrued income taxes	10,039	8,352
Accrued interest	5,240	1,616
Customer deposits	17,310	20,426
Other accrued liabilities	46,562	43,603
Total current liabilities	150,762	167,550
Long-term debt	450,226	437,238
Reserve for postretirement benefits	16,543	16,238
Accrued pension costs	3,911	3,631
Other long-term liabilities	7,380	5,380
Total liabilities	628,822	630,037
SHAREHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, no shares issued	--	--
Common stock, $.01 par value; 100,000,000 shares authorized: 47,426,600 shares issued	474	474
Additional paid-in capital	108,066	107,720
Treasury stock, at cost, 13,482,148 and 13,532,092 shares	(187,014)	(187,654)
Unearned ESOP shares, at cost, 8,493,131 and 8,564,811 shares	(127,397)	(128,472)
Retained earnings	193,965	182,291
Unamortized restricted stock award	(103)	(162)
Accumulated other comprehensive income (loss)	(7,353)	(8,050)
Total shareholders' equity	(19,362)	(33,853)
Liabilities and Shareholders' Equity	$609,460	$596,184

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

In thousands, except per share data	(UNAUDITED) THREE MONTHS ENDED MARCH 31 1999	1998
Net sales	$191,204	$158,136
Cost of sales	129,659	106,340
Gross profit	61,545	51,796
Selling and marketing expenses	8,503	6,914
General and administrative expenses	12,828	11,584
Engineering expenses	8,907	6,438
Amortization expense	2,410	2,105
Total operating expenses	32,648	27,041
Income from operations	28,897	24,755
Other income and expenses		
Interest expense	9,096	7,373
Other expense (income), net	66	(131)
Income before income taxes and extraordinary item	19,735	17,513
Income taxes	7,346	6,655
Income before extraordinary item	12,389	10,858
Loss on early extinguishment of debt, net of tax	469	-
Net income	$11,920	$10,858
EARNINGS PER COMMON SHARE		
Basic		
Income before extraordinary item	$.49	$.43
Extraordinary item	(.02)	-
Net income	$.47	$.43
Diluted		
Income before extraordinary item	$.48	$.42
Extraordinary item	(.02)	-
Net income	$.46	$.42
Weighted Average Shares Outstanding		
Basic	25,371	24,962
Diluted	25,776	25,669

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands	(UNAUDITED) THREE MONTHS ENDED MARCH 31 1999	1998
OPERATING ACTIVITIES		
Net income	$11,920	$10,858
Adjustments to reconcile net income to cash provided by operations		
Extraordinary loss on extinguishment of debt	469	
Depreciation and amortization	6,785	6,384
Provision for ESOP contribution	1,380	1,188
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(5,427)	(11,327)
Inventories	(4,020)	(3,941)
Accounts payable	(11,542)	5,407
Accrued income taxes	1,882	5,038
Accrued liabilities and customer deposits	2,899	(443)
Other assets and liabilities	1,569	(697)
Net cash provided by operating activities	5,915	12,467
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(6,533)	(5,329)
Acquisitions of businesses, net of cash acquired	(960)	(3,900)
Net cash used for investing activities	(7,493)	(9,229)
FINANCING ACTIVITIES		
Proceeds from Senior Note offering	76,875	
Debt issuance costs	(1,926)	
Net (repayments of) proceeds from revolving credit facility	(31,955)	120
Repayments of other borrowings	(40,372)	(135)
Cash dividends	(246)	(244)
Proceeds from exercise of stock options and employee stock purchases	577	544
Net cash provided by financing activities	2,953	285
Effect of changes in currency exchange rates	(71)	33
Increase in cash	1,304	3,556
Cash, beginning of year	3,323	836
Cash, end of year	$4,627	$4,392

The accompanying notes are an integral part of this statement.

WESTINGHOUSE AIR BRAKE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999
(UNAUDITED)

1. BUSINESS

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

2. ACCOUNTING POLICIES

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

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

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

OTHER COMPREHENSIVE INCOME. Comprehensive income is defined as net income and all nonowner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss) consists entirely of foreign currency translation adjustments. Total comprehensive income for the first quarter ending March 31, 1999 and 1998 was $12.6 million and $10.9 million respectively.

3. ACQUISITIONS

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

The Company also completed the following:

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

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

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

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

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

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

4. INVENTORIES

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

Dollars in thousands	MARCH 31 1999	DECEMBER 31 1998
Raw materials	$48,455	$47,853
Work-in-process	40,741	29,965
Finished goods	18,507	25,742
Total inventory	$107,703	$103,560

5. DEBT OFFERING AND EXTRAORDINARY ITEM

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

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

6. EARNINGS PER SHARE

The computation of earnings per share is as follows:

In thousands, except per share	THREE MONTHS ENDED MARCH 31 1999	1998
BASIC EARNINGS PER SHARE		
Income before extraordinary item applicable to common shareholders	$12,389	$10,858
Divided by		
Weighted average shares outstanding	25,371	24,962
Basic earnings per share before extraordinary item	$.49	$.43
DILUTED EARNINGS PER SHARE		
Income before extraordinary item applicable to common shareholders	$12,389	$10,858
Divided by sum of		
Weighted average shares outstanding	25,371	24,962
Conversion of dilutive stock options	405	707
Diluted shares outstanding	25,776	25,669
Diluted earnings per share before extraordinary item	$.48	$.42

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7. LEGAL PROCEEDINGS

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

8. SEGMENT INFORMATION

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

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

RAILROAD GROUP consists of products geared to the production of freight cars and locomotives, including braking control equipment and train couplers as well as operating freight railroads. Revenues are derived from OEM and aftermarket sales and from repairs and services.

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

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

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

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$118,316	$54,862	$18,026		$191,204
Intersegment sales	2,255	41	2,591	$ (4,887)	---
Total sales	$120,571	$54,903	$20,617	$ (4,887)	$191,204
Income from operations	$22,423	$4,370	$5,446	$ (3,342)	$28,897
Interest expense and other				9,162	9,162
Income before income taxes and extraordinary item	$22,423	$4,370	$5,446	$(12,504)	$19,735

Segment financial information for the three months ended March 31, 1998 is as follows:

In thousands	RAILROAD GROUP	TRANSIT GROUP	MOLDED PRODUCTS GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers	$87,686	$51,531	$18,919		$158,136
Intersegment sales	2,061	119	2,504	$(4,684)	---
Total sales	$89,747	$51,650	$21,423	$(4,684)	$158,136
Income from operations	$17,494	$ 4,382	$ 5,500	$(2,621)	$ 24,755
Interest expense and other				7,242	7,242
Income before income taxes and extraordinary item	$17,494	$ 4,382	$ 5,500	$(9,863)	$ 17,513

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

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

OVERVIEW

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

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

FIRST QUARTER 1999 COMPARED TO FIRST QUARTER 1998

Summary Results of Operations

Dollars in millions, except per share	THREE MONTHS ENDED MARCH 31 1999	1998	PERCENT CHANGE
Income before extraordinary item	$12.4	$10.9	13.8
Extraordinary item, net of tax	(.5)	--	nm
Net income	11.9	10.9	9.2
Diluted earnings per share, before extraordinary item	.48	.42	14.3
Diluted earnings per share	.46	.42	9.5
Net sales	191.2	158.1	20.9
Income from operations	28.9	24.8	16.5
Earnings before interest, taxes, depreciation and amortization	35.6	31.3	13.7
Gross profit margin	32.2%	32.8%	nm

nm-not meaningful

Income before extraordinary item for the first three months of 1999 increased $1.5 million, or 13.8%, compared with the same period a year ago. Because of the $469 thousand, net of tax, extraordinary charge to write-off certain previously capitalized debt issuance costs, net income increased only $1.0 million, compared to the first quarter of 1998. Diluted earnings per share before extraordinary item increased 14.3% to $.48. Income from operations and earnings before interest, taxes, depreciation and amortization increased in the comparison primarily due to revenue growth and related gross profit.

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

- The Company completed several acquisitions that complement and enhance the mix of existing products and markets. Acquisitions completed during this timeframe were RRE, Comet, Lokring, Hadady, and RFS. Aggregate incremental revenues from all of the above acquisitions were $20.9 million in the first quarter of 1999.

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

Net Sales

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

Dollars in thousands	THREE MONTHS ENDED MARCH 31 1999	1998
Railroad Group	$118,316	$87,686
Transit Group	54,862	51,531
Molded Products Group	18,026	18,919
Net sales	$191,204	$158,136

Net sales for the first quarter of 1999 increased $33.1 million, or 20.9%, to $191.2 million. This increase was primarily attributable to incremental revenue from the acquisitions referred to above within the Railroad Group. Increased sales volumes in the Railroad Group also reflect a strong OEM market for freight cars, with approximately 21,600 freight cars delivered in the first quarter of 1999 compared to 17,800 in the same period of 1998. In spite of this increase, the Company anticipates new freight car deliveries in 1999 to be lower than that of 1998; however, railroad OEM and aftermarket sales are expected to be reasonably strong for the foreseeable future.

Gross Profit

Gross profit increased 18.8% to $61.5 million in the first quarter of 1999 compared to $51.8 million in the same period of 1998. Gross margin, as a percentage of sales, was 32.2% compared to 32.8%. Gross margin is dependent on a number of factors including sales volume and product mix. Incremental revenue from recent acquisitions at lower margins as compared to the Company's historical results was the primary reason for the lower margins in the period-to-period comparison. These lower margins were partially offset by favorable margins on increased sales in the core Railroad Product Group operations.

Operating Expenses

Dollars in thousands	THREE MONTHS ENDED MARCH 31 1999	1998	PERCENT CHANGE
Selling and marketing	$8,503	$6,914	23.0
General and administrative	12,828	11,584	10.7
Engineering	8,907	6,438	38.4
Amortization	2,410	2,105	14.5
Total	$32,648	$27,041	20.7

Total operating expenses as a percentage of net sales were 17.1% in the first quarter of 1999 and 1998. Total operating expenses increased $5.6 million in the quarter-to-quarter comparison of which $5.2 million, or 93% of the increase, related to operating expenses of the acquired businesses. Excluding incremental revenues and operating expenses from businesses acquired in the comparative period, operating expenses as a percentage of sales would have decreased due to costs incurred in 1998 to install computer system upgrades that included Year 2000 compliant software. In addition, during the fourth quarter 1998 and first quarter of 1999, the Company completed the consolidation of several facilities as it integrated recently acquired businesses into its core operations.

Income from Operations

Operating income totaled $19.7 million in the first quarter of 1999 compared with $17.5 million in the first quarter of 1998. Higher operating income resulted from higher sales volume and related higher gross profit. As a percentage of revenue, operating income was 15.1% and is substantially consistent with that of the prior year. Favorable volume changes at relatively stable operating margins in the Railroad Group was the primary reason for the increase in operating income.

Interest and Other Expense

Interest expense totaled $9.1 million, an increase of $1.7 million in the quarter-to-quarter comparison. The increase was primarily due to financing costs of recent acquisitions, partially offset by debt repayments.

Income Taxes

The provision for income taxes on income before extraordinary items increased to $7.3 million for the first quarter of 1999. The effective tax rate declined to 37.25% in the current quarter from 38.0% a year ago, resulting from additional benefits through our Foreign Sales Corporation and lower overall effective state tax rates.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is provided primarily by operating cash flow and borrowings under the Company's credit facilities with a consortium of commercial banks ("Credit Agreement"). Operating cash flow decreased $6.6 million in the quarter-to-quarter comparison as a result of a 27% increase in working capital since December 31, 1998. These changes are primarily due to higher accounts receivables and inventory levels related to sales growth. In addition, inventory levels have increased within the Transit Group as production continues for future product deliveries related to the Metropolitan Transit Authority/New York City Transit project. Deliveries are expected to commence in the second half of 1999.

Cash used for investing activities declined $1.7 million. In the first quarter of 1998, the Company used $3.9 million for certain business acquisitions. Gross capital expenditures were $6.5 million and $5.3 million in the first quarter of 1999 and 1998, respectively. The majority of capital expenditures reflect spending for replacement and cost savings. The Company expects capital expenditures in 1999 to approximate $25 to $30 million.

In the quarter ending March 31, 1999, the Company issued $75 million of additional Senior Notes and used the proceeds to repay amounts outstanding on certain term debt and the balance to repay a portion of the Company's revolving credit facility, thereby increasing amounts available under the Credit Agreement (See below for additional information). Historically, the Company has financed the purchase of significant businesses through utilizing the amounts available under the credit facility and/or obtaining amendments to or refinancings of the Credit Agreement. Future business acquisitions, if any, will likely require similar debt structurings.

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

The following table sets forth the Company's outstanding indebtedness and average interest rates at March 31, 1999. The revolving credit note and term loan interest rates are variable and dependent on market conditions. Interest on the Pulse note can vary with changes to prime.

Dollars in thousands	MARCH 31 1999	DECEMBER 31 1998
Credit Agreement, matures 12/2003		
Revolving credit, 6.3%,	$73,600	$105,555
Term loan, 6.3%	202,500	202,500
9-3/8% Senior notes due 6/2005	175,000	100,000
Unsecured credit facility	--	30,000
Pulse note, 9.5%, due 1/2004	16,990	16,990
Comet notes	--	10,200
Other	2,400	2,572
Total	470,490	467,817
Less-current portion	20,264	30,579
Long-term portion	$450,226	$437,238

The Credit Agreement provides for an aggregate credit facility of $350 million, consisting of up to $170 million of June 1998 term loans, up to $40 million of September 1998 term loans, and up to $140 million of revolving loans. At March 31, 1999, amounts available under the revolving credit facility increased to $44.3 million.

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

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

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

EFFECTS OF YEAR 2000

The Company has information system improvement initiatives in process that include both new computer hardware and software applications. The new system is substantially operational and is year 2000 compliant. The estimated cost of the project was $8 million. The majority of the expenditures incurred for hardware and purchased software related to this project have been capitalized and are amortized over their estimated useful lives. Other costs, such as training and advisory consulting, were expensed as incurred.

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

The Company has received written assurances from some of its suppliers and customers and other providers acknowledging year 2000 issues and stating their present intention to be compliant; however, not all customers, vendors and providers have provided such assurances. The Company will evaluate on an ongoing basis whether it is necessary and practical to establish contingency plans with respect to year 2000 issues. However, if large-scale systems failures occur, it could have a significant adverse effect on the Company's financial condition, future results of operations and liquidity.

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

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 will prove to have been correct.

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

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

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK In the ordinary course of business, WABCO is exposed to risks that increases in interest rates may adversely affect funding costs associated with $246 million of variable-rate debt (considering the effects of existing interest rate swaps), which represents 52% of total long-term debt at March 31, 1999. At March 31, 1999, an instantaneous 100 basis point increase in interest rates would reduce the Company's earnings annually by approximately $1.6 million, net of tax, assuming no additional intervention strategies by management.

FOREIGN CURRENCY EXCHANGE RISK The Company routinely enters into several types of financial instruments for the purpose of managing its exposure to foreign currency exchange rate fluctuations in countries in which the Company has significant operations. As of March 31, 1999, the Company had no significant instruments outstanding.

WABCO is also subject to certain risks associated with changes in foreign currency exchange rates to the extent its operations are conducted in currencies other than the U.S. dollar. For the quarter ending March 31, 1999, approximately 74% of WABCO's net sales are in the United States, 12% in Canada and 14% in other international locations, primarily Europe. At March 31, 1999, the Company does not believe changes in foreign currency exchange rates represent a material risk to results of operations or financial position.

LEGAL PROCEEDINGS

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

EXHIBITS AND REPORTS ON FORM 8-K

Exhibit No. 27 "Financial Data Schedule" as of and for the three months ended March 31, 1999 is filed herewith.

There were no Current Reports on Form 8-K filed during the quarter ended March 31, 1999.

SIGNATURES

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

WESTINGHOUSE AIR BRAKE COMPANY

By: /s/ ROBERT J. BROOKS

Robert J. Brooks
Chief Financial Officer

Date: May 7, 1999

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

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3-MOS
DEC-31-1999
JAN-01-1999
MAR-31-1999
4,627
0
137,921
0
107,703
271,824
223,849
(95,783)
609,460
150,762
450,226
0
0
474
(19,836)
609,460
191,204
191,204
129,659
32,648
66
0
9,096
19,735
7,346
12,389
0
(469)
0
11,920
.47
.46