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# Press Release

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## **Wabtec Reports Increased Earnings From Continuing Operations**

### **and Strong Cash Flow For Third Quarter; Provides Earnings Guidance**

WILMERDING, Pa., Oct. 17, 2002 -- Wabtec Corporation (NYSE: WAB) today reported income from continuing operations of 12 cents per diluted share for the third quarter of 2002, compared to 9 cents for the year-ago quarter. The improved results were due to a higher gross margin, lower manufacturing and operating costs, and reduced interest expense, despite lower sales levels. During the quarter, the company generated operating cash flow to reduce debt, net of cash, by \$9 million.

The company also reported cash earnings per diluted share of 14 cents and EBITDA from continuing operations of \$17 million for the 2002 third quarter, compared to 14 cents and \$20 million, respectively, in the year-ago quarter.

"We are pleased that our results from continuing operations increased, even though sales were 13 percent lower," said William E. Kassling, Wabtec's chairman. "This reflects our ongoing efforts to reduce costs and increase efficiency, as we position the company to rebound when market conditions improve. In addition, our focus on generating cash and reducing debt continues to pay off, as shown by our significantly lower interest expense."

In the quarter, Wabtec recorded a non-cash charge of \$1.2 million, or 3 cents per diluted share, for the early repayment of \$175 million in bonds. Including this item, the company had net income of 9 cents per diluted share in the quarter, compared to net income of 15 cents per diluted share in the year-ago quarter, which included 6 cents of earnings from discontinued operations.

### **Outlook**

For the fourth quarter, Wabtec expects earnings per diluted share from continuing operations to be similar to the third quarter. Through the first nine months of the year, Wabtec had income from continuing operations of 29 cents per diluted share. The company expects to reach its target of \$40 million in debt reduction for the year.

"We are beginning to see some positive signs in the freight rail market, such as an increase in rail traffic and a higher order rate for new freight cars," said Gregory T.H. Davies, Wabtec's president and chief executive officer. "These factors will not have a meaningful impact on our business in the fourth quarter, because the actual freight car build rate will take some time to ramp up. But, these positive indicators do give us a high degree of confidence that our freight car-related businesses will have a stronger year in 2003."



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## 2002 Third Quarter Results

During the quarter, Wabtec reduced debt, net of cash, by \$9 million. At Sept. 30, 2002, the company had debt, net of cash, of \$194 million (50 percent of total capital), compared to \$455 million (68 percent of total capital) at Sept. 30, 2001. During the quarter, the company retired \$175 million in bonds and replaced them with lower-cost bank debt.

Sales decreased 13 percent compared to the prior-year quarter. Freight Group sales decreased 7 percent, primarily from lower sales of freight car and locomotive components in both the original equipment and aftermarket businesses. Sales in the Transit Group decreased 23 percent, primarily reflecting the completion of a contract to supply components for New York City subway cars. Gross margin was 26.8 percent compared to 25.7 percent, primarily due to a favorable product mix and cost reductions. Gross margin was 25.2 percent in the second quarter of 2002.

Operating expenses were 9 percent lower, even excluding restructuring costs from the prior-year quarter. The reduction in expenses was due to lower goodwill amortization in accordance with Financial Accounting Standard No. 142 (FAS 142), as well as lower selling, general and administrative expenses. During the quarter, the company completed an evaluation of goodwill on its balance sheet, as required by FAS 142. As a result, the company recorded a non-cash, after-tax charge of \$62 million, or \$1.41 per diluted share, to write down the value of goodwill. This charge was recorded retroactively in the first quarter of 2002, as required.

Interest expense was 61 percent lower due to the lower level of debt and lower interest rates compared to the year-ago quarter.

The company accrued income tax expense at a normal rate of 35 percent. In the prior-year quarter, the company recorded a one-time income tax benefit from research and development tax credits.

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.

This press release contains forward-looking statements, such as the statements regarding the company's expectations about future earnings. The company'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 North American economy; 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.

**The company will conduct a conference call with analysts at 11 a.m., eastern time, today. To listen to the call via webcast, please go to [www.wabtec.com](http://www.wabtec.com).**

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**WABTEC CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001**  
**(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)**  
**(UNAUDITED)**

	Third Quarter <u>2002</u>	Third Quarter <u>2001</u>	For the Nine Months <u>2002</u>	For the Nine Months <u>2001</u>
Net sales	\$ 161,422	\$ 185,854	\$ 518,555	\$ 595,276
Cost of sales	<u>(118,138)</u>	<u>(138,072)</u>	<u>(385,135)</u>	<u>(432,504)</u>
Gross profit	43,284	47,782	133,420	162,772
Selling, general and administrative expenses	(22,170)	(23,744)	(69,124)	(70,264)
Restructuring costs	-	(1,571)	-	(3,531)
Engineering expenses	(8,532)	(8,321)	(25,113)	(25,145)
Amortization expense	<u>(1,412)</u>	<u>(3,214)</u>	<u>(4,246)</u>	<u>(9,833)</u>
Total operating expenses	<u>(32,114)</u>	<u>(36,850)</u>	<u>(98,483)</u>	<u>(108,773)</u>
Income from operations	11,170	10,932	34,937	53,999
Interest expense	(3,092)	(7,997)	(13,981)	(27,336)
Other expense, net	<u>(317)</u>	<u>(114)</u>	<u>(1,822)</u>	<u>(1,616)</u>
Income from continuing operations before income taxes	7,761	2,821	19,134	25,047
Income tax (expense) benefit	<u>(2,716)</u>	<u>996</u>	<u>(6,697)</u>	<u>(6,783)</u>
Income from continuing operations	5,045	3,817	12,437	18,264
Discontinued operations				
Income from discontinued operations (net of tax)	48	2,576	229	6,451
Loss on sale of discontinued operations (net of tax)	<u>-</u>	<u>-</u>	<u>(529)</u>	<u>-</u>
Total discontinued operations	<u>48</u>	<u>2,576</u>	<u>(300)</u>	<u>6,451</u>
Income before cumulative effect of accounting change and extraordinary item	5,093	6,393	12,137	24,715
Cumulative effect of accounting change for goodwill, net of tax	<u>-</u>	<u>-</u>	<u>(61,663)</u>	<u>-</u>
Income (loss) before extraordinary item	5,093	6,393	(49,526)	24,715
Loss on early extinguishment of debt, net of tax	<u>(1,203)</u>	<u>-</u>	<u>(1,203)</u>	<u>-</u>
Net income (loss)	<u>\$ 3,890</u>	<u>\$ 6,393</u>	<u>\$ (50,729)</u>	<u>\$ 24,715</u>
<b>Earnings Per Common Share</b>				
<b>Basic</b>				
Income from continuing operations	\$ 0.12	\$ 0.09	\$ 0.29	\$ 0.43
Income (loss) from discontinued operations	-	0.06	(0.01)	0.15
Income before cumulative effect of accounting change and extraordinary item	0.12	0.15	0.28	0.58
Cumulative effect of accounting change, net of tax	-	-	(1.43)	-
Income (loss) before extraordinary item	0.12	0.15	(1.14)	0.58
Extraordinary item, net of tax	(0.03)	-	(0.03)	-
Net income (loss)	<u>\$ 0.09</u>	<u>\$ 0.15</u>	<u>\$ (1.17)</u>	<u>\$ 0.58</u>
<b>Diluted</b>				
Income from continuing operations	\$ 0.12	\$ 0.09	\$ 0.29	\$ 0.42
Income (loss) from discontinued operations	-	0.06	(0.01)	0.15
Income before cumulative effect of accounting change and extraordinary item	0.12	0.15	0.28	0.57
Cumulative effect of accounting change, net of tax	-	-	(1.41)	-
Income (loss) before extraordinary item	0.12	0.15	(1.14)	0.57
Extraordinary item, net of tax	(0.03)	-	(0.03)	-
Net income (loss)	<u>\$ 0.09</u>	<u>\$ 0.15</u>	<u>\$ (1.16)</u>	<u>\$ 0.57</u>
Weighted average shares outstanding				
Basic	<u>43,361</u>	<u>42,999</u>	<u>43,267</u>	<u>42,923</u>
Diluted	<u>43,615</u>	<u>43,304</u>	<u>43,587</u>	<u>43,205</u>
<b>Sales by Segment</b>				
Freight Group	\$ 107,087	\$ 115,580	\$ 322,454	\$ 375,542
Transit Group	<u>54,335</u>	<u>70,274</u>	<u>196,101</u>	<u>219,734</u>
Total	<u>\$ 161,422</u>	<u>\$ 185,854</u>	<u>\$ 518,555</u>	<u>\$ 595,276</u>
EBITDA from continuing operations	<u>\$ 17,424</u>	<u>\$ 19,612</u>	<u>\$ 54,204</u>	<u>\$ 79,259</u>