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# Press Release

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## **Wabtec Reports Improved Operating Earnings In Fourth Quarter And Operating Cash Flow Of \$42 Million For Full Year; Affirms 2003 Earnings Guidance**

WILMERDING, Pa., Feb. 19, 2003 -- Wabtec Corporation (NYSE: WAB) today reported earnings per diluted share of 12 cents and EBITDA of \$19 million for the fourth quarter of 2002. In the year-ago fourth quarter, Wabtec reported adjusted earnings per diluted share of 6 cents, which excluded a net gain of 80 cents from one-time items, primarily a large asset sale.

Wabtec said the earnings increase compared to the adjusted year-ago quarter resulted mainly from substantially lower interest expense, lower amortization expense and a more favorable product mix.

For the full year, the company generated \$42 million of operating cash flow, exceeding its target of \$40 million.

"We finished 2002 with strong cash flow, which allowed us to generate almost \$1 per share in cash for the year," said William E. Kassling, Wabtec's chairman. "In 2003, we are committed to continue producing cash from earnings and working capital so we can continue to reduce debt. We remain confident that the company's financial strength, market leadership and commitment to lean principles will position Wabtec to do very well as our markets rebound."

### **2002 Fourth Quarter (comparisons based on "adjusted" results)**

Wabtec's debt, net of cash, at Dec. 31, 2002 was \$176 million (47 percent of total capital), compared to a peak of \$562 million (75 percent of total capital) in the third quarter of 2000. Since then, Wabtec has reduced debt by nearly \$400 million, with half of that cash coming from operations.

For the quarter, net sales of \$178 million were 6 percent lower than the prior-year quarter, due to lower sales in the Transit Group, which completed a major contract earlier in 2002. Sales in the Freight Group increased 5 percent, the group's first quarterly increase since 1999. Gross margin was 25.9 percent compared to 25 percent in the year-ago quarter, due to a more favorable product mix and cost reductions.

Operating expenses decreased 7 percent, due to lower amortization expense in accordance with a new accounting standard adopted earlier in 2002. Engineering expenses increased 6 percent to reflect continued investment in new product development. Interest expense decreased 64 percent, due to lower debt levels and interest rates compared to the year-ago quarter.



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Other expense increased to \$3.7 million, primarily due to expenses of about 3 cents per diluted share associated with the writedown of a facility held for sale. In the quarter, the company had an effective tax rate of 23 percent, compared to its normal rate of 35 percent. This rate reduction, due to the utilization of foreign tax credits, resulted in a benefit of about 2 cents per diluted share.

Earnings per diluted share were 12 cents, compared to an adjusted 6 cents. Cash earnings per diluted share were 13 cents, compared to 11 cents.

“During the year, we achieved several financial and operational breakthrough goals,” said Gregory T.H. Davies, Wabtec’s president and chief executive officer. “We exceeded our goal for free cash flow, and successfully reduced inventory levels and material costs. We improved on-time delivery, and expanded internal quality and efficiency programs. And we achieved marketing breakthroughs in domestic and international markets. These actions demonstrate the progress we continue to make in shaping Wabtec into a world-class, worldwide company.”

## **Outlook**

Wabtec continues to expect 2003 sales to be about \$700 million, with Freight Group sales higher and Transit Group sales lower compared to 2002. For 2003, the company expects earnings per diluted share of between 50 cents and 60 cents. The company expects first quarter EPS to be similar to the fourth quarter of 2002, with EPS in subsequent quarters to be between 13 cents and 16 cents, based on its current backlog and depending on the timing of new business.

Given the expected range of earnings, Wabtec expects EBITDA of about \$75 million and free cash of about \$40 million in 2003. At this time, the company plans to continue to use its free cash primarily for debt reduction.



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## Summary of Earnings Per Diluted Share Adjustments

	<u>Fourth Quarter 2002</u>	<u>Full Year 2002</u>
Reported E.P.S.	\$ 0.12	\$(1.04)
Less tax benefit	(0.02)	(0.02)
Plus goodwill charge	--	1.41
Plus loss on asset held for sale	0.03	0.03
Plus loss on early debt extinguishment	<u>--</u>	<u>0.03</u>
Adjusted E.P.S. from continuing ops	\$ 0.13	\$ 0.41

  

	<u>Fourth Quarter 2001</u>	<u>Full Year 2001</u>
Reported E.P.S.	\$ 0.86	\$ 1.43
Less gain on asset sales	(1.08)	(1.08)
Less income from discontinued ops	--	(0.15)
Less R&D tax credit	--	(0.05)
Plus restructuring charges	--	0.06
Plus loss on asset writedowns	0.25	0.25
Plus severance costs	<u>0.03</u>	<u>0.03</u>
Adjusted E.P.S. from continuing ops	\$ 0.06	\$ 0.49

Wabtec Corporation ([www.wabtec.com](http://www.wabtec.com)) is one of North America's largest providers of value-added, technology-based products and services for the rail industry. Through its subsidiaries, the company manufactures a range of products for locomotives, freight cars and passenger transit vehicles. The company also builds new switcher and commuter locomotives, and provides aftermarket services, including locomotive and freight car fleet maintenance. The company has facilities located throughout the world. Wabtec's mission is to be judged by its stakeholders as the world-class corporation focused on helping its global customers compete more effectively through higher levels of safety, quality and productivity.

This press release contains forward-looking statements regarding the company's earnings expectations. Wabtec's actual results could differ materially from the results suggested in any forward-looking statement. Factors that could cause or contribute to these material differences include, but are not limited to, a further slowdown in the U.S. economy; lower-than-expected deliveries of new rolling stock in 2003; and other factors contained in the company's regulatory filings, which are herein incorporated by reference. The company assumes no obligation to update these forward-looking statements or advise of changes in the assumptions on which they were based.

**To listen to the company's earnings conference call, log on to [www.wabtec.com](http://www.wabtec.com). The call will be held today at 11:30 a.m., eastern time.**

**WABTEC CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001**  
**(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)**  
**(UNAUDITED)**

	Fourth Quarter <u>2002</u>	Fourth Quarter <u>2001</u>	For the Twelve Months <u>2002</u>	For the Twelve Months <u>2001</u>
Net sales	\$ 177,640	\$ 188,422	\$ 696,195	\$ 783,698
Cost of sales	<u>(131,589)</u>	<u>(141,268)</u>	<u>(516,724)</u>	<u>(573,772)</u>
Gross profit	46,051	47,154	179,471	209,926
Selling, general and administrative expenses	(23,899)	(26,459)	(93,023)	(96,723)
Restructuring costs	-	(192)	-	(3,723)
Engineering expenses	(8,479)	(8,011)	(33,592)	(33,156)
Asset writedowns	-	(9,253)	-	(9,253)
Amortization expense	<u>(1,076)</u>	<u>(3,180)</u>	<u>(5,322)</u>	<u>(13,013)</u>
Total operating expenses	<u>(33,454)</u>	<u>(47,095)</u>	<u>(131,937)</u>	<u>(155,868)</u>
Income from operations	12,597	59	47,534	54,058
Interest expense	(2,240)	(6,165)	(16,221)	(33,501)
Other expense, net	<u>(3,736)</u>	<u>(514)</u>	<u>(5,558)</u>	<u>(2,130)</u>
Income (loss) from continuing operations before income taxes	6,621	(6,620)	25,755	18,427
Income tax (expense) benefit	<u>(1,545)</u>	<u>2,317</u>	<u>(8,242)</u>	<u>(4,465)</u>
Income (loss) from continuing operations	5,076	(4,303)	17,513	13,962
Discontinued operations				
Income (loss) from discontinued operations (net of tax)	174	(91)	403	6,360
Gain (loss) on sale of discontinued operations (net of tax)	<u>-</u>	<u>41,458</u>	<u>(529)</u>	<u>41,458</u>
Total discontinued operations	<u>174</u>	<u>41,367</u>	<u>(126)</u>	<u>47,818</u>
Income before cumulative effect of accounting change and extraordinary item	5,250	37,064	17,387	61,780
Cumulative effect of accounting change, net of tax	<u>-</u>	<u>-</u>	<u>(61,663)</u>	<u>-</u>
Income (loss) before extraordinary item	5,250	37,064	(44,276)	61,780
Loss on early extinguishment of debt, net of tax	<u>-</u>	<u>-</u>	<u>(1,203)</u>	<u>-</u>
Net income (loss)	<u>\$ 5,250</u>	<u>\$ 37,064</u>	<u>\$ (45,479)</u>	<u>\$ 61,780</u>
<b>Earnings Per Common Share</b>				
<b>Basic</b>				
Income (loss) from continuing operations	\$ 0.12	\$ (0.10)	\$ 0.40	\$ 0.33
Income (loss) from discontinued operations	-	0.96	-	1.11
Income before cumulative effect of accounting change and extraordinary item	0.12	0.86	0.40	1.44
Cumulative effect of accounting change, net of tax	-	-	(1.42)	-
Income (loss) before extraordinary item	0.12	0.86	(1.02)	1.44
Extraordinary item, net of tax	-	-	(0.03)	-
Net income (loss)	\$ 0.12	\$ 0.86	\$ (1.05)	\$ 1.44
<b>Diluted</b>				
Income (loss) from continuing operations	\$ 0.12	\$ (0.10)	\$ 0.40	\$ 0.32
Income (loss) from discontinued operations	-	0.96	-	1.11
Income before cumulative effect of accounting change and extraordinary item	0.12	0.86	0.40	1.43
Cumulative effect of accounting change, net of tax	-	-	(1.41)	-
Income (loss) before extraordinary item	0.12	0.86	(1.02)	1.43
Extraordinary item, net of tax	-	-	(0.03)	-
Net income (loss)	\$ 0.12	\$ 0.86	\$ (1.04)	\$ 1.43
Weighted average shares outstanding				
Basic	<u>43,433</u>	<u>43,111</u>	<u>43,291</u>	<u>42,949</u>
Diluted	<u>43,778</u>	<u>43,111</u>	<u>43,617</u>	<u>43,198</u>
<b>Sales by Segment</b>				
Freight Group	\$ 120,989	\$ 114,719	\$ 443,443	\$ 490,261
Transit Group	<u>56,651</u>	<u>73,703</u>	<u>252,752</u>	<u>293,437</u>
Total	<u>\$ 177,640</u>	<u>\$ 188,422</u>	<u>\$ 696,195</u>	<u>\$ 783,698</u>
EBITDA from continuing operations	<u>\$ 18,843</u>	<u>\$ 8,012</u>	<u>\$ 73,047</u>	<u>\$ 87,271</u>