

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP
Form 10-K
February 21, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013

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 25-1615902
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

1001 Air Brake Avenue

Wilmerding, Pennsylvania 15148 (412) 825-1000
(Address of principal executive offices, including zip code) (Registrant's telephone number)

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

Title of Class

Name of Exchange on which registered

Common Stock, par value \$.01 per share New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No .

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The registrant estimates that as of June 30, 2013, the aggregate market value of the voting shares held by non-affiliates of the registrant was approximately \$4.9 billion based on the closing price on the New York Stock Exchange for such stock.

As of February 14, 2014, 95,996,930 shares of Common Stock of the registrant were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the registrant's Annual Meeting of Stockholders to be held on May 14, 2014 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. BUSINESS

General

Westinghouse Air Brake Technologies Corporation, doing business as Wabtec Corporation, is a Delaware corporation with headquarters at 1001 Air Brake Avenue in Wilmerding, Pennsylvania. Our telephone number is 412-825-1000, and our website is located at www.wabtec.com. All references to “we”, “our”, “us”, the “Company” and “Wabtec” refer to Westinghouse Air Brake Technologies Corporation and its subsidiaries. Westinghouse Air Brake Company (“WABCO”) was formed in 1990 when it acquired certain assets and operations from American Standard, Inc., now known as Trane (“Trane”). In 1999, WABCO merged with MotivePower Industries, Inc. (“MotivePower”) and adopted the name Wabtec.

Today, Wabtec is one of the world’s largest providers of value-added, technology-based equipment and services for the global rail industry. We believe we hold approximately a 50% market share in North America for our primary braking-related equipment and a leading position in North America for most of our other product lines. Our highly engineered products, which are intended to enhance safety, improve productivity and reduce maintenance costs for customers, can be found on virtually all U.S. locomotives, freight cars, subway cars and buses, and on many of these vehicles around the world. In 2013, the Company had sales of approximately \$2.6 billion and net income of about \$292.2 million. In 2013 sales of aftermarket parts and services represented about 57% of total sales, while sales to customers outside of the U.S. accounted for about 48% of total sales.

Industry Overview

The Company primarily serves the worldwide freight rail and passenger transit industries. As such, our operating results are largely dependent on the level of activity, financial condition and capital spending plans of the global railroad and transit industries. Many factors influence these industries, including general economic conditions; traffic volumes, as measured by freight tonnage and passenger ridership; government spending on public transportation; and investment in new technologies by freight rail and passenger transit systems.

According to a recent study by UNIFE, the Association of the European Rail Industry, the accessible global market for railway products and services is more than \$100 billion, and it is expected to grow at about 2.7% annually through 2017. The three largest markets, which represent about 75% of the total market, are Europe, Asia-Pacific and North America. UNIFE projects the overall market to remain stable through 2020 as emerging markets show above-average growth due to increasing global trade and freight volumes, urbanization and growth in public mass transport systems, and increasing environmental awareness; while developed markets grow at a slower pace.

By using various industry publications and market studies, we estimate that the global installed base of locomotives is about 110,000 units, with about 35% in Asia-Pacific, about 25% in Russia-CIS and about 20% in NAFTA. We estimate the global installed base of freight cars is about 5.2 million units, with about 30% each in Russia-CIS and NAFTA, and about 20% in Asia-Pacific. We estimate the global installed base of transit cars is about 330,000 units, with about 55% in Asia-Pacific, about 20% in Europe and about 10% in Russia.

In North America, railroads carry about 40% of intercity freight, as measured by ton-miles, which is more than any other mode of transportation. They are an integral part of the continent’s economy and transportation system, serving nearly every industrial, wholesale and retail sector. Through direct ownership and operating partnerships, U.S. railroads are part of an integrated network that includes railroads in Canada and Mexico, forming what is regarded as the world’s most-efficient and lowest-cost freight rail service. There are more than 500 railroads operating in North America, with the largest railroads, referred to as “Class I,” accounting for more than 90% of the industry’s revenues.

The railroads carry a wide variety of commodities and goods, including coal, metals, minerals, chemicals, grain, and petroleum. These commodities represent about 55% of total rail carloadings, with intermodal carloads accounting for the rest. Intermodal traffic—the movement of trailers or containers by rail in combination with another mode of transportation—has been the railroads’ fastest-growing market segment in the past 10 years. Railroads operate in a competitive environment, especially with the trucking industry, and are always seeking ways to improve safety, cost and reliability. New technologies offered by Wabtec and others in the industry can provide some of these benefits.

Demand for our freight related products and services in North America is driven by a number of factors, including rail traffic, and production of new locomotives and new freight cars. In 2013:

• The Association of American Railroads (“AAR”) reported total carloads increased 2.1% including a 4.4% increase in intermodal traffic, which generally reflected a growing economy. Demand for new locomotives was about 1,300 units in 2013, compared to about the same number in 2012.

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Currently, the active locomotive fleet for Class I railroads in North America is about 24,000, with an average of about 1,000 new units delivered annually over the past 10 years.

In 2013, the industry delivered about 53,000 new freight cars, compared to about 59,000 in 2012. Currently, the active freight car fleet in North America is approximately 1.5 million, and the average number of new freight cars delivered over the past 10 years is about 50,000 annually.

In the U.S., the passenger transit industry is dependent largely on funding from federal, state and local governments, and from fare box revenues. With about 40% of the nation's passenger transit vehicles, the New York City region is the largest passenger transit market in the U.S., but most major cities also offer either rail or bus transit services.

Demand for North American passenger transit products is driven by a number of factors, including government funding, deliveries of new subway cars and buses, and ridership.

The U.S. federal government provides money to local transit authorities, primarily to fund the purchase of new equipment and infrastructure for their transit systems. In 2012, the U.S. Congress passed a new, two-year funding bill, which maintained spending at the same level, about \$10.7 billion, as in prior years. The number of new transit cars delivered in 2013 was about 1,000, compared to about 600 in 2012. The number of new buses delivered in 2013 was about 4,400 compared to about the same in 2012. In the past 10 years, the average number of new transit cars delivered annually is about 800, and the average number of new buses delivered annually is about 4,700.

Ridership provides fare box revenues to transit authorities, which use these funds, along with state and local money, primarily for equipment and system maintenance. Based on preliminary figures from the American Public Transportation Association, ridership on U.S. transit vehicles increased slightly, about 0.2% in 2013, after a 2.5% increase in 2012.

Outside of North America, many of the rail systems have historically been focused on passenger transit, rather than freight. In recent years, however, railroads in countries such as Australia, Brazil, India and China have been investing capital to expand and improve both their freight and passenger rail systems. Throughout the world, some government-owned railroads are being sold to private owners, who often look to improve the efficiency of the rail system by investing in new equipment and new technologies. According to UNIFE, emerging markets are expected to grow at above-average rates as global trade creates increases in freight volumes and urbanization leads to increased demand for efficient mass-transportation systems. As this growth occurs, Wabtec expects to have additional opportunities to provide products and services in these markets.

In Europe, the majority of the rail system serves the passenger transit market, which is expected to continue growing as high fuel costs and environmental factors encourage investment in public mass transit. France, Germany, the United Kingdom and Italy are the largest transit markets, representing about two-thirds of passenger traffic in the European Union. UNIFE projects the Western European rail market to grow at about 2% in the next few years, with the United Kingdom and France expected to invest in new rolling stock. According to the UK's Office of Rail Regulation, passenger rail usage has steadily increased in the past decade, with the Office reporting a 3.9% increase in second quarter ridership in its most recent quarterly report. For the same time period, the Office also reported an increase of 8.9% in freight volume, driven by a strong increase in coal shipments. Germany has the largest rail network in Europe. In its most recent report, The Federal Statistical Office of Germany reported an increase in passenger traffic of 0.8% in 2013. About 75% of freight traffic in Europe is hauled by truck, while rail accounts for about 20%. The largest freight markets in Europe are Germany, Poland and the United Kingdom. In the first nine months of 2013, The Federal Statistical Office of Germany reported a 1.1% decrease in freight volumes compared to the same period in 2012. For 2013, SNCF (French national railway) reported decreases of about 1.5% in local and regional passenger rail traffic, and about 3.0% in freight-related revenue. We estimate that the European rail market consists of about 11,000 locomotives, about 750,000 freight cars and about 72,000 passenger transit cars.

The Asia/Pacific market is now the second-largest geographic segment, according to UNIFE. This market consists primarily of China, India and Australia. Growth has been driven by the continued urbanization of China and India, and by investment in freight rail infrastructure to serve the mining and natural resources markets in those countries, as well as in Australia. We estimate that this market consists of about 35,000 locomotives and about 1.0 million freight cars. China is expected to increase spending on rail infrastructure and equipment in 2014, as it resumes investment in high-speed rail programs. The Australian Railway Association, in a September 2013 study, reported an increase of freight volume of 8% and an increase of passenger ridership of 2%. In its most recent report, the Indian government reported that in the first nine months of its fiscal 2013 freight rail traffic increased about 5.0% and passenger rail traffic decreased about 0.5%. India is expected to increase spending significantly in 2014 as it seeks to modernize its rail system.

Other key geographic markets include Russia/CIS, South Africa, and Brazil. With about 1.5 million freight cars and about 28,000 locomotives, Russia/CIS is among the largest freight rail markets in the world, and it's expected to invest significantly in new rolling stock and infrastructure. Russian Railways, a state-owned company, provides both freight and passenger transportation. In 2012, the most recent full year of reported data, freight traffic increased 2.9% and passenger traffic increased 3.4%. South Africa, in

2012, announced a major program to invest in its freight rail and passenger transit infrastructure during the next 20 years. As part of this program, PRASA, the Passenger Rail Agency of South Africa, plans to purchase about 3,600 new transit cars and about 1,000 new locomotives. In Brazil, MRS Logistica, one of the country's largest railroads, reported a 5.6% increase in freight carloadings in its most recent quarter. The country has also been investing in its passenger transport systems in advances of hosting the 2014 World Cup and the 2016 Olympics.

Business Segments and Products

We provide our products and services through two principal business segments, the Freight Segment and the Transit Segment, both of which have different market characteristics and business drivers.

The Freight Segment primarily manufactures and services components for new and existing locomotive and freight cars, supplies railway electronics, positive train control equipment, signal design and engineering services, builds switcher locomotives, rebuilds freight locomotives and provides heat exchangers and cooling systems for rail and other industrial markets. Customers include large, publicly traded railroads, leasing companies, manufacturers of original equipment such as locomotives and freight cars, and utilities. As discussed previously, demand in the freight market is primarily driven by rail traffic, and deliveries of new locomotives and freight cars. In 2013, the Freight Segment accounted for 54% of our total sales, with about 55% of its sales in North America and the remainder to international customers. In 2013, slightly more than half of the Freight Segment's sales were in aftermarket.

The Transit Segment primarily manufactures and services components for new and existing passenger transit vehicles, typically subway cars and buses, builds new commuter locomotives and refurbishes subway cars. Customers include public transit authorities and municipalities, leasing companies, and manufacturers of subway cars and buses around the world. As discussed previously, demand in the transit market is primarily driven by government funding at all levels and passenger ridership. In 2013, the Transit Segment accounted for 46% of our total sales, with about 48% of its sales in North America and the remainder to international customers. About two-thirds of the Transit Segment's sales are in the aftermarket with the remainder in the original equipment market.

Following is a summary of our leading product lines in both aftermarket and original equipment across both of our business segments:

Specialty Products & Electronics:

- Positive Train Control equipment and electronically controlled pneumatic braking products
- Railway electronics, including event recorders, monitoring equipment and end of train devices
- Signal design and engineering services
- Freight car truck components
- Draft gears, couplers and slack adjusters
- Air compressors and dryers
- Heat exchangers and cooling products for locomotives and power generation equipment
- Track and switch products

Brake Products:

- Railway braking equipment and related components for Freight and Transit applications
- Friction products, including brake shoes and pads

Remanufacturing, Overhaul and Build:

- New commuter and switcher locomotives
- Transit car and locomotive overhaul and refurbishment

Transit Products:

• Door and window assemblies for buses and subway cars

• Accessibility lifts and ramps for buses and subway cars

• Traction motors

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We have become a leader in the rail industry by capitalizing on the strength of our existing products, technological capabilities and new product innovation, and by our ability to harden products to protect them from severe conditions, including extreme temperatures and high-vibration environments. Supported by our technical staff of over 1,100 engineers and specialists, we have extensive experience in a broad range of product lines, which enables us to provide comprehensive, systems-based solutions for our customers.

Over the past several years, we introduced a number of significant new products, including electronic braking equipment and train control equipment that encompasses onboard digital data and global positioning communication protocols. In 2007, for example, the Federal Railroad Administration (FRA) approved the use of our Electronic Train Management System[®], which offers safety benefits to the rail industry. In 2008, the U.S. federal government enacted a rail safety bill that mandates the use of Positive Train Control (“PTC”) technology, which includes on-board locomotive computer and related software, on a majority of the locomotives and track in the U.S. With our Electronic Train Management System[®], we are the leading supplier of this on-board train control equipment, and we are working with the U.S. Class I railroads, commuter rail authorities and other industry suppliers to implement this technology by the December 31, 2015 deadline set in the rail safety bill. In recent years, the railroads and transit authorities have stated they cannot achieve full implementation of PTC by the deadline, and various bills have been introduced to extend it, but to date there has been no change in the deadline.

In 2013, Wabtec recorded about \$235 million of revenue from implementation of PTC projects both foreign and domestic. These multi-year projects include: A \$165 million contract to design and install a train control system for MRS Logistica, the fourth-largest railroad in Brazil; a \$63 million contract to provide train control equipment and services for Denver Transit Partners for three new commuter rail lines; and a \$27 million contract to provide train control equipment for Metrolink, a commuter rail agency in Los Angeles.

For additional information on our business segments, see Note 19 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

Competitive Strengths

Our key strengths include:

¶ **Leading market positions in core products.** Dating back to 1869 and George Westinghouse’s invention of the air brake, we are an established leader in the development and manufacture of pneumatic braking equipment for freight and passenger transit vehicles. We have leveraged our leading position by focusing on research and engineering to expand beyond pneumatic braking components to supplying integrated parts and assemblies for the locomotive through the end of the train. We are a recognized leader in the development and production of electronic recording, measuring and communications systems, positive train control equipment, highly engineered compressors and heat exchangers for locomotives, and a leading manufacturer of freight car components, including electronic braking equipment, draft gears, trucks, brake shoes and electronic end-of-train devices. We are also the leading manufacturer of commuter locomotives and a leading provider of braking equipment, door assemblies, lifts and ramps, and couplers for passenger transit vehicles.

¶ **Breadth of product offering with a stable mix of original equipment market (OEM) and aftermarket business.** Our product portfolio is one of the broadest in the rail industry, as we offer a wide selection of quality parts, components and assemblies across the entire train. We provide our products in both the original equipment market and the aftermarket. Our substantial installed base of products with end-users such as the railroads and the passenger transit authorities is a significant competitive advantage for providing products and services to the aftermarket because these customers often look to purchase safety- and performance-related replacement parts from the original equipment components supplier. In addition, as OEMs and Class I railroad operators attempt to modernize fleets with new products designed to improve and maintain safety and efficiency, these products must be designed to be interoperable

with existing equipment. Over the last several years, more than 50% of our total net sales have come from our aftermarket products and services business.

Leading design and engineering capabilities. We believe a hallmark of our relationship with our customers has been our leading design and engineering practice, which has, in our opinion, assisted in the improvement and modernization of global railway equipment. We believe both our customers and the government authorities value our technological capabilities and commitment to innovation, as we seek not only to enhance the efficiency and profitability of our customers, but also to improve the overall safety of the railways through continuous improvement of product performance. The Company has an established record of product improvements and new product development. We have assembled a wide range of patented products, which we believe provides us with a competitive advantage. Wabtec currently owns over 2,150 active patents worldwide and over 625 U.S. patents. During the last three years, we have filed for more than 250 patents worldwide in support of our new and evolving product lines.

Experience with industry regulatory requirements. The U.S. rail industry is governed by the AAR and by the FRA. These groups mandate rigorous manufacturer certification, new product testing and approval processes that we believe are difficult for new entrants to meet cost-effectively and efficiently without the scale and extensive experience we possess.

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Experienced management team and the Wabtec Performance System. The Company has implemented numerous initiatives that enable us to manage successfully through cycles in the rail supply market. For example, the Wabtec Performance System (WPS), an ongoing program that focuses on lean manufacturing principles and continuous improvement across all aspects of our business, has been a part of the Company's culture for more than 20 years. As a result, our management team has improved our cost structure, operating leverage and financial flexibility, and placed the Company in an excellent position to benefit from growth opportunities.

Business strategy

Using WPS, we strive to generate sufficient cash to invest in our growth strategies and to build on what we consider to be a leading position as a low-cost producer in the industry while maintaining world-class product quality, technology and customer responsiveness. Through WPS and employee-directed initiatives such as Kaizen, a Japanese-developed team concept, we continuously strive to improve quality, delivery and productivity, and to reduce costs. These efforts enable us to streamline processes, improve product reliability and customer satisfaction, reduce product cycle times and respond more rapidly to market developments. Over time, these lean initiatives have enabled us to increase operating margins, improve cash flow and strengthen our ability to invest in the following growth strategies:

Expand globally and into new product markets. We believe that international markets represent a significant opportunity for future growth. In 2013, sales to non-U.S. customers were \$1.2 billion, including export sales from the Company's U.S. operations of \$542.3million. We intend to increase our existing international sales through strategic acquisitions, direct sales of products through our existing subsidiaries and licensees, and joint ventures with railway suppliers which have a strong presence in their local markets. We are specifically targeting markets that operate significant fleets of U.S.-style locomotives and freight cars, including Australia, Brazil, China, India, Russia, South Africa, and other select areas within Europe and South America. In addition, we have opportunities to sell certain products that we currently manufacture for the rail industry into other industrial markets, such as mining, off-highway and energy. These products include heat exchangers and friction materials.

Expand aftermarket sales. Historically, aftermarket sales are less cyclical than OEM sales because a certain level of aftermarket maintenance and service work must be performed, even during an industry slowdown. In 2013, Wabtec's aftermarket sales and services represented approximately 57% of the Company's total sales across both of our business segments. Wabtec provides aftermarket parts and services for its components, and the Company is seeking to expand this business with new customers such as short-line and regional railroads, or with customers who currently perform the work in-house. In this way, we expect to take advantage of the rail industry trend toward outsourcing, as railroads and transit authorities focus on their core function of transporting goods and people.

Accelerate new product development. We continue to emphasize research and development funding to create new and improved products. We are focusing on technological advances, especially in the areas of electronics, braking products and other on-board equipment, as a means of new product growth. We seek to provide customers with incremental technological advances that offer immediate benefits with cost-effective investments. In 2008, the U.S. federal government enacted a rail safety bill that mandates the use of PTC technology on a majority of the locomotives and track in the U.S. As the leading supplier of on-board train control equipment, Wabtec is working with the U.S. Class I railroads, commuter rail authorities and other industry suppliers to implement this technology.

Seek acquisitions, joint ventures and alliances. We are exploring acquisition, joint venture and alliance opportunities using a disciplined, selective approach and rigorous financial criteria. Such acquisitions will not only be expected to meet these financial criteria but also achieve our growth strategies of global expansion, new products and expanding aftermarket sales. All of these expansion strategies will help Wabtec to grow profitably, expand geographically, and dampen the impact from potential cycles in the North American rail industry.

Recent Acquisitions and Joint Ventures

Wabtec has completed certain significant acquisitions in support of its growth strategies mentioned above:

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On February 12, 2014, the Company signed a definitive agreement to acquire Fandstan Electric Group Ltd. (“Fandstan”), a leading rail and industrial equipment manufacturer for a variety of markets, including rail and tram transportation, industrial and energy, for a purchase price of approximately \$215.0 million. The Company expects the transaction to be completed in the first quarter of 2014, subject to customary closing conditions and competition authority clearance.

- On September 24, 2013, the Company acquired Longwood Industries, Inc (“Longwood”), a manufacturer of specialty rubber products for transportation, oil and gas, and industrial markets, for a net purchase price of approximately \$83.9 million, net of cash.

On July 30, 2013, the Company acquired Turbonetics Holdings, Inc (“Turbonetics”), a manufacturer of turbochargers and related components for various industrial markets, for a net purchase price of approximately \$23.2 million, net of cash.

On February 26, 2013, the Company acquired Transdyne (“Transdyne”), a distributor of wear-protection components and other hardware used primarily on railroad freight cars, for a net purchase price of approximately \$2.4 million, net of cash.

On January 31, 2013, the Company acquired Napier Turbochargers Ltd., a UK-based provider of turbochargers and related parts for the worldwide power generation and marine markets, for a net purchase price of approximately \$112.3 million, net of cash.

- October 2012, the Company acquired LH Group, a UK-based provider of maintenance and overhaul services for the passenger transit market, for a net purchase price of approximately \$48.1 million, net of cash.

July 2012, the Company acquired Winco Equipamentos Ltda., a Brazil-based marketing and sales company and provider of freight car components with capabilities including value-added engineering and assembly, service, and technical support and logistics, for an initial net purchase price of approximately \$3.7 million, net of cash.

July 2012, the Company acquired Tec Tran Corp. and its affiliates, the only U.S. owned manufacturer of hydraulic braking systems for transit cars, for a net purchase price of approximately \$8.3 million, net of cash.

June 2012, the Company acquired Mors Smitt Holding, a leading manufacturer of electronic components for rail and industrial markets with operations in the Netherlands, the United Kingdom, the U.S., France, China, and Hong Kong, for a net purchase price of \$90.0 million, net of cash.

Backlog

The Company’s backlog was about \$1.69 billion at December 31, 2013. For 2013, about 57% of total sales came from aftermarket orders, which typically carry lead times of less than 30 days, and are not recorded in backlog for a significant period of time.

The Company’s contracts are subject to standard industry cancellation provisions, including cancellations on short notice or upon completion of designated stages. Substantial scope-of-work adjustments are common. For these and other reasons, completion of the Company’s backlog may be delayed or cancelled. The railroad industry, in general, has historically been subject to fluctuations due to overall economic conditions and the level of use of alternative modes of transportation.

The backlog of firm customer orders as of December 31, 2013 and December 31, 2012, and the expected year of completion are as follows:

In thousands	Total Backlog 12/31/13	Expected Delivery		Total Backlog 12/31/12	Expected Delivery	
		2014	Other Years		2013	Other Years
Freight Segment	\$511,699	\$447,429	\$64,270	\$491,772	\$413,839	\$77,933
Transit Segment	1,182,206	650,690	531,516	1,167,731	703,039	464,692
Total	\$1,693,905	\$1,098,119	\$595,786	\$1,659,503	\$1,116,878	\$542,625

Engineering and Development

To execute our strategy to develop new products, we invest in a variety of engineering and development activities. For the fiscal years ended December 31, 2013, 2012, and 2011, we invested about \$46.3 million, \$41.3 million and \$37.2 million, respectively, on product development and improvement activities. The engineering resources of the Company are allocated between research and development activities and the execution of original equipment customer contracts.

Our engineering and development program is largely focused upon train control and new braking technologies, with an emphasis on applying electronics to traditional pneumatic equipment. Electronic braking has been used in the transit industry for years, and freight railroads are conducting pilot programs to test its reliability and benefits. Freight railroads have generally been slower to accept the technology due to issues over interoperability, connectivity and durability. We are proceeding with efforts to enhance the major components for existing hard-wired braking equipment and development of new electronic technologies for the freight railroads. Sometimes we conduct specific research projects in conjunction with universities, customers and other railroad product suppliers.

We use our Product Development System (PDS) to develop and monitor new product programs. The system requires the product development team to follow consistent steps throughout the development process, from concept to launch, to ensure the product will meet customer expectations and internal profitability targets.

Intellectual Property

We have more than 2,150 active patents worldwide. We also rely on a combination of trade secrets and other intellectual property laws, nondisclosure agreements and other protective measures to establish and protect our proprietary rights in our intellectual property.

Certain trademarks, among them the name WABCO®, were acquired or licensed from American Standard Inc., now known as Trane, in 1990 at the time of our acquisition of the North American operations of the Railway Products Group of Trane. Other trademarks have been developed through the normal course of business, or acquired as a part of our ongoing merger and acquisition program.

We have entered into a variety of license agreements as licensor and licensee. We do not believe that any single license agreement is of material importance to our business or either of our business segments as a whole.

We have issued licenses to the two sole suppliers of railway air brakes and related products in Japan, Nabtesco and Mitsubishi Electric Company. The licensees pay annual license fees to us and also assist us by acting as liaisons with key Japanese passenger transit vehicle builders for projects in North America. We believe that our relationships with these licensees have been beneficial to our core transit business and customer relationships in North America.

Customers

Our customers include railroads and passenger transit authorities throughout North America, as well as in the United Kingdom, Australia, Europe, Asia, South Africa and South America; manufacturers of transportation equipment, such as locomotives, freight cars, subway vehicles and buses; and lessors of such equipment.

In 2013, about 48% of sales were to customers outside the U.S. and to more than 100 countries throughout the world. About 57% of sales were in the aftermarket, with a majority of our remaining sales to OEMs of locomotives, freight cars, subway vehicles and buses.

Top customers can change from year to year. For the fiscal year ended December 31, 2013, our top five customers accounted for 15% of net sales: The Massachusetts Bay Transportation Authority, General Electric Transportation, CSX Corporation, Trinity Industries, and Union Pacific Corporation. No one customer represents 10% or more of consolidated sales. We believe that we have strong relationships with all of our key customers.

Competition

We believe that we hold approximately a 50% market share in North America for our primary braking-related equipment and a leading market position in North America for most of our other product lines. On a global basis, our market shares are smaller. We operate in a highly competitive marketplace. Price competition is strong because we have a relatively small number of customers and they are very cost-conscious.

In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery, and customer service and support.

Our principal competitors vary across product lines. Within North America, New York Air Brake Company, a subsidiary of the German air brake producer Knorr-Bremse AG (“Knorr”) and Amsted Rail Company, Inc., a subsidiary of Amsted Industries Corporation, are our principal overall OEM competitors. Our competition for locomotive, freight and passenger transit service and repair is mostly from the railroads’ and passenger transit authorities’ in-house operations, Electro-Motive Diesel, a division of Caterpillar, GE Transportation Systems, and New York Air Brake/Knorr. We believe our key strengths, which include leading market positions in core products, breadth of product offering with a stable mix of OEM and aftermarket business, leading design and engineering capabilities, significant barriers to entry and an experienced management team, enable us to compete effectively in this marketplace. Outside of North America, no individual company is our principal competitor in all of our operating locations. The largest competitors for Brake and Transit products are Faiveley Transport and Knorr.

Employees

At December 31, 2013, we had 10,234 full-time employees, approximately 27% of whom were unionized. A majority of the employees subject to collective bargaining agreements are within North America and these agreements are generally effective from 2014 through 2016. Agreements expiring at various times during 2014 cover approximately 15% of the Company's workforce. We consider our relations with employees and union representatives to be good, but cannot assure that future contract negotiations will be favorable to us.

Regulation

In the course of our operations, we are subject to various regulations of agencies and other entities. In the United States, these include principally the FRA and the AAR. The FRA administers and enforces federal laws and regulations relating to railroad safety. These regulations govern equipment and safety standards for freight cars and other rail equipment used in interstate commerce. The AAR oversees a wide variety of rules and regulations governing safety and design of equipment, relationships among railroads with respect to railcars in interchange and other matters. The AAR also certifies railcar builders and component manufacturers that provide equipment for use on railroads in the United States. New products generally must undergo AAR testing and approval processes. As a result of these regulations and those stipulated in other countries in which we derive our revenues, we must maintain certain certifications as a component manufacturer and for products we sell.

Effects of Seasonality

Our business is not typically seasonal, although the third quarter results may be impacted by vacation and scheduled plant shutdowns at several of our major customers during this period.

Environmental Matters

Information on environmental matters is included in Note 18 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

Available Information

We maintain an Internet site at www.wabtec.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as the annual report to stockholders and other information, are available free of charge on this site. The Internet site and the information contained therein or connected thereto are not incorporated by reference into this Form 10-K. Our Corporate Governance Guidelines, the charters of our Audit, Compensation and Nominating and Corporate Governance Committees, our Code of Conduct, which is applicable to all employees, and our Code of Ethics for Senior Officers, which is applicable to all of our executive officers, are also available free of charge on this site and are available in print to any shareholder who requests them.

Item 1A. RISK FACTORS

Prolonged unfavorable economic and market conditions could adversely affect our business.

Unfavorable general economic and market conditions in the United States and internationally could have a negative impact on our sales and operations. To the extent that these factors result in continued instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability

to market our products effectively, our business and results of operations could be materially adversely affected.

We are dependent upon key customers.

We rely on several key customers who represent a significant portion of our business. Our top customers can change from year to year. For the fiscal year ended December 31, 2013, our top five customers accounted for 15% of our net sales. While we believe our relationships with our customers are generally good, our top customers could choose to reduce or terminate their relationships with us. In addition, many of our customers place orders for products on an as-needed basis and operate in cyclical industries. As a result, their order levels have varied from period to period in the past and may vary significantly in the future. Such customer orders are dependent upon their markets and customers, and may be subject to delays and cancellations. As a result of our dependence on our key customers, we could experience a material adverse effect on our business, results of operations and financial condition if we lost any one or more of our key customers or if there is a reduction in their demand for our products.

Our business operates in a highly competitive industry.

We operate in a competitive marketplace and face substantial competition from a limited number of established competitors in the United States and abroad, some of which may have greater financial resources than we do. Price competition is strong and, coupled with the existence of a number of cost conscious customers, has historically limited our ability to increase prices. In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery and customer service and support. There can be no assurance that competition in one or more of our markets will not adversely affect us and our results of operations.

We intend to pursue acquisitions, joint ventures and alliances that involve a number of inherent risks, any of which may cause us not to realize anticipated benefits.

One aspect of our business strategy is to selectively pursue acquisitions, joint ventures and alliances that we believe will improve our market position, and provide opportunities to realize operating synergies. These transactions involve inherent risks and uncertainties, any one of which could have a material adverse effect on our business, results of operations and financial condition including:

- difficulties in achieving identified financial and operating synergies, including the integration of operations, services and products;
- diversion of Management's attention from other business concerns;
- the assumption of unknown liabilities; and
- unanticipated changes in the market conditions, business and economic factors affecting such an acquisition.

We cannot assure that we will be able to consummate any future acquisitions, joint ventures or other business combinations. If we are unable to identify suitable acquisition candidates or to consummate strategic acquisitions, we may be unable to fully implement our business strategy, and our business and results of operations may be adversely affected as a result. In addition, our ability to engage in strategic acquisitions will be dependent on our ability to raise substantial capital, and we may not be able to raise the funds necessary to implement our acquisition strategy on terms satisfactory to us, if at all.

As we introduce new products and services, a failure to predict and react to consumer demand could adversely affect our business.

We have dedicated significant resources to the development, manufacturing and marketing of new products. Decisions to develop and market new transportation products are typically made without firm indications of customer acceptance. Moreover, by their nature, new products may require alteration of existing business methods or threaten to displace existing equipment in which our customers may have a substantial capital investment. There can be no assurance that any new products that we develop will gain widespread acceptance in the marketplace or that such products will be able to compete successfully with other new products or services that may be introduced by competitors. In addition, we may incur additional warranty or other costs as new products are tested and used by customers.

A portion of our sales are related to delivering products and services to help our U.S. railroad and transit customers meet the Positive Train Control (PTC) mandate from the U.S. federal government, which requires the use of on-board locomotive computers and software by December 31, 2015.

For the year ended December 31, 2013, we had sales of about \$235 million related to PTC. In recent years, the railroads and transit authorities have stated they cannot achieve full implementation of PTC by the deadline, and various bills have been introduced to extend it, but to date there has been no change in the deadline. Should the federal government change its mandate by amending the timing, scope or requirements of the safety bill, there could

be an adverse impact on our revenues in future periods, and would cause us to reassess the staffing, resources and assets deployed in delivering Positive Train Control services.

Our revenues are subject to cyclical variations in the railway and passenger transit markets and changes in government spending.

The railway industry historically has been subject to significant fluctuations due to overall economic conditions, the use of alternate methods of transportation and the levels of federal, state and local government spending on railroad transit projects. In economic downturns, railroads have deferred, and may defer, certain expenditures in order to conserve cash in the short term. Reductions in freight traffic may reduce demand for our replacement products.

The passenger transit railroad industry is also cyclical. New passenger transit car orders vary from year to year and are influenced greatly by major replacement programs and by the construction or expansion of transit systems by transit authorities. A

substantial portion of our net sales have been, and we expect that a material portion of our future net sales will be, derived from contracts with metropolitan transit and commuter rail authorities and Amtrak. To the extent that future funding for proposed public projects is curtailed or withdrawn altogether as a result of changes in political, economic, fiscal or other conditions beyond our control, such projects may be delayed or cancelled, resulting in a potential loss of business for us, including transit aftermarket and new transit car orders. There can be no assurance that economic conditions will be favorable or that there will not be significant fluctuations adversely affecting the industry as a whole and, as a result, us.

Our backlog is not necessarily indicative of the level of our future revenues.

Our backlog represents future production and estimated potential revenue attributable to firm contracts with, or written orders from, our customers for delivery in various periods. Instability in the global economy, negative conditions in the global credit markets, volatility in the industries that our products serve, changes in legislative policy, adverse changes in the financial condition of our customers, adverse changes in the availability of raw materials and supplies, or un-remedied contract breaches could possibly lead to contract termination or cancellations of orders in our backlog or request for deferred deliveries of our backlog orders, each of which could adversely affect our cash flows and results of operations.

A growing portion of our sales may be derived from our international operations, which exposes us to certain risks inherent in doing business on an international level.

In fiscal year 2013, approximately 48% of our consolidated net sales were to customers outside of the U.S. and we intend to continue to expand our international operations in the future. We currently conduct our international operations through a variety of wholly and majority-owned subsidiaries and joint ventures in Australia, Austria, Brazil, Canada, China, Czech Republic, France, Germany, India, Italy, Macedonia, Mexico, the Netherlands, Poland, Spain, South Africa, Turkey, and the United Kingdom. As a result, we are subject to various risks, any one of which could have a material adverse effect on those operations and on our business as a whole, including:

- lack of complete operating control;
- lack of local business experience;
- currency exchange fluctuations and devaluations;
- foreign trade restrictions and exchange controls;
- difficulty enforcing agreements and intellectual property rights;
- the potential for nationalization of enterprises; and
- economic, political and social instability and possible terrorist attacks against American interests.

In addition, certain jurisdictions have laws that limit the ability of non-U.S. subsidiaries and their affiliates to pay dividends and repatriate cash flows.

We may incur increased costs due to fluctuations in interest rates and foreign currency exchange rates.

In the ordinary course of business, we are exposed to increases in interest rates that may adversely affect funding costs associated with variable-rate debt and changes in foreign currency exchange rates. We may seek to minimize these risks through the use of interest rate swap contracts and currency hedging agreements. There can be no assurance that any of these measures will be effective. Any material changes in interest or exchange rates could result in material losses to us.

We may have liability arising from asbestos litigation.

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. 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 prior to the time that the Company acquired any interest in RFPC.

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 or insurers will remain financially viable. Our ultimate legal and financial liability with respect to these claims, as is the case with most other pending litigation, cannot be estimated.

We are subject to a variety of environmental laws and regulations.

We are subject to a variety of environmental laws and regulations governing discharges to air and water, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. We believe our operations currently comply in all material respects with all of the various environmental laws and regulations applicable to our business; however, there can be no assurance that environmental requirements will not change in the future or that we will not incur significant costs to comply with such requirements.

Future climate change regulation could result in increased operating costs, affect the demand for our products or affect the ability of our critical suppliers to meet our needs.

The Company has followed the current debate over climate change and the related policy discussion and prospective legislation. The potential challenges for the Company that climate change policy and legislation may pose have been reviewed by the Company. Any such challenges are heavily dependent on the nature and degree of climate change legislation and the extent to which it applies to our industry. At this time, the Company cannot predict the ultimate impact of climate change and climate change legislation on the Company's operations. Further, when or if these impacts may occur cannot be assessed until scientific analysis and legislative policy are more developed and specific legislative proposals begin to take shape. Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gas could require us to incur increased operating costs, and could have an adverse effect on demand for our products. In addition, the price and availability of certain of the raw materials that we use could vary in the future as a result of environmental laws and regulations affecting our suppliers. An increase in the price of our raw materials or a decline in their availability could adversely affect our operating margins or result in reduced demand for our products.

Our manufacturer's warranties or product liability may expose us to potentially significant claims.

We warrant the workmanship and materials of many of our products. Accordingly, we are subject to a risk of product liability or warranty claims in the event that the failure of any of our products results in personal injury or death, or does not conform to our customers' specifications. In addition, in recent years, we have introduced a number of new products for which we do not have a history of warranty experience. Although we have not had any material product liability or warranty claims made against us and we currently maintain liability insurance coverage, we cannot assure that product liability claims, if made, would not exceed our insurance coverage limits or that insurance will continue to be available on commercially acceptable terms, if at all. The possibility exists for these types of warranty claims to result in costly product recalls, significant repair costs and damage to our reputation.

Labor disputes may have a material adverse effect on our operations and profitability.

We collectively bargain with labor unions that represent approximately 27% of our employees. Our current collective bargaining agreements are generally effective from 2014 through 2016. Agreements expiring at various times during 2014 cover approximately 15% of the Company's workforce. Failure to reach an agreement could result in strikes or other labor protests which could disrupt our operations. If we were to experience a strike or work stoppage, it would be difficult for us to find a sufficient number of employees with the necessary skills to replace these employees. We cannot assure that we will reach any such agreement or that we will not encounter strikes or other types of conflicts with the labor unions of our personnel. Such labor disputes could have an adverse effect on our business, financial condition or results of operations, could cause us to lose revenues and customers and might have permanent effects on our business.

From time to time we are engaged in contractual disputes with our customers.

From time to time, we are engaged in contractual disputes with our customers regarding routine delivery and performance issues as well as adjustments for design changes and related extra work. These disputes are generally resolved in the ordinary course of business without having a material adverse impact on us.

Our indebtedness could adversely affect our financial health.

At December 31, 2013, we had total debt of \$450.7 million. If it becomes necessary to access our available borrowing capacity under the 2013 Refinancing Credit Agreement, the \$200.0 million currently borrowed under this facility and the \$250.0 million 4.375% senior notes, being indebted could have important consequences to us. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;

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limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; place us at a disadvantage compared to competitors that have less debt; and limit our ability to borrow additional funds.

The indenture for our \$250 million 4.375% senior notes due in 2023 and our 2013 Refinancing Credit Agreement contain various covenants that limit our Management's discretion in the operation of our businesses.

The indenture governing the notes and our credit agreement contain various covenants that limit our Management's discretion.

The 2013 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 2013 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 indenture under which the senior 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.

The integration of our recently completed acquisitions may not result in anticipated improvements in market position or the realization of anticipated operating synergies or may take longer to realize than expected.

In 2012 and 2013, we completed multiple acquisitions with a combined investment of \$371.9 million. Although we believe that the acquisitions will improve our market position and realize positive operating results, including operating synergies, operating expense reductions and overhead cost savings, we cannot be assured that these improvements will be obtained or the timing of such improvements. The management and acquisition of businesses involves substantial risks, any of which may result in a material adverse effect on our business and results of operations, including:

- the uncertainty that an acquired business will achieve anticipated operating results;
- significant expenses to integrate;
- diversion of Management's attention;
- departure of key personnel from the acquired business;
- effectively managing entrepreneurial spirit and decision-making;
- integration of different information systems;
- unanticipated costs and exposure to unforeseen liabilities; and
- impairment of assets.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Facilities

The following table provides certain summary information about the principal facilities owned or leased by the Company as of December 31, 2013. The Company believes that its facilities and equipment are generally in good condition and that, together with scheduled capital improvements, they are adequate for its present and immediately projected needs. Leases on the facilities are long-term and generally include options to renew. The Company's corporate headquarters are located at the Wilmerding, PA site.

Location	Primary Use	Segment	Own/Lease	Approximate Square Feet
Domestic				
Rothbury, MI	Manufacturing/Warehouse/Office	Freight	Own	500,000
Wilmerding, PA	Manufacturing/Service	Freight	Own	365,000 (1)
Lexington, TN	Manufacturing	Freight	Own	170,000
Jackson, TN	Manufacturing	Freight	Own	150,000
Berwick, PA	Manufacturing/Warehouse	Freight	Own	150,000
Chicago, IL	Manufacturing/Service	Freight	Own	123,140
Greensburg, PA	Manufacturing	Freight	Own	113,000
Chillicothe, OH	Manufacturing/Office	Freight	Own	104,000
Warren, OH	Manufacturing	Freight	Own	102,650
Coshocton, OH	Manufacturing/Warehouse/Office	Freight	Own	83,000
Germantown, MD	Manufacturing	Freight	Own	80,000
Kansas City, MO	Service Center	Freight	Lease	95,900
Pittsburgh, PA	Manufacturing/Office	Freight	Lease	90,000
Strongsville, OH	Manufacturing/Warehouse/Office	Freight	Lease	80,000
Columbia, SC	Service Center	Freight	Lease	71,400
Bensenville, IL	Manufacturing/Warehouse/Office	Freight	Lease	58,000
Jacksonville, FL	Office	Freight	Lease	46,351
Cedar Rapids, IA	Office	Freight	Lease	37,000
Jacksonville, FL	Warehouse	Freight	Lease	30,000
Boise, ID	Manufacturing	Freight/Transit	Own	326,000
Maxton, NC	Manufacturing	Freight/Transit	Own	105,000
Willits, CA	Manufacturing	Freight/Transit	Own	70,000
Brenham, TX	Manufacturing/Office	Transit	Own	144,671
Wytheville, VA	Manufacturing/Office	Transit	Own	82,400
Panorama City, CA	Manufacturing	Transit	Lease	200,000
Spartanburg, SC	Manufacturing/Service	Transit	Lease	183,600
Buffalo Grove, IL	Manufacturing	Transit	Lease	115,570
Cleveland, OH	Manufacturing/Warehouse/Office	Transit	Lease	92,609
Plattsburgh, NY	Manufacturing	Transit	Lease	64,000
Moorpark, CA	Office/Warehouse	Transit	Lease	45,916
Cleveland, OH	Manufacturing/Warehouse/Office	Transit	Lease	43,283
Export, PA	Manufacturing	Transit	Lease	34,000
Greer, SC	Warehouse	Transit	Lease	34,000

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Elmsford, NY	Service Center	Transit	Lease	28,000
Mountaintop, PA	Vacant Land Available for Sale		Own	N/A
International				
Wallaceburg (Ontario), Canada	Manufacturing	Freight	Own	126,000
San Luis Potosi, Mexico	Manufacturing/Service	Freight	Own	73,100
East Beijing, Hebei Province, China	Manufacturing	Freight	Own	64,702
Daye City, Hubei Province, China	Manufacturing	Freight	Own	59,147
Northampton, UK	Manufacturing	Freight	Lease	300,000
Shenyang City, Liaoning Province, China	Manufacturing	Freight	Lease	290,550
Lincolnshire, UK	Manufacturing/Office	Freight	Lease	149,468
London (Ontario), Canada	Manufacturing	Freight	Lease	103,540
Stoney Creek (Ontario), Canada	Manufacturing/Service	Freight	Lease	47,940

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Location	Primary Use	Segment	Own/Lease	Approximate Square Feet
Kolkata, India	Manufacturing	Freight	Lease	36,965
Belo Horizonte, Brazil	Manufacturing/Service	Freight	Lease	33,992
Juiz de Fora, Minas Gerais, Brazil	Manufacturing/Office	Freight	Lease	33,992
Lachine (Quebec), Canada	Service Center	Freight	Lease	25,455
Doncaster, UK	Manufacturing/Service	Freight/Transit	Own	330,000
Kilmarnock, UK	Manufacturing	Freight/Transit	Own	107,975
Loughborough, UK	Manufacturing	Freight/Transit	Lease	225,274
Kempton Park, South Africa	Manufacturing	Freight/Transit	Lease	156,077
Wetherill Park, Australia	Manufacturing	Freight/Transit	Lease	70,600
Avellino, Italy	Manufacturing/Office	Transit	Own	132,495
Recklinghausen, Germany	Manufacturing	Transit	Own	86,390
Sable-sur-Sarthe, France	Manufacturing	Transit	Own	51,667
Utrecht, The Netherlands	Manufacturing	Transit	Own	48,438
Soria, Spain	Manufacturing/Office	Transit	Own	31,000
Burton on Trent, UK	Manufacturing/Office	Transit	Lease	253,453
Camisano, Italy	Manufacturing/Office	Transit	Lease	136,465
San Luis Potosi, Mexico	Manufacturing/Office	Transit	Lease	112,825
St. Laurent (Quebec), Canada	Office	Transit	Lease	38,926
Hangzhou City, Hunan Province, China	Manufacturing	Transit	Lease	31,032
Sassuolo, Italy	Manufacturing	Transit	Lease	30,000

(1) Approximately 250,000 square feet are currently used in connection with the Company's corporate and manufacturing operations. The remainder is leased to third parties.

Item 3. LEGAL PROCEEDINGS

Information with respect to legal proceedings is included in Note 18 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table provides information on our executive officers. They are elected periodically by our Board of Directors and serve at its discretion.

Officers	Age	Position
Albert J. Neupaver	63	Chairman and Chief Executive Officer
Raymond T. Betler	58	President and Chief Operating Officer
Patrick D. Dugan	47	Senior Vice President and Chief Financial Officer
Charles F. Kovac	57	Senior Vice President and Group Executive
R. Mark Cox	46	Senior Vice President, Corporate Development
David L. DeNinno	58	Senior Vice President, General Counsel and Secretary
Scott E. Wahlstrom	50	Senior Vice President, Human Resources
Robert Bourg	52	Vice President and Group Executive
Karl-Heinz Colmer	57	Vice President and Group Executive
Michael E. Fetsko	48	Vice President and Group Executive
John A. Mastalerz	47	Vice President and Corporate Controller
David Meyer	43	Vice President and Group Executive
Timothy R. Wesley	52	Vice President, Investor Relations and Corporate Communications

Albert J. Neupaver was named Chairman and Chief Executive Officer of the Company in May, 2013. Previously, Mr. Neupaver was President and CEO from February 2006 to May 2013. Prior to joining Wabtec, Mr. Neupaver served in various positions at AMETEK, Inc., a leading global manufacturer of electronic instruments and electric motors. Most recently he served as President of its Electromechanical Group for nine years.

Raymond T. Betler was named President and Chief Operating Officer in May 2013. Previously, Mr. Betler was Chief Operating Officer since December 2010 until then and Vice President, Group Executive of the Company since August 2008. Prior to joining Wabtec, Mr. Betler served in various positions of increasing responsibility at Bombardier Transportation since 1979. Most recently, Mr. Betler served as President, Total Transit Systems from 2004 until 2008 and before that as President, London Underground Projects from 2002 to 2004.

Patrick D. Dugan was named Senior Vice President and Chief Financial officer effective January 2014. Previously, Mr. Dugan was Senior Vice President, Finance and Corporate Controller from January 2012 until November 2013. He originally joined Wabtec in 2003 as Vice President, Corporate Controller. Prior to joining Wabtec, Mr. Dugan served as Vice President and Chief Financial Officer of CWI International, Inc. from December 1996 to November 2003. Prior to 1996, Mr. Dugan was a Manager with PricewaterhouseCoopers.

Charles F. Kovac was named Senior Vice President and Group Executive in December 2010. Mr. Kovac was Vice President, Group Executive of the Company from September 2007 until December 2010. Prior to joining Wabtec, Mr. Kovac served as General Manager of the Global Floor Care / Specialty Motors Division of AMETEK, Inc. since 2003. Prior to joining AMETEK, Inc., Mr. Kovac was Chief Operating Officer of The Teleios Group, LLC from 1999 to 2003.

R. Mark Cox was named Senior Vice President, Corporate Development in January 2012, and has been with Wabtec since September 2006 as Vice President, Corporate Development. Prior to joining Wabtec, Mr. Cox served as Director of Business Development for the Electrical Group of Eaton Corporation since 2002. Prior to joining Eaton, Mr. Cox

was an investment banker with UBS Warburg, Prudential and Stephens.

David L. DeNinno was named Senior Vice President, General Counsel and Secretary of the Company in February 2012. Previously, Mr. DeNinno served as a partner at K&L Gates LLP since May 2011 and prior to that with Reed Smith LLP.

Scott E. Wahlstrom was named Senior Vice President, Human Resources in January 2012. Mr. Wahlstrom has been Vice President, Human Resources, since November 1999. Previously, Mr. Wahlstrom was Vice President, Human Resources & Administration of MotivePower Industries, Inc. from August 1996 until November 1999.

Robert Bourg was named Vice President and Group Executive in February 2012. Prior to that, he was Vice President Rail Electronics from May 2010. Previously, he was Vice President and General Manager of Wabtec Railway Electronics from May 2006 to May 2010. Prior to that, he held various senior management positions within Wabtec since he was hired in August 1992.

Karl-Heinz Colmer was named Vice President and Group Executive in February 2012. Mr. Colmer served as Managing Director of Friction Products from January 2009 until February 2012. Prior to that position, Mr. Colmer served as Managing Director of Becorit GmbH since 2006 after joining Wabtec. Prior to joining Wabtec Mr. Colmer served in various management roles with BBA PLC.

Michael E. Fetsko was named Vice President and Group Executive in January 2014. Mr Fetsko joined Wabtec in July of 2011 as Vice President, Freight Pneumatics. Prior to joining Wabtec, Mr. Fetsko serviced in various executive management roles with Bombardier Transportation.

John A. Mastalerz was named Vice President and Corporate Controller in January 2014. Prior to joining Wabtec, Mr. Mastalerz served in various executive management roles with the H.J. Heinz Company from January 2001 to December 2013, most recently as the Corporate Controller and Principal Accounting Officer. Prior to 2001, Mr. Mastalerz was a Senior Manager with PricewaterhouseCoopers.

David Meyer was named Vice President and Group Executive in February 2012. Mr. Meyer served as Vice President, Freight Car Products from April 2007 until February 2012. Prior to this position, Mr. Meyer served in several Vice President and General Manager roles within Wabtec since 2003 and joined Wabtec as a Product Line Manager in 1999. Prior to joining Wabtec, Mr. Meyer served in various management roles with Eaton Corporation.

Timothy R. Wesley was named Vice President, Investor Relations and Corporate Communications in November 1999. Previously, Mr. Wesley was Vice President, Investor and Public Relations of MotivePower Industries, Inc. from August 1996 until November 1999.

PART II

Item MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

The Common Stock of the Company is listed on the New York Stock Exchange under the symbol "WAB". As of February 14, 2014, there were 95,996,930 shares of Common Stock outstanding held by 595 holders of record. On May 14, 2013, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock to 200.0 million shares. In addition, on May 14, 2013, our Board of Directors approved a two-for-one split of the Company's issued and outstanding common stock in the form of a 100% stock dividend. The increase in the authorized shares and the stock split became effective on May 14, 2013 and June 11, 2013. The high and low sales price of the shares and dividends declared per share were as follows:

2013	High	Low	Dividends
First Quarter	\$51.19	\$44.04	\$0.025
Second Quarter	\$56.50	\$48.04	\$0.025
Third Quarter	\$63.29	\$52.63	\$0.04
Fourth Quarter	\$77.64	\$61.63	\$0.04
2012	High	Low	Dividends
First Quarter	\$39.54	\$33.15	\$0.015
Second Quarter	\$41.45	\$34.14	\$0.025
Third Quarter	\$41.59	\$36.44	\$0.025
Fourth Quarter	\$44.52	\$39.24	\$0.025

The Company's credit agreement restricts the ability to make dividend payments, with certain exceptions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and see Note 8 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

At the close of business on February 14, 2014, the Company's Common Stock traded at \$76.45 per share.

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference to any future filings under the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended, except to the extent that Wabtec specifically incorporates it by reference into such filing. The graph below compares the total stockholder return through December 31, 2013, of Wabtec's common stock to, (i) the S&P 500, (ii) our former peer group of manufacturing companies which consisted of the following publicly traded companies: The Greenbrier Companies, L.B. Foster, Trinity Industries and Freight Car America; and (iii) our new peer group of manufacturing companies which consists of the following publicly traded companies: The Greenbrier Companies, Trinity Industries, AMETEK, Regal Beloit, Harsco, Valmont, Lincoln Electric, Kennametal, Pall, Crane, Donaldson, WABCO, ITT, Briggs & Stratton, IDEX, Woodward, Titan Wheel, Actuant and Koppers. The peer group was revised to better match the operations and products of Wabtec.

On December 11, 2013, the Board of Directors amended its stock repurchase authorization to \$200 million of the Company's outstanding shares. This new stock repurchase authorization supersedes the previous authorization of \$150 million of which \$44.4 million remained. Through December 31, 2013, no shares have been repurchased under the new authorization.

The Company intends to purchase shares on the open market or in negotiated or block trades. No time limit was set for the completion of the programs which conform to the requirements under the 2013 Refinancing Credit Agreement, as well as the Notes currently outstanding.

During the first and second quarters of 2013, no shares were repurchased. During the third quarter of 2013, the Company repurchased 93,205 shares at an average price of \$58.86 per share. During the fourth quarter of 2013, the Company repurchased 413,900 shares at an average price of \$66.47 per share. All purchases were on the open market.

During the first quarter of 2012, no shares were repurchased. During the second quarter of 2012, the Company repurchased 597,600 shares at an average price of \$36.69 per share. During the third quarter of 2012, the Company repurchased 155,000 shares at an average price of \$39.16 per share. During the fourth quarter of 2012, the Company repurchased 462,200 shares at an average price of \$40.15 per share. All purchases were on the open market.

Item 6. SELECTED FINANCIAL DATA

The following table shows selected consolidated financial information of the Company and has been derived from audited financial statements. This financial information should be read in conjunction with, and is qualified by reference to, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements of the Company and the Notes thereto included elsewhere in this Form 10-K.

	Year Ended December 31,				
In thousands, except per share amounts	2013	2012	2011	2010	2009
Income Statement Data					
Net sales	\$2,566,392	\$2,391,122	\$1,967,637	\$1,507,012	\$1,401,616
Gross profit	764,027	694,567	570,424	449,078	393,326
Operating expenses	(326,717)	(302,288)	(299,723)	(246,268)	(213,294)
Income from operations (1)	\$437,310	\$392,279	\$270,701	\$202,810	\$180,032
Interest expense, net	\$(15,341)	\$(14,251)	\$(15,007)	\$(15,923)	\$(16,674)
Other income (expense), net	(882)	(670)	(380)	(60)	1
Net income attributable to Wabtec shareholders (2)	\$292,235	\$251,732	\$170,149	\$123,099	\$115,055
Diluted Earnings per Common Share					
Net income attributable to Wabtec shareholders (3)	\$3.01	\$2.60	\$1.76	\$1.28	\$1.19
Cash dividends declared per share (3)	\$0.13	\$0.08	\$0.04	\$0.02	\$0.02
Fully diluted shares outstanding (3)	96,832	96,742	96,657	96,010	95,954
Balance Sheet Data					
Total assets	\$2,821,997	\$2,351,542	\$2,158,953	\$1,803,081	\$1,585,835
Cash	285,760	215,766	285,615	236,941	188,659
Total debt	450,709	317,896	395,873	422,075	391,780
Shareholders’ equity	1,587,167	1,282,017	1,047,644	903,387	778,913

(1) In 2011, includes an \$18.1 million charge for a court ruling. In 2009, includes \$3.9 million royalty charge related to the Final Award in the arbitration proceeding between Faiveley Transport Malmo AB and Wabtec.

(2) In 2009, a tax benefit of \$9.7 million was recognized primarily related to resolving certain tax issues from prior years that have been closed from further regulatory examination.

(3) Information above for net income attributable to Wabtec shareholders, cash dividends declared per share and fully diluted shares outstanding for all periods presented reflects the two-for-one split of the Company’s common stock, which occurred on May 14, 2013.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 100 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 19 countries. In 2013, about 48% of the Company's revenues came from customers outside the U.S.

Management Review and Future Outlook

Wabtec's long-term financial goals are to generate cash flow from operations 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 implementation of the Wabtec Performance System, and increase revenues through a focused growth strategy, including global and market expansion, new products and technologies, aftermarket products and services, and acquisitions. In addition, Management evaluates the Company's current operational performance through measures such as quality and on-time delivery.

The Company monitors a variety of factors and statistics to gauge market activity. The North America freight rail industry is largely driven by general economic conditions, which can cause fluctuations in rail traffic. Based on those fluctuations, railroads can increase or decrease purchases of new locomotives and freight cars. The AAR compiles statistics that gauge the level of activity in the freight rail industry, including revenue ton-miles and carloadings, which are generally referred to as "rail traffic". In 2013, North American carloadings increased 2.1%, including a 4.4% increase in intermodal carloadings. In 2014, we expect demand for new locomotives to be about the same as in 2013, while we expect demand for new freight cars to be slightly higher. Future demand depends largely on the strength in the overall economy and in rail traffic volumes.

In 2008, the U.S. federal government enacted a rail safety bill that mandates the use of PTC technology, which includes on-board locomotive computer and related software, on a majority of the locomotives and track in the U.S. With our Electronic Train Management System[®], we are the leading supplier of this on-board train control equipment, and we are working with the U.S. Class I railroads, commuter rail authorities and other industry suppliers to implement this technology by the December 31, 2015 deadline set in the rail safety bill. In recent years, the railroads and transit authorities have stated they cannot achieve full implementation of PTC by the deadline, and various bills have been introduced to extend it, but to date there has been no change in the deadline. An extension of the deadline could affect the rate of industry spending on this technology. Wabtec's PTC revenue was about \$235 million in 2013.

The North American transit rail industry is driven by government spending and ridership. In 2012, the U.S. Congress passed a new, two-year funding bill, which maintained spending at about the same level, about \$10.7 billion, as in prior years. Ridership provides fare box revenues to transit authorities, which use these funds, along with state and local money, primarily for equipment and system maintenance. Based on preliminary figures from the American Public Transportation Association, ridership on U.S. transit vehicles increased slightly, about 0.2% in 2013, after a 2.5% increase in 2012. Spending in 2014 is expected to remain at about current levels.

Wabtec continues to expand its presence in freight rail and passenger transit markets outside the U.S., particularly in Europe, Asia-Pacific and South America. To gauge activity in these markets, we monitor trends in rail traffic and the spending plans of our customers. In Europe, the majority of the rail system serves the passenger transit market, which is larger than the transit market in the U.S. Our presence in the U.K., Germany and Italy has positioned the Company

to take advantage of this market. UNIFE projects the Western European rail market to grow at about 2% in the next few years, with the United Kingdom and France expected to invest in new rolling stock. Asia-Pacific is a growth market and our various joint ventures and direct exports to China have positioned the Company to take advantage of this growth. Growth has been driven by the continued urbanization of countries such as China, and by investment in freight rail infrastructure to serve the mining and natural resources markets in those countries, as well as in Australia. China is expected to increase spending on rail infrastructure and equipment in 2014, as it resumes investment in high-speed rail programs. Economic growth in Australia has been an area of expansion for the Company as commodity suppliers use our products to meet the demands of their regional customers. The Company is delivering on a PTC contract, expanding locations and has completed two acquisitions in Brazil, allowing us to increase our sales in that market.

In 2014 and beyond, general economic and market conditions in the United States and internationally could have an impact on our sales and operations. To the extent that these factors cause instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected. In addition, we face risks associated with our four-point growth strategy

including the level of investment that customers are willing to make in new technologies developed by the industry and the Company, and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to reflect changes in market conditions and risks.

RESULTS OF OPERATIONS

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

In millions	Year Ended December 31,		
	2013	2012	2011
Net sales	\$2,566.4	\$2,391.1	\$1,967.6
Cost of sales	(1,802.4)	(1,696.5)	(1,397.2)
Gross profit	764.0	694.6	570.4
Selling, general and administrative expenses	(262.7)	(245.7)	(247.5)
Engineering expenses	(46.3)	(41.3)	(37.2)
Amortization expense	(17.7)	(15.3)	(15.0)
Total operating expenses	(326.7)	(302.3)	(299.7)
Income from operations	437.3	392.3	270.7
Interest expense, net	(15.3)	(14.3)	(15.0)
Other income (expense), net	(0.9)	(0.7)	(0.4)
Income from operations before income taxes	421.1	377.3	255.3
Income tax expense	(128.9)	(125.6)	(85.2)
Net income attributable to Wabtec shareholders	\$292.2	\$251.7	\$170.1

2013 COMPARED TO 2012

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

In thousands	For the year ended December 31,		
	2013	2012	Percent Change
Freight Segment	\$1,398,103	\$1,501,911	(6.9)%
Transit Segment	1,168,289	889,211	31.4 %

Net sales	2,566,392	2,391,122	7.3 %
Income from operations	437,310	392,279	11.5 %
Net income attributable to Wabtec shareholders	\$292,235	\$251,732	16.1 %

The following table shows the major components of the change in sales in 2013 from 2012:

In thousands	Freight Segment	Transit Segment	Total
2012 Net Sales	\$ 1,501,911	\$ 889,211	\$2,391,122
Acquisitions	72,418	85,463	157,881
Change in Sales by Product Line:			
Brake Products	(16,124)	51,648	35,524
Remanufacturing, Overhaul & Build	(27,684)	102,470	74,786
Other Transit Products	—	5,901	5,901
Specialty Products & Electronics	(111,680)	26,801	(84,879)
Other	(569)	2,195	1,626
Foreign Exchange	(20,169)	4,600	(15,569)
2013 Net Sales	\$ 1,398,103	\$ 1,168,289	\$2,566,392

Net sales increased by \$175.3 million to \$2,566.4 million in 2013 from \$2,391.1 million in 2012. The increase is due to sales related to acquisitions of \$157.9 million; higher Brake Products sales of \$35.5 million due to higher demand for transit original equipment brakes; higher Remanufacturing, Overhaul and Build sales of \$74.8 million from increased demand for transit original

equipment locomotives and aftermarket services for locomotives; and an increase in Other Transit Products of \$5.9 million. These increases were partially offset by a \$84.9 million decrease for Specialty Products and Electronics sales from lower demand for freight original equipment rail products, lower demand heat exchange products, partially offset by an increased demand for positive train control products.. Company net sales decreased \$15.6 million and income from operations decreased \$0.7 million due to unfavorable effects of foreign exchange. Net income for 2013 was \$292.2 million or \$3.01 per diluted share. Net income increased due to higher sales volume.

Freight Segment sales decreased by \$103.8 million, or 6.9%, due to a decrease of \$27.7 million for freight original equipment locomotives as contract mix shifted to transit locomotives; \$111.7 million decrease for Specialty Products and Electronics sales from lower demand for freight original equipment rail products and heat exchange products; and \$16.1 million from decreased demand for original equipment brake products. These decreases were partially offset by \$72.4 million in sales from acquisitions. For the Freight Segment, net sales decreased by \$20.2 million due to unfavorable effects of foreign exchange.

Transit Segment sales increased by \$279.1 million, or 31.4%, due to higher sales of \$102.5 million for original equipment transit locomotives as contract mix shifted from freight locomotives; \$85.5 million from acquisitions; \$51.6 million from increased demand for original equipment brakes; \$26.8 million primarily from increased demand for positive train control electronics; and an increase of \$5.9 million from certain transit car build contracts. For the Transit Segment, net sales increased by \$4.6 million due to favorable effects of foreign exchange.

Cost of Sales and Gross profit Cost of Sales increased by \$105.9 million to \$1,802.4 million in 2013 from \$1,696.5 million in 2012. Cost of sales, as a percentage of sales was 70.2% in 2013 and 71.0% in 2012.

Raw material costs were approximately 43% as a percentage of sales in 2013 and 2012. Labor costs were approximately 12% as a percentage of sales in 2013 and 2012. Overhead costs as a percentage of sales were approximately 15% in 2013 and 16% in 2012. Freight Segment raw material costs decreased as a percentage of sales to approximately 40% in 2013 from 43% in 2012. Freight Segment labor costs were approximately 11% as a percentage of sales in 2013 and 2012, and overhead costs as a percentage of sales were approximately 15% in 2013 and 2012. Transit Segment raw material costs increased as a percentage of sales to approximately 46% in 2013 from 43% in 2012. Transit Segment labor costs decreased as a percentage of sales to approximately 12% in 2013 from 13% in 2012, and overhead costs as a percentage of sales were 17% in 2013 and 19% in 2012. Freight Segment material costs decreased as a percentage of sales and Transit Segment material costs increased as a percentage of sales due to shift in contract mix for original equipment locomotives from freight to transit. Overhead costs vary as a percentage of sales depending on product mix and changes in sales volume.

Included in cost of sales is warranty expense. The provision for warranty expense is generally established for specific losses, along with historical estimates of customer claims as a percentage of sales, which can cause variability in warranty expense between quarters. Warranty expense was \$0.2 million higher in 2013 compared to 2012 due to increased sales. As a percentage of sales, warranty expense was 0.9% in 2013 and 1.0% in 2012.

Gross profit increased to \$764.0 million in 2013 compared to \$694.6 million in 2012, due to higher sales volume and the reasons discussed above. For 2013 and 2012, gross profit, as a percentage of sales, was 29.8% and 29.0%, respectively.

Operating expenses The following table shows our operating expenses:

For the year ended
December 31,

In thousands	2013	2012	Percent Change
Selling, general and administrative expenses	\$262,718	\$245,709	6.9 %
Engineering expenses	46,289	41,307	12.1 %
Amortization expense	17,710	15,272	16.0 %
Total operating expenses	\$326,717	\$302,288	8.1 %

Selling, general, and administrative expenses increased \$17.0 million in 2013 compared to 2012 primarily due to \$17.4 million of expenses from acquisitions, partially offset by a release of \$3.9 million of certain legal reserves for a court ruling. In addition, selling, general and administrative expenses increased to support higher sales volumes. Engineering expense increased by \$5.0 million in 2013 compared 2012 primarily from acquisitions. Costs related to engineering for specific customer contracts are included in cost of sales. Amortization expense increased in 2013 compared to 2012 due to amortization of intangibles in 2013 associated with acquisitions. Total operating expenses were 12.7% and 12.6% of sales for 2013 and 2012, respectively.

The following table shows our segment operating expenses:

In thousands	For the year ended December 31,		Percent Change
	2013	2012	
Freight Segment	\$ 158,128	\$ 157,320	0.5 %
Transit Segment	153,132	127,759	19.9 %
Corporate	15,457	17,209	(10.2)%
Total operating expenses	\$ 326,717	\$ 302,288	8.1 %

Segment operating expenses consist of specific segment costs such as, sales and marketing, information technology, insurance, and audit and tax fees, allocated corporate costs, and other segment specific discrete charges. Corporate costs are allocated to the freight and transit segments based on segment revenues. Certain corporate departmental expenses are not allocated. Allocated operating expenses decreased \$2.1 million in 2013 compared to 2012, mostly due to a decrease in allocated legal expenses.

Freight Segment operating expenses increased \$0.8 million in 2013 compared to 2012 because of \$5.2 million of expenses from acquisitions, partially offset by a decrease of \$4.0 million in expenses allocated to the operating segments. Freight Segment operating expenses were 11.3% and 10.5% of sales for 2013 and 2012, respectively.

Transit Segment operating expenses increased \$25.4 million in 2013 compared to 2012 because of \$12.2 million of expenses from acquisitions, and an increase of \$1.8 million in expense allocated to the operating segments. In addition, Transit Segment selling, general and administrative expenses increased to support higher sales volumes. Transit Segment operating expenses were 13.1% and 14.4% of sales for 2013 and 2012, respectively.

Corporate non-allocated operating expenses decreased \$1.8 million in 2013 compared to 2012 primarily due to a release of \$2.8 million of certain allocated legal reserves for a court ruling, partially offset by an increase in certain non-allocated administrative expenses.

Income from operations Income from operations totaled \$437.3 million or 17.0% of sales in 2013 compared to \$392.3 million or 16.4% of sales in 2012. Income from operations increased due to higher sales volume, partially offset by increased operating expenses discussed above.

Interest expense, net Overall interest expense, net, increased due to higher debt balances.

Other expense, net The Company recorded foreign exchange losses of \$3.5 million and \$0.1 million in 2013 and 2012, respectively, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated and charged or credited to earnings.

Income taxes The effective income tax rate was 30.6% and 33.3% in 2013 and 2012, respectively. The decrease in the effective rate is primarily due to retroactive extension of the R&D tax credit, an increase in foreign income taxed at lower statutory rates, and a benefit recorded for the enacted reduction of a foreign statutory tax rate.

Net income Net income for 2013 increased \$40.5 million, compared to 2012. The increase in net income is due to higher sales volume and lower effective tax rate, partially offset by higher operating expenses.

2012 COMPARED TO 2011

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

In thousands	For the year ended December 31,		Percent Change
	2012	2011	
Freight Segment	\$1,501,911	\$1,210,059	24.1 %
Transit Segment	889,211	757,578	17.4 %
Net sales	2,391,122	1,967,637	21.5 %
Income from operations	392,279	270,701	44.9 %
Net income attributable to Wabtec shareholders	\$251,732	\$170,149	47.9 %

The following table shows the major components of the change in sales in 2012 from 2011:

In thousands	Freight Segment	Transit Segment	Total
2011 Net Sales	\$ 1,210,059	\$ 757,578	\$ 1,967,637
Acquisitions	65,731	72,615	138,346
Change in Sales by Product Line:			
Specialty Products & Electronics	132,948	20,908	153,856
Remanufacturing, Overhaul & Build	46,124	51,579	97,703
Brake Products	41,362	(567)	40,795
Other Transit Products	—	4,176	4,176
Other	7,733	808	8,541
Foreign Exchange	(2,046)	(17,886)	(19,932)
2012 Net Sales	\$ 1,501,911	\$ 889,211	\$ 2,391,122

Net sales increased by \$423.5 million to \$2,391.1 million in 2012 from \$1,967.6 million in 2011. The increase is due to higher sales of \$153.9 million for Specialty Products and Electronics from increased demand for freight original equipment rail products, and positive train control electronics and aftermarket products; \$138.3 million from acquisitions; \$97.7 million for Remanufacturing, Overhaul and Build sales from increased demand for freight original equipment locomotives and aftermarket services for locomotives; \$40.8 million for Brake Products sales due to higher demand for original equipment brakes; and \$8.6 million for other products. Company net sales decreased \$19.9 million and income from operations decreased \$2.4 million due to unfavorable effects of foreign exchange. Net income for 2012 was \$251.7 million or \$2.60 per diluted share. Net income increased due to higher sales volume.

Freight Segment sales increased by \$291.9 million, or 24.1%, due to higher sales of \$132.9 million for Specialty Products and Electronics, primarily resulting from increased demand for original equipment rail products, and positive train control electronics and aftermarket rail products; \$65.7 million from acquisitions; \$46.1 million from increased demand for freight original equipment locomotives and aftermarket services for locomotives; \$41.4 million for Brake Products; and \$7.7 million for other products. For the Freight Segment, net sales decreased by \$2.0 million due to unfavorable effects of foreign exchange.

Transit Segment sales increased by \$131.6 million, or 17.4%, due to \$72.6 million from acquisitions; higher sales of \$51.6 million for Remanufacturing, Overhaul and Build from increased demand for overhaul and aftermarket services;

\$20.9 million of higher Specialty Products and Electronics sales from increased demand for transit positive train control electronics; and \$4.2 million for Other Transit Products. For the Transit Segment, net sales decreased by \$17.9 million due to unfavorable effects of foreign exchange.

Cost of Sales and Gross profit Cost of Sales increased by \$299.3 million to \$1,696.5 million in 2012 from \$1,397.2 million in 2011. Cost of sales, as a percentage of sales was 71.0% in 2012 and 2011.

During 2012, raw material costs decreased as a percentage of sales to approximately 43% in 2012 from 44% in 2011. Labor costs increased as a percentage of sales to approximately 12% in 2012 from 11% in 2011. Overhead costs as a percentage of sales were approximately 16% in 2012 and 2011. Freight Segment raw material costs decreased as a percentage of sales to approximately 43% in 2012 from 44% in 2011. Freight Segment labor costs increased as a percentage of sales to approximately 11% in 2012 from 10% in 2011, and overhead costs as a percentage of sales were approximately 15% in 2012 and 2011. Transit Segment raw material costs as a percentage of sales were approximately 43% in 2012 and 2011. Transit Segment labor costs increased as a percentage of sales to approximately 13% in 2012 from 12% in 2011, and overhead costs as a percentage of sales were 19% in 2012 and 2011. In general, raw material costs as a percentage of sales decreased and labor costs as a percentage of sales increased reflecting the higher

mix of revenue generated from positive train control electronics and aftermarket services, which has a lower raw material component and higher labor component as cost of sales.

Included in costs of sales is warranty expense. The provision for warranty expense is generally established for specific losses, along with historical estimates of customer claims as a percentage of sales, which can cause variability in warranty expense between quarters. Warranty expense was \$3.1 million higher in 2012 compared to 2011 due to increased sales and increased provisions for certain transit contracts. As a percentage of sales, warranty expense was 1.0% in 2012 and 2011.

Gross profit increased to \$694.6 million in 2012 compared to \$570.4 million in 2011, due to higher sales volume and the reasons discussed above. For 2012 and 2011, gross profit, as a percentage of sales, was 29.0%.

Operating expenses The following table shows our operating expenses:

In thousands	For the year ended December 31,		Percent Change
	2012	2011	
Selling, general and administrative expenses	\$245,709	\$247,534	(0.7 %)
Engineering expenses	41,307	37,193	11.1 %
Amortization expense	15,272	14,996	1.8 %
Total operating expenses	\$302,288	\$299,723	0.9 %

Selling, general, and administrative expenses decreased \$1.8 million in 2012 compared to 2011 because the prior year included an \$18.1 million charge for a court ruling which was recorded in the second quarter of 2011 and a decrease of \$3.0 million in other Corporate expenses. This was offset by \$18.0 million of expenses from acquisitions, and \$1.7 million increase in incentive and non-cash compensation. Engineering expense increased by \$4.1 million in 2012 compared 2011 as the company focused engineering resources on product development. Costs related to engineering for specific customer contracts are included in cost of sales. Amortization expense increased in 2012 compared to 2011 due to amortization of intangibles in 2012 associated with acquisitions. Total operating expenses were 12.6% and 15.2% of sales for 2012 and 2011, respectively.

The following table shows our segment operating expenses:

For the year ended
December 31,

In thousands	2012	2011	Percent Change
Freight Segment	\$157,320	\$146,992.0	%
Transit Segment	127,759	114,390	11.7 %
Corporate	17,209	38,341	(55.1)%
Total operating expenses	\$302,288	\$299,723.0	%

Segment operating expenses consist of specific segment costs such as, sales and marketing, information technology, insurance, and audit and tax fees, allocated corporate costs, and other segment specific discrete charges. Corporate costs are allocated to the freight and transit segments based on segment revenues. Certain corporate departmental expenses are not allocated.

Freight Segment operating expenses increased \$10.3 million in 2012 compared to 2011 because of \$6.4 million of expenses from acquisitions, an increase of \$0.7 million in expenses allocated to the operating segments and an increase of \$3.2 million in selling, general and administrative expense supporting higher sales volume. Freight Segment operating expenses were 10.5% and 12.1% of sales for 2012 and 2011, respectively.

Transit Segment operating expenses increased \$13.4 million in 2012 compared to 2011 because of \$13.1 million of expenses from acquisitions, a benefit of \$2.4 million for a settlement related to a prior acquisition which was recorded in the second quarter of 2011, and an increase of \$0.6 million in expense allocated to the operating segments, partially offset by a decrease of \$2.7 million in selling, general and administrative expense from cost saving initiatives. Transit Segment operating expenses were 14.4% and 15.1% of sales for 2012 and 2011, respectively.

Corporate non-allocated operating expenses decreased \$21.1 million in 2012 compared to 2011 because of the charge for a court ruling discussed above and decreases in other non-allocated departmental expenses.

Income from operations Income from operations totaled \$392.3 million or 16.4% of sales in 2012 compared to \$270.7 million or 13.8% of sales in 2011. Income from operations increased due to higher sales volume, partially offset by increased operating expenses discussed above.

Interest expense, net Overall interest expense, net, decreased due to lower interest rates and lower debt balances.

Other expense, net The Company recorded foreign exchange gains of \$0.1 million in 2012 and foreign exchange losses of \$2.0 million in 2011 due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated and charged or credited to earnings.

Income taxes The effective income tax rate was 33.3% and 33.4% in 2012 and 2011, respectively.

Net income Net income for 2012 increased \$81.6 million, compared to 2011. The increase in net income is due to higher sales volume, partially offset by increased operating expenses.

Liquidity and Capital Resources

Liquidity is provided 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:

	For the year ended December 31,		
In thousands	2013	2012	2011
Cash provided by (used for):			
Operating activities	\$235,653	\$237,438	\$248,626
Investing activities	(258,692)	(184,944)	(146,182)
Financing activities:			
Proceeds from debt	959,067	233,400	257,000
Payments of debt	(829,842)	(311,457)	(283,202)
Stock repurchase	(32,998)	(46,556)	(26,022)
Cash dividends	(12,644)	(7,666)	(3,849)
Other	9,431	7,556	9,314

Operating activities. In 2013, 2012 and 2011, cash provided by operations was \$235.7 million, \$237.4 million and \$248.6 million, respectively. In comparison to 2012, cash provided by operations in 2013 resulted from higher operating results offset by higher cash outflows for working capital. The major components of the higher cash outflows were as follows: a negative change in accounts receivable of \$126.7 million as the number of days to collect cash increased slightly and sales increased, a negative change in customer deposits due to the completion of certain large contracts, and a \$15.8 million payment in the prior year for a court ruling. These cash outflows were partially offset by the following cash inflows: a favorable change in accounts payable of \$60.9 million due to payment timing,

and a favorable change or decrease of \$58.6 million in inventory as our days' supply in inventory (DSI) decreased to 63 days from 72 days at the end of 2012 due to the completion of certain original equipment contracts.

In comparison to 2011, the decrease in cash provided by operations in 2012 resulted from higher working capital, offset by higher net income and higher non-cash items. In 2012 the following working capital items used cash: accounts receivable increased by \$23.0 million, primarily due to higher sales; inventory increased by \$32.5 million to support the higher sales and due to certain long term contracts; accounts payable and accrued income taxes decreased \$34.6 million due to the timing of payments. All other operating assets and liabilities, net, provided cash of \$13.4 million due to the payment timing of certain accrued liabilities.

Investing activities. In 2013, 2012 and 2011, cash used in investing activities was \$258.7 million, \$184.9 million and \$146.2 million, respectively. The major components of the cash outflow are as follows: planned additions to property, plant, and equipment of \$41.2 million for continued investments in our facilities and manufacturing processes and acquisitions of \$223.5 million. This compares to \$36.0 million in property, plant, and equipment and \$149.9 million in net cash paid for acquisitions in 2012. Refer to Note 3 of the "Notes to Condensed Consolidated Financial Statements" for additional information on acquisitions.

Financing activities . In 2013, cash provided by financing activities was \$93.0 million, which included \$711.6 million in proceeds from the revolving credit facility debt, proceeds of \$247.4 million from the issuance of 4.375% Senior Notes, net of issuance

costs, \$679.6 million of repayments of debt on the revolving credit facility, \$150.0 million payment for the maturity of the 2003 Senior Notes, \$12.6 million of dividend payments and \$33.0 million of Wabtec stock repurchases. In 2012, cash used in financing activities was \$124.7 million, which included \$233.4 million in proceeds from debt and \$311.4 million of repayments of debt on the revolving credit facility, \$7.7 million of dividend payments and \$46.6 million of Wabtec stock repurchases. In 2011, cash used in financing activities was \$46.8 million, which included \$257.0 million in proceeds from debt and \$243.5 million of repayments of debt on the revolving credit facility, \$39.7 million of debt repayments on the term loan and other debt, \$3.8 million of dividend payments and \$26.0 million of Wabtec stock repurchases.

The following table shows outstanding indebtedness at December 31, 2013 and 2012.

In thousands	December 31,	
	2013	2012
4.375% senior notes, due 2023	\$250,000	\$—
6.875% senior notes, due 2013	—	150,000
Revolving Credit Facility	200,000	167,000
Capital Leases	709	896
Total	450,709	317,896
Less—current portion	421	43
Long-term portion	\$450,288	\$317,853

Cash balances at December 31, 2013 and 2012 were \$285.8 million and \$215.8 million, respectively.

2013 Refinancing Credit Agreement

On December 19, 2013, the Company amended its existing revolving credit facility with a consortium of commercial banks. This “2013 Refinancing Credit Agreement” provides the company with a \$800 million, five-year revolving credit facility. The Company incurred approximately \$1.0 million of deferred financing cost related to the 2013 Refinancing Credit Agreement. The facility expires on December 19, 2018. The 2013 Refinancing Credit Agreement borrowings bear variable interest rates indexed as described below. At December 31, 2013, the Company had available bank borrowing capacity, net of \$59.8 million of letters of credit, of approximately \$540.2 million, subject to certain financial covenant restrictions

Under the 2013 Refinancing Credit Agreement, the Company may elect a Base Rate of interest for U.S. Dollar denominated loans or, for certain currencies, an interest rate based on the London Interbank Offered Rate (“LIBOR”) of interest, or other rates appropriate for such currencies (in any case, “the Alternate Rate”). The Base Rate adjusts on a daily basis and is the greater of the Federal Funds Effective Rate plus 0.5% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points, plus a margin that ranges from 0 to 75 basis points. The Alternate Rate is based on the quoted rates specific to the applicable currency, plus a margin that ranges from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins are dependent on the Company’s consolidated total indebtedness to cash flow ratios. The initial Base Rate margin is 0 basis points and the Alternate Rate margin is 100 basis points.

At December 31, 2013 the weighted average interest rate on the Company's variable rate debt was 1.17%. On January 12, 2012, the Company entered into a forward starting interest rate swap agreement with a notional value of \$150 million. The effective date of the interest rate swap agreement is July 31, 2013, and the termination date is November 7, 2016. The impact of the interest rate swap agreement converts a portion of the Company's outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value will be fixed at 1.415% plus the Alternate Rate margin. The Company is exposed to credit risk in the event of nonperformance by the counterparty. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparty is a large financial institution with an excellent credit rating and history of performance. The Company currently believes the risk of nonperformance is negligible.

The 2013 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 2013 Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations, sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; and imposes a minimum interest expense coverage ratio of 3.0 and a maximum debt to cash flow ratio of 3.25. The Company does not expect that these measurements will limit the Company in executing our operating activities.

2011 Refinancing Credit Agreement

On November 7, 2011, the Company refinanced its existing revolving credit and term loan facility with a consortium of commercial banks. This “2011 Refinancing Credit Agreement” provides the company with a \$600 million, five-year revolving credit facility. The Company incurred approximately \$1.9 million of deferred financing cost related to the 2011 Refinancing Credit Agreement. The facility was set to expire on November 7, 2016.

Under the 2011 Refinancing Credit Agreement, the Company may have elected a Base Rate of interest or an interest rate based on the London Interbank Offered Rate (“LIBOR”) of interest (“the Alternate Rate”). The Base Rate adjusted on a daily basis and was the greater of the Federal Funds Effective Rate plus 0.5% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points plus a margin that ranged from 0 to 75 basis points. The Alternate Rate was based on quoted LIBOR rates plus a margin that ranged from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins were dependent on the Company’s consolidated total indebtedness to cash flow ratios. The current Base Rate margin was 0 basis points and the Alternate Rate margin was 100 basis points.

4.375% Senior Notes Due August 2023

In August 2013, the Company issued \$250.0 million of Senior Notes due in 2023 (“the 2013 Notes”). Interest on the 2013 Notes accrues at a rate of 4.375% per annum and is payable semi-annually on February 15 and August 15 of each year. The proceeds were used to repay debt outstanding under the Company’s existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred \$2.6 million of deferred financing costs related to the issuance.

The 2013 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2013 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.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2013 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

6.875% Senior Notes Due August 2013

In August 2003, the Company issued \$150.0 million of Senior Notes due in 2013 (“the 2003 Notes”). The 2003 Notes were issued at par. Interest on the 2003 Notes accrued at a rate of 6.875% per annum and was 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 Company paid off the 2003 Notes, which matured on July 31, 2013 utilizing available capacity under the 2011 Refinancing Credit Agreement.

Contractual Obligations and Off-Balance Sheet Arrangements

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements and have certain contingent commitments such as debt guarantees. The Company has grouped these contractual obligations and off-balance sheet arrangements into operating activities, financing activities, and investing activities in the same manner as they are classified in the Statement of Consolidated Cash Flows to provide a better understanding of the nature of the obligations and arrangements and to provide a basis for comparison to historical information. The table below provides a summary of contractual obligations and off-balance sheet arrangements as of December 31, 2013:

In thousands	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating activities:					
Purchase obligations (1)	\$27,232	\$20,008	\$6,277	\$947	\$—
Operating leases (2)	87,733	16,591	37,437	33,705	—
Pension benefit payments (3)	112,311	10,299	20,632	21,796	59,584
Postretirement benefit payments (4)	18,677	1,574	3,259	3,490	10,354
Financing activities:					
Interest payments (5)	123,274	15,199	29,990	26,556	51,529
Long-term debt (6)	450,709	421	189	200,081	250,018
Dividends to shareholders (7)	15,376	15,376	—	—	—
Investing activities:					
Capital projects (8)	58,341	58,341	—	—	—
Other:					
Standby letters of credit (9)	60,188	55,699	1,576	—	2,913
Total		\$193,508	\$99,360	\$286,575	

- (1) Purchase obligations represent non-cancelable contractual obligations at December 31, 2013. In addition, the Company had \$302.6 million of open purchase orders for which the related goods or services had not been received. Although open purchase orders are considered enforceable and legally binding, their terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.
- (2) Future minimum payments for operating leases are disclosed by year in Note 14 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
- (3) Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Pension benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets and rate of compensation increases. The Company expects to contribute about \$5.2 million to pension plan investments in 2013. See further disclosure in Note 9 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
- (4) Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Postretirement payments are based on actuarial estimates using current assumptions for discount rates and health care costs. See further disclosure in Note 9 of the “Notes to Consolidated Financial Statements” included in

Part IV, Item 15 of this report.

- (5) Interest payments are payable February and August of each year at 4.375% of \$250 million Senior Notes due in 2023. Interest payments for the Revolving Credit Facility and Capital Leases are based on contractual terms and the Company's current interest rates.
- (6) Scheduled principal repayments of outstanding loan balances are disclosed in Note 8 of the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.
- (7) Shareholder dividends are subject to approval by the Company's Board of Directors, currently at an annual rate of approximately \$15.4 million.
- (8) The annual capital expenditure budget is subject to approval by the Board of Directors. The 2014 budget amount was approved at the December 2013 Board of Directors meeting.
- (9) The Company has \$59.8 million in outstanding letters of credit for performance and bid bond purposes, which expire in various dates through 2019. Amounts include interest payments based on contractual terms and the Company's current interest rate.

The above table does not reflect uncertain tax positions of \$10.5 million, the timing of which are uncertain except for \$0.3 million that may become payable during 2014. Refer to Note 10 of the "Notes to Consolidated Financial Statements" for additional information on uncertain tax positions.

Obligations for operating activities. The Company has entered into \$27.2 million of material long-term non-cancelable materials and supply purchase obligations. Operating leases represent multi-year obligations for rental of facilities and equipment. Estimated pension funding and post-retirement benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets, rate of compensation increases and health care cost trend rates. Benefits paid for pension obligations were \$10.1 million and \$12.9 million in 2013 and 2012, respectively. Benefits paid for post-retirement plans were \$2.9 million and \$1.5 million in 2013 and in 2012, respectively.

Obligations for financing activities. Cash requirements for financing activities consist primarily of long-term debt repayments, interest payments and dividend payments to shareholders. The Company has historically paid quarterly dividends to shareholders, subject to quarterly approval by our Board of Directors, currently at a rate of approximately \$15.4 million annually.

The Company arranges for performance bonds to be issued by third party insurance companies to support certain long term customer contracts. At December 31, 2013 initial value of performance bonds issued on the Company's behalf is about \$246.5 million.

Obligations for investing activities. The Company typically spends approximately \$40 million to \$60 million a year for capital expenditures, primarily related to facility expansion efficiency and modernization, health and safety, and environmental control. The Company expects annual capital expenditures in the future will be within this range.

Forward Looking Statements

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

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

Economic and industry conditions

- prolonged unfavorable economic and industry conditions in the markets served by us, including North America, South America, Europe, Australia, Asia, and South Africa;
- decline in demand for freight cars, locomotives, passenger transit cars, buses and related products and services;
- reliance on major original equipment manufacturer customers;
- original equipment manufacturers' program delays;
- demand for services in the freight and passenger rail industry;
- demand for our products and services;
- orders either being delayed, 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;
- fluctuations in interest rates and foreign currency exchange rates; or

•availability of credit;

Operating factors

•supply disruptions;

•technical difficulties;

•changes in operating conditions and costs;

•increases in raw material costs;

•successful introduction of new products;

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- 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, including those related to Positive Train Control;
- federal and state income tax legislation; 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-K 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 Estimates

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 allowance for doubtful accounts, inventories, the testing of goodwill and other intangibles for impairment, warranty reserves, pensions and other postretirement benefits, stock based compensation 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 Notes 2 and 18, respectively, in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

A summary of the Company's significant accounting policies is included in Note 2 in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report and is incorporated by reference herein. 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.

Accounts Receivable and Allowance for Doubtful Accounts:

Description The Company provides an allowance for doubtful accounts to cover anticipated losses on uncollectible accounts receivable.

Judgments and Uncertainties 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.

Effect if Actual Results Differ From Assumptions If our estimates regarding the collectability 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:

Description Inventories are stated at the lower of cost or market and are reviewed to ensure that an adequate provision is recognized for excess, slow moving and obsolete inventories.

Judgments and Uncertainties Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead. 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.

Effect if Actual Results Differ From Assumptions 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. 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.

Goodwill and Indefinite-Lived Intangibles:

Description Goodwill and indefinite-lived intangibles are required to be tested for impairment at least annually. The Company performs its annual impairment test during the fourth quarter and more frequently when indicators of impairment are present. The Company reviews goodwill for impairment at the reporting unit level. The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill).

Judgments and Uncertainties A number of significant assumptions and estimates are involved in the application of the impairment test, including the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Wabtec specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such amount.

Effect if Actual Results Differ From Assumptions Management considers historical experience and all available information at the time the fair values of its reporting units 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 impairment losses that could be material to our results of operations. For example, based on the last quantitative analysis performed as of October 1, 2013, a decline in the terminal growth rate greater than 50 basis points would decrease fair market value by \$175.2 million, or an increase in the weighted-average cost of capital by 100 basis points would result in a decrease in fair market value by \$482.9 million. Even with such changes the fair value of the reporting units would be greater than their net book values as of the valuation date of October 1, 2013, necessitating no Step 2 calculations. See Note 2 in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report for additional discussion regarding impairment testing.

Warranty Reserves:

Description 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.

Judgments and Uncertainties 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.

Effect if Actual Results Differ From Assumptions 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:

Description 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).

Judgments and Uncertainties 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. The differences between actual and expected asset returns are recognized in expense using the normal amortization of gains and losses per ASC 715.

Effect if Actual Results Differ From Assumptions If assumptions used in determining the pension and other postretirement benefits change significantly, these costs can fluctuate materially from period to period. The key assumptions in determining the pension and other postretirement expense and obligation include the discount rate, expected return on assets and health care cost trend rate. For example, a 1% decrease or increase in the discount rate used in determining the pension and postretirement expense would increase expense \$3.7 million or decrease expense \$1.9 million, respectively. A 1% decrease or increase in the discount rate used in determining the pension and postretirement obligation would increase the obligation \$38.0 million or decrease the obligation \$30.0 million, respectively. A 1% decrease or increase in the expected return on assets used in determining the pension expense would increase or decrease expense \$2.0 million, respectively. If the actual asset values at December 31, 2012 had been 1% lower, the amortization of losses in the following year would increase \$0.2 million. A 1% decrease or increase in the health care cost trend rate used in determining the postretirement expense would decrease or increase expense \$0.4 million. A 1% decrease or increase in the health care cost trend rate used in determining the postretirement obligation would decrease the obligation \$3.1 million or increase the obligation \$3.6 million, respectively.

Stock-based Compensation:

Description The Company has issued incentive stock awards to eligible employees that vest upon attainment of certain cumulative three-year performance goals. The program is structured as a rolling three-year plan; each year starts a new three-year performance cycle with the most recently commenced cycle being 2012-2014. No incentive stock awards will vest for performance below the three-year cumulative threshold. The Company utilizes an economic profit measure for this performance goal. Economic profit is a measure of the extent to which the Company produces financial results in excess of its cost of capital. Based on the Company's achievement of the threshold and three-year cumulative performance, the stock awards vested can range from 0% to 200% of the shares granted.

Judgments and Uncertainties Significant judgments and estimates are used in determining the estimated three-year performance, which is then used to estimate the total shares expected to vest over the three year vesting cycle and corresponding expense based on the grant date fair value of the award. When determining the estimated three-year performance, the Company utilizes a combination of historical actual results, budgeted results and forecasts. In the initial grant year of a performance cycle, the Company estimates the three-year performance at 100%. As actual performance results for a cycle begin to accumulate and the Company completes its budgeting and forecasting cycles the performance estimates are updated. These judgments and estimates are reviewed and updated on a quarterly basis.

Effect if Actual Results Differ From Assumptions If assumptions used in determining the estimated three-year performance change significantly, stock-based compensation expense related to the unvested incentive stock awards can fluctuate materially from period to period. For example a 10% decrease or increase in the estimated vesting percentage for incentive stock awards would decrease or increase stock-based compensation expense by approximately \$0.8 million and \$0.8 million, respectively.

Income Taxes:

Description 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 in accordance with ASC 740-10 Accounting for Income Taxes and Accounting for Uncertainty in Income Taxes.

Judgments and Uncertainties The estimate of our tax obligations are uncertain because Management must use judgment to estimate the exposures associated with our various filing positions, as well as realization of our deferred tax assets. ASC 740-10 establishes a recognition and measurement threshold to determine the amount of tax benefit that should be recognized related to uncertain tax positions.

Effect if Actual Results Differ From Assumptions 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. A deferred tax valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Revenue Recognition:

Description Revenue is recognized in accordance with ASC-605 "Revenue Recognition." The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other input-based or output-based 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. 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.

Judgments and Uncertainties Revenue is recognized when products have been shipped to the respective customers, title has passed and the price for the product has been determined. Contract accounting involves a judgmental process of estimating the total sales and costs for each contract, which results in the development of estimated profit margin percentages. For each contract with revenue recognized using the percentage of completion method, the amount reported as revenues is determined by calculating cost incurred to date as a percentage of the total expected contract costs to determine the percentage of total contract revenue to be recognized in the current period. Due to the size, duration and nature of many of our contracts, the estimation of total sales and costs through completion is complicated and subject to many variables. Total contract sales estimates are based on negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, and price adjustment clauses (such as inflation or index-based clauses). Total contract cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, business base and other economic projections. Factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. For long-term contracts, revenues and cost estimates are reviewed and revised quarterly at a minimum and adjustments are reflected in the accounting period as such amounts are determined. 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.

Effect if Actual Results Differ From Assumptions 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 development of expected contract costs and contract profit margin percentages involves procedures and personnel in all areas that provide financial or production information on the status of contracts. Due to the significance of judgment in the estimation process, it is likely that materially different revenue amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or circumstances may adversely or positively affect financial performance in future periods. If the combined profit margin for all contracts recognized on the percentage of completion method during 2013 had been estimated to be higher or lower by 1%, it would have increased or decreased revenue and gross profit for the year by approximately \$8.3 million. A few of our contracts are expected to be completed in a loss position. Provisions are made currently for estimated losses on uncompleted contracts. 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.

Item 7A. 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. The Company's variable rate debt represents 11% and 53% of total long-term debt at December 31, 2013 and 2012, respectively. On an annual basis a 1% change in the interest rate for variable rate debt at December 31, 2013 would increase or decrease interest expense by about \$0.5 million.

To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company entered into interest rate swap agreements which effectively converted a portion of the debt from a variable to a fixed-rate borrowing during the term of the swap contracts. Refer to "Financial Derivatives and Hedging Activities" in Note 2 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report for additional information regarding interest rate risk.

Foreign Currency Exchange Risk

The Company is subject to certain risks associated with changes in foreign currency exchange rates to the extent our operations are conducted in currencies other than the U.S. dollar. For the year ended December 31, 2013, approximately 52% of Wabtec's net sales were to the United States, 12% to the United Kingdom, 7% to Canada, 5% to Australia, 5% to Mexico, 3% to Brazil, 2% to Germany and 14% in other international locations. (See Note 19 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report). To reduce the impact of changes in currency exchange rates, the Company has periodically entered into foreign currency forward contracts. Refer to "Financial Derivatives and Hedging Activities" in Note 2 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report for more information regarding foreign currency exchange risk.

Our market risk exposure is not substantially different from our exposure at December 31, 2012.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data are set forth in Item 15, of Part IV hereof.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements with our independent public accountants.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure 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 December 31, 2013. 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 finance officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

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 December 31, 2013, that has materially affected, or is reasonably likely to materially affect, Wabtec's internal control over financial reporting. Management's annual report on internal control over financial reporting and the attestation report of the registered public accounting firm are included in Part IV, Item 15 of this report.

Management's Report on Internal Control over Financial Reporting

Management's Report on Internal Control Over Financial Reporting appears on page 41 and is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

Ernst & Young's attestation report on internal control over financial reporting appears on page 43 and is incorporated herein by reference.

Item 9B. OTHER INFORMATION

None.

PART III

Items 10 through 14.

In accordance with the provisions of General Instruction G(3) to Form 10-K, the information required by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accounting Fees and Services) is incorporated herein by reference from the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 14, 2014, except for the Equity Compensation Plan Information required by Item 12, which is set forth in the table below. The definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2013. Information relating to the executive officers of the Company is set forth in Part I.

Wabtec has adopted a Code of Ethics for Senior Officers which is applicable to all of our executive officers. As described in Item 1 of this report the Code of Ethics for Senior Officers is posted on our website at www.wabtec.com. In the event that we make any amendments to or waivers from this code, we will disclose the amendment or waiver and the reasons for such on our website.

This table provides aggregate information as of December 31, 2013 concerning equity awards under Wabtec's compensation plans and arrangements.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	1,232,862	\$ 24.36	3,733,139
Equity compensation plans not approved by shareholders	—	—	—
Total	1,232,862	\$ 24.36	3,733,139

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The financial statements, financial statement schedules and exhibits listed below are filed as part of this annual report:

(a)		Page
(1)	Financial Statements and Reports on Internal Control	
	Management’s Reports to Westinghouse Air Brake Technologies Corporation Shareholders	42
	Report of Independent Registered Public Accounting Firm	43
	Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	44
	Consolidated Balance Sheets as of December 31, 2013 and 2012	45
	Consolidated Statements of Operations for the three years ended December 31, 2013, 2012 and 2011	46
	Consolidated Statements of Comprehensive Income for the three years ended December 31, 2013, 2012 and 2011	47
	Consolidated Statements of Cash Flows for the three years ended December 31, 2013, 2012 and 2011	48
	Consolidated Statements of Shareholders’ Equity for the three years ended December 31, 2013, 2012 and 2011	49
	Notes to Consolidated Financial Statements	50
(2)	Financial Statement Schedules	
	Schedule II—Valuation and Qualifying Accounts	80
(b)		Filing Method
	Exhibits	
	3.1 Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended December 31, 2003	9
	3.2 Certificate of Amendment of Restated Certificate of Incorporation dated May 14, 2013	11
	3.3 Amended and Restated By-Laws of the Company, effective February 15, 2011	8

4.1 Indenture, dated August 8, 2013 by and between the Company and Wells Fargo, National Association, as Trustee	12
4.2 First Supplemental Indenture, dated August 8, 2013, by and between the Company and Wells Fargo Bank, National Association, as Trustee	12
4.3 Form of 4.375% Senior Note due 2023 (included in Exhibit 4.2)	3
10.1 Agreement of Sale and Purchase of the North American Operations of the Railway Products Group, an operating division of American Standard Inc. (now known as Trane), dated as of 1990 between Rail Acquisition Corp. and American Standard Inc. (only provisions on indemnification are reproduced)	2
10.2 Letter Agreement (undated) between the Company and American Standard Inc. (now known as Trane) on environmental costs and sharing	2
10.3 Purchase Agreement dated as of June 17, 1992 among the Company, Schuller International, Inc., Manville Corporation and European Overseas Corporation (only provisions on indemnification are reproduced)	2

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10.4	Westinghouse Air Brake Company 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended *	4
10.5	Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan, as amended *	4
10.6	Employment Agreement with Albert J. Neupaver, dated February 1, 2006 *	3
10.7	Form of Restricted Stock Agreement *	10
10.8	Westinghouse Air Brake Technologies Corporation 2011 Stock Incentive Plan *	5
10.9	Stock Purchase Agreement, by and among the Company, Standard Car Truck Company and Robclif, Inc., dated September 12, 2008	6
10.10	First Amended and Restated Refinancing Credit Agreement, dated as of December 19, 2013, by and among the Company, Wabtec Cooperatief UA, certain subsidiaries as the guarantors, the lenders party thereto and, PNC Bank, National Association, as Administrative Agent, PNC Capital Markets LLC, J.P. Morgan Securities, Inc., as Joint Lead Arranges and Joint Book Runners, JP Morgan Chase Bank, N.A. as Syndication Agent, Bank of America, N.A., and Citizens Bank of Pennsylvania, Branch Banking and Trust Company and The Bank of Toyko-Mitsubish UFJ, Ltd., as Co-Documentation Agents	1
10.11	Form of Employment Continuation Agreement entered into by the Company with Albert J. Neupaver, Alvaro Garcia-Tunon, Raymond T. Betler, Charles F. Kovac, R. Mark Cox, David L. DeNinno, Patrick D. Dugan, Scott E. Wahlstrom and Timothy R. Wesley*	7
10.12	Wabtec Corporation Deferred Compensation Plan for Executive Officers and Directors as adopted December 10, 2009 *	10
10.13	Form of Agreement for Nonstatutory Stock Option under the 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended *	10
10.14	Form of Agreement for Nonstatutory Stock Options under 2000 Stock Incentive Plan, as amended *	10
10.15	Form of Agreement for Nonstatutory Stock Options under 2011 Stock Incentive Plan as amended *	10
21	List of subsidiaries of the Company	1
23.1	Consent of Ernst & Young LLP	1
31.1	Rule 13a-14(a)/15d-14(a) Certifications	1
31.2	Rule 13a-14(a)/15d-14(a) Certifications	1
32.1	Section 1350 Certifications	1
101.INS	XBRL Instance Document.	1
101.SCH	XBRL Taxonomy Extension Calculation Linkbase Document	1

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101.CALXBRL Taxonomy Extension Calculation Linkbase Document	1
101.DEF XBRL Taxonomy Extension Definition Linkbase Document.	1
101.LABXBRL Taxonomy Extension Label Linkbase Document	1
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document	1

1 Filed herewith.

2 Filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 33-90866).

3 Filed as an exhibit to the Company's Quarterly Report on Form 10-Q (File No. 033-90866) for the period ended March 31, 2006.

4 Filed as an Annex to the Company's Schedule 14A Proxy Statement (File No. 1-13782) filed on April 13, 2006.

5 Filed as an Annex to the Company's Schedule 14A Proxy Statement (File No. 1-13782) filed on March 31, 2011.

6 Filed as an exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-13782) for the period ended September 30, 2008.

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7 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782) dated July 2, 2009.

8 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782), dated February 22, 2011.

9 Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-13782), dated February 25, 2011.

10 Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-13782), dated February 22, 2013.

11 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782), dated May 15, 2013.

12 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782), dated August 8, 2013.

* Management contract or compensatory plan.

MANAGEMENT'S REPORTS TO WABTEC SHAREHOLDERS

Management's Report on Financial Statements and Practices

The accompanying consolidated financial statements of Westinghouse Air Brake Technologies Corporation and subsidiaries (the "Company") were prepared by Management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on Management's best judgments and estimates. The other financial information included in the 10-K is consistent with that in the financial statements.

Management also recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of host countries in which the Company operates and potentially conflicting outside business interests of its employees. The Company maintains a systematic program to assess compliance with these policies.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, Management has conducted an assessment, including testing, using the criteria in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (COSO). The Company's system of internal control over financial reporting is designed 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 standards. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded Napier Turbochargers Ltd. ("Napier"), Turbonetics Holdings, Inc. ("Turbonetics"), and Longwood Industries, Inc. ("Longwood") from its assessment of internal controls over financial reporting as of December 31, 2013 because the Company acquired Napier effective February 1, 2013, Turbonetics effective July 30, 2013 and Longwood effective September 24, 2013. Napier, Turbonetics and Longwood are wholly owned subsidiaries whose total assets represents 4.9%, 0.8% and 3.8%, respectively and whose total net assets represents 7.5%, 1.4% and 5.3%, respectively, and net income represents 1.8%, 0.1% and 0.1%, respectively and whose customer revenues represents 1.7%, 0.2% and 0.7%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2013.

Based on its assessment, Management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2013, based on criteria in Internal Control-Integrated Framework issued by the COSO. The effectiveness of the Company's internal control over financial reporting as of December 31, 2013, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Westinghouse Air Brake Technologies Corporation:

We have audited the accompanying consolidated balance sheets of Westinghouse Air Brake Technologies Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Westinghouse Air Brake Technologies Corporation as of December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Westinghouse Air Brake Technologies Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

February 21, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Westinghouse Air Brake Technologies Corporation:

We have audited Westinghouse Air Brake Technologies Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). Westinghouse Air Brake Technologies Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Napier Turbochargers Ltd. ("Napier"), Turbonetics Holdings, Inc. ("Turbonetics"), and Longwood Industries, Inc. ("Longwood") which are included in the 2013 consolidated financial statements of Westinghouse Air Brake Technologies Corporation and constituted 4.9%, 0.8% and 3.8%, respectively, of total assets and 7.5%, 1.4% and 5.3%, respectively, of total net assets as of December 31, 2013, and 1.8%, 0.1% and 0.1%, respectively, of net income and 1.7%, 0.2% and 0.7%, respectively, of customer revenue for the year then ended. Our audit of internal control over financial reporting of Westinghouse Air Brake Technologies Corporation also did not include an evaluation of the internal control over financial reporting of Napier, Turbonetics, and Longwood.

In our opinion, Westinghouse Air Brake Technologies Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Westinghouse Air Brake Technologies Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

February 21, 2014

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

In thousands, except shares and par value	December 31,	
	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$285,760	\$215,766
Accounts receivable	349,458	292,786
Unbilled accounts receivable	205,045	97,129
Inventories	403,229	407,039
Deferred income taxes	50,622	60,894
Other	38,933	19,324
Total current assets	1,333,047	1,092,938
Property, plant and equipment	597,740	555,924
Accumulated depreciation	(321,662)	(311,836)
Property, plant and equipment, net	276,078	244,088
Other Assets		
Goodwill	786,433	666,022
Other intangibles, net	385,679	308,321
Deferred income taxes	987	183
Other noncurrent assets	39,773	39,990
Total other assets	1,212,872	1,014,516
Total Assets	\$2,821,997	\$2,351,542
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$326,666	\$248,593
Customer deposits	66,573	82,810
Accrued compensation	57,058	53,222
Accrued warranty	43,197	39,860
Current portion of long-term debt	421	43
Commitments and contingencies	485	435
Other accrued liabilities	85,000	128,096
Total current liabilities	579,400	553,059
Long-term debt	450,288	317,853
Accrued postretirement and pension benefits	50,003	66,388
Deferred income taxes	114,486	91,176
Commitments and contingencies	1,141	1,238
Accrued warranty	17,396	18,352
Other long-term liabilities	22,116	21,459
Total liabilities	1,234,830	1,069,525
Shareholders' Equity		
Preferred stock, 1,000,000 shares authorized, no shares issued	-	-
Common stock, \$.01 par value; 200,000,000 shares authorized: 132,349,534 shares issued and 95,909,948 and 95,407,368 outstanding		

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at December 31, 2013 and December 31, 2012, respectively	1,323	1,323
Additional paid-in capital	415,059	381,348
Treasury stock, at cost, 36,439,586 and 36,518,656 shares, at December 31, 2013 and December 31, 2012, respectively	(372,969)	(349,388)
Retained earnings	1,576,702	1,297,111
Accumulated other comprehensive loss	(34,856)	(53,564)
Total Westinghouse Air Brake Technologies Corporation shareholders' equity	1,585,259	1,276,830
Non-controlling interest (minority interest)	1,908	5,187
Total shareholders' equity	1,587,167	1,282,017
Total Liabilities and Shareholders' Equity	\$2,821,997	\$2,351,542

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2013	2012	2011
In thousands, except per share data			
Net sales	\$2,566,392	\$2,391,122	\$1,967,637
Cost of sales	(1,802,365)	(1,696,555)	(1,397,213)
Gross profit	764,027	694,567	570,424
Selling, general and administrative expenses	(262,718)	(245,709)	(247,534)
Engineering expenses	(46,289)	(41,307)	(37,193)
Amortization expense	(17,710)	(15,272)	(14,996)
Total operating expenses	(326,717)	(302,288)	(299,723)
Income from operations	437,310	392,279	270,701
Other income and expenses			
Interest expense, net	(15,341)	(14,251)	(15,007)
Other (expense) income, net	(882)	(670)	(380)
Income from operations before income taxes	421,087	377,358	255,314
Income tax expense	(128,852)	(125,626)	(85,165)
Net income attributable to Wabtec shareholders	\$292,235	\$251,732	\$170,149
Earnings Per Common Share			
Basic			
Net income attributable to Wabtec shareholders	\$3.05	\$2.62	\$1.77
Diluted			
Net income attributable to Wabtec shareholders	\$3.01	\$2.60	\$1.76
Weighted average shares outstanding			
Basic	95,463	95,469	95,639
Diluted	96,832	96,742	96,657

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2013	2012	2011
In thousands, except per share data			
Net income attributable to Wabtec shareholders	\$292,235	\$251,732	\$170,149
Foreign currency translation gain (loss)	5,345	14,428	(12,714)
Unrealized gain (loss) on foreign exchange contracts	(256)	-	191
Unrealized gain (loss) on interest rate swap contracts	1,066	(2,628)	1,096
Pension benefit plans and post-retirement benefit plans	21,102	(6,292)	(16,420)
Other comprehensive income (loss) before tax	27,257	5,508	(27,847)
Income tax (expense) benefit related to components of other comprehensive income	(8,549)	1,825	5,027
Other comprehensive income (loss), net of tax	18,708	7,333	(22,820)
Comprehensive income attributable to Wabtec shareholders	\$310,943	\$259,065	\$147,329

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2013	2012	2011
In thousands, except per share data			
Operating Activities			
Net income attributable to Wabtec shareholders	\$292,235	\$251,732	\$170,149
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	51,193	44,136	44,849
Stock-based compensation expense	24,107	19,848	18,646
Deferred income taxes	15,248	581	(16,595)
(Gain) loss on disposal of property, plant and equipment	(15)	1,112	1,191
Excess income tax benefits from exercise of stock options	(4,266)	(3,125)	(4,415)
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable and unbilled accounts receivable	(149,699)	(22,976)	(68,697)
Inventories	26,060	(32,491)	(79,537)
Accounts payable	60,976	(12,483)	59,974
Accrued income taxes	(15,033)	(33,202)	31,514
Accrued liabilities and customer deposits	(48,831)	13,323	43,201
Other assets and liabilities	(16,322)	10,983	48,346
Net cash provided by operating activities	235,653	237,438	248,626
Investing Activities			
Purchase of property, plant and equipment	(41,238)	(36,001)	(37,971)
Proceeds from disposal of property, plant and equipment	6,000	971	663
Acquisitions of businesses, net of cash acquired	(223,454)	(149,914)	(108,874)
Net cash used for investing activities	(258,692)	(184,944)	(146,182)
Financing Activities			
Proceeds from debt	959,067	233,400	257,000
Payments of debt	(829,842)	(311,457)	(283,202)
Stock re-purchase	(32,998)	(46,556)	(26,022)
Proceeds from exercise of stock options and other benefit plans	5,165	4,431	4,899
Excess income tax benefits from exercise of stock options	4,266	3,125	4,415
Cash dividends (\$0.13, \$0.08 and \$0.04 per share for years ended December 31, 2013, 2012 and 2011)	(12,644)	(7,666)	(3,849)
Net cash provided by (used for) financing activities	93,014	(124,723)	(46,759)
Effect of changes in currency exchange rates	19	2,380	(7,011)
Increase (decrease) in cash	69,994	(69,849)	48,674
Cash, beginning of year	215,766	285,615	236,941
Cash, end of year	\$285,760	\$215,766	\$285,615

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common	Accumulated
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