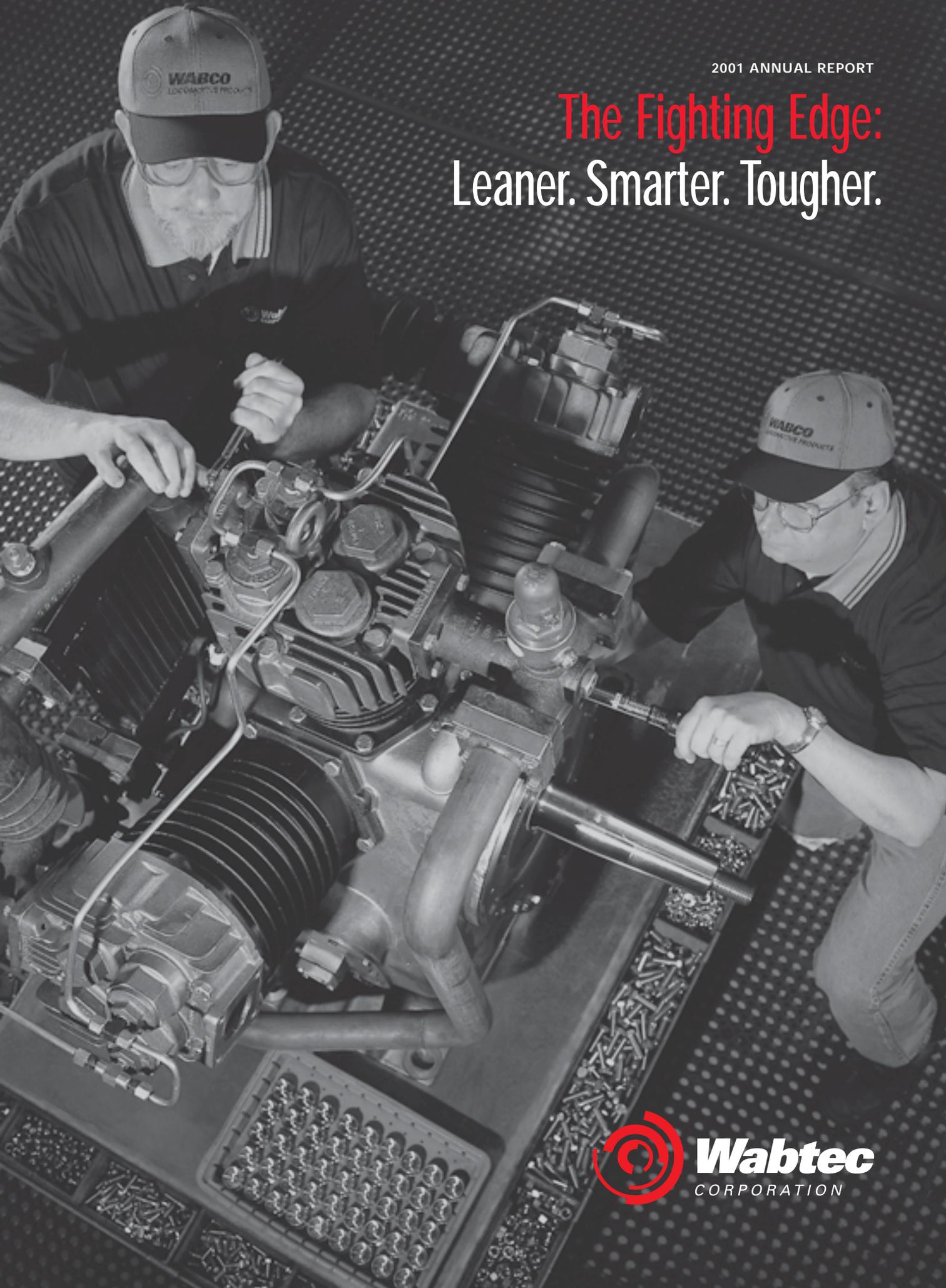


2001 ANNUAL REPORT

The Fighting Edge: Leaner. Smarter. Tougher.



 **Wabtec**
CORPORATION

WABTEC CORPORATION (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, and builds new switcher and commuter locomotives. Aftermarket products and services represent about 55 percent of sales. Wabtec's mission is to help its customers achieve higher levels of quality, safety and productivity so they can compete more effectively.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements and includes assumptions about future market conditions, operations and results. These statements are based on current expectations and are subject to risks and uncertainties. They are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Form 10-K filed with the Securities and Exchange Commission lists the factors that could cause actual results to differ materially from the forward-looking statements. In making these forward-looking statements, the company assumes no obligation to update them or advise of changes in the assumptions on which they were based.

On the Cover: Using manufacturing techniques from our Quality and Performance System (see pages 5-11), Wabtec's Jim Coulter (left) and Denny Yezerski assemble a locomotive compressor in our Wilmerding, Pa., facility.

We would like to thank the following additional Wabtec employees for appearing in this year's annual report: Gary Barton, Jeff Glasgow, Steve McFalls, Karla Mitchell, Pete Murden, Carl Tipton, Art Tortorice, Kimberly Watson, Bill Zeravica, Ron Zeravica.

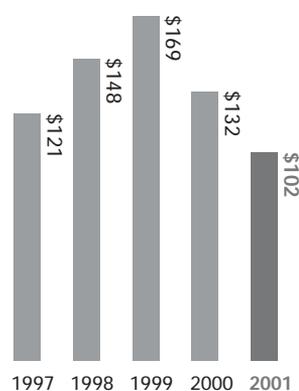
FINANCIAL SUMMARY

<i>(In Thousands, Except Per Share Data)</i>	Adjusted 2001	Adjusted 2000	Adjusted 1999	1998	1997
Net sales	\$783,698	\$811,178	\$844,079	\$790,672	\$648,019
EBITDA*	101,784	132,422	169,156	147,565	120,841
Net income from continuing operations*	21,065	35,605	60,730	63,752	40,158
Earnings per diluted share from continuing operations*	0.49	0.82	1.37	1.44	0.91
Cash earnings per diluted share from continuing operations*	0.68	1.01	1.57	1.59	1.05
Total debt	241,870	540,197	568,587	573,615	415,441
Shareholders' equity	245,271	196,371	181,878	144,076	65,285
Capital expenditures	20,674	23,173	24,067	39,084	34,446
Depreciation and amortization	33,061	32,416	33,292	30,245	29,255
Gross margin*	26.8%	29.5%	33.2%	31.5%	32.4%
Operating margin*	8.8%	12.3%	16.1%	14.8%	14.1%
Weighted average diluted shares outstanding	43,198	43,382	44,234	44,141	44,200

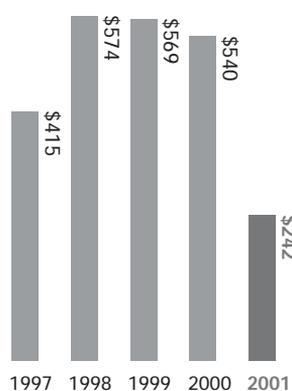
Prior periods were restated to exclude businesses sold and other businesses that Wabtec decided to exit in 2001. These businesses are classified as discontinued operations. Wabtec's Form 10-K includes a complete discussion of these items.

* Figures exclude charges for merger and restructuring (1999-2001), asset writedowns (2001), severance costs (2001), a legal settlement (2000), and the termination of an Employee Stock Ownership Plan (2000). Also excluded are gains from asset sales (2000-01) and tax credits (2001). Wabtec's Form 10-K includes a complete discussion of these items. Cash earnings are calculated as income before extraordinary item plus the after-tax effect of amortization.

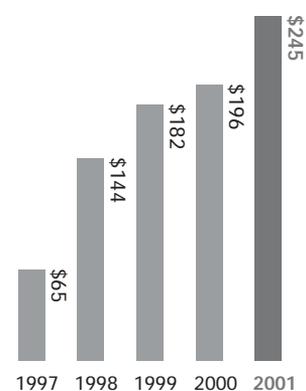
EBITDA*
(in Millions)



DEBT
(in Millions)



SHAREHOLDERS' EQUITY
(in Millions)



Fellow Shareholders

A year ago in this space, we wrote about the evolution of Wabtec and pledged to continue shaping the company into a world-class enterprise, one step at a time. But in 2001, we took some quantum leaps.

Perhaps this is most apparent when looking at Wabtec from a financial viewpoint. Earnings from continuing operations were lower than the prior year, as the worsening slump in the freight railroad supply industry and the downturn in the U.S. economy more than offset another record year for our transit business. Nonetheless, we met most of our other financial commitments. During 2001, we de-leveraged the company significantly by reducing debt by \$298 million, equivalent to nearly \$7 per share. About one-third, or \$111 million, of this debt reduction came from operations—exceeding our target by 11 percent. Because Wabtec remained profitable, generated cash and reduced debt, even as weakening conditions in the freight rail supply industry produced two public-company bankruptcies, our stock finished the year 5 percent higher, while the overall market declined.

We completed several major strategic actions in 2001. Most notably, we sold a portfolio of locomotive aftermarket assets to GE Transportation Systems for \$240 million in pre-tax cash, with the proceeds used to reduce debt. This transaction strengthened our strategic focus on providing proprietary original equipment products and then servicing these products in the aftermarket, rather than competing with certain customers in their aftermarket. In line with this strategy, the sale paved the way to substantial new business opportunities with key locomotive customers.

Operationally, we made significant progress in our journey to make Wabtec a lean-thinking corporation, especially through our Quality and Performance System (QPS). We trained all employees in QPS principles and held our second annual QPS Summit for all manufacturing managers. Corporate-wide, we instituted a set of common productivity and quality measures to track, for example, how many days' worth of inventory is in stock at each plant. By year-end, we had shaved 13 days off the corporate average, proving that what gets measured, gets done. We also improved corporate-wide productivity, as evidenced by a 13 percent reduction in employment compared to a sales decrease of only 3 percent.

We've highlighted three QPS success stories in the section that begins on page 5, but here are some others:

- We reduced inventory by \$31 million, in part by using a management tool we call Priority Deployment. This tool focuses all employees on achieving annual breakthrough objectives that support our longer-term, strategic goals.
- In our locomotive plant in Boise, we reorganized our engine rebuild line into a one-piece-flow operation and reduced production time by more than 25 percent.
- Using a process called Single-Minute Exchange of Dies, our bus door plant in Chicago reduced changeover time in its machining centers from 75 minutes to seven.
- Our rubber plant in the Pittsburgh area devised a way to trim gaskets automatically during molding, resulting in an annual cost savings of \$1 million.

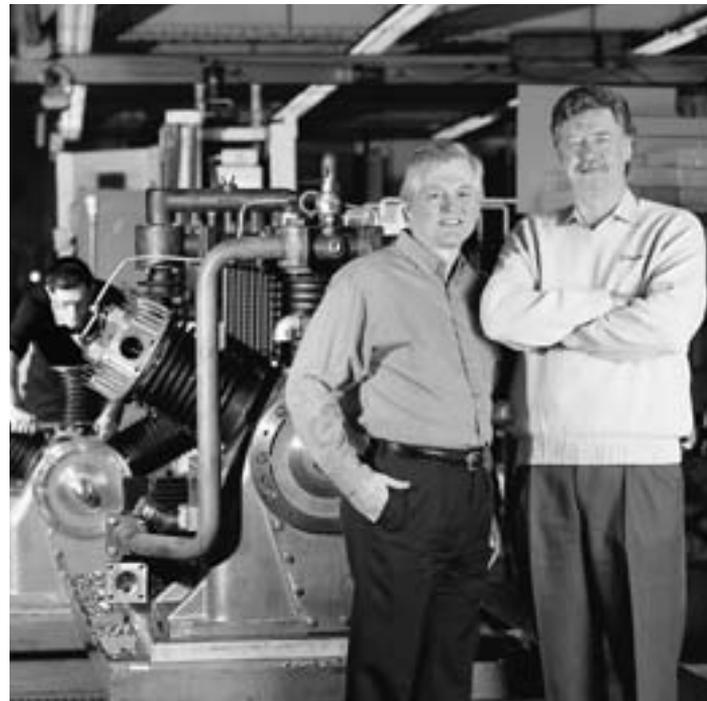
- Every Wabtec plant began Total Productive Maintenance, a technique that improves equipment performance by establishing daily, visually controlled maintenance steps that can be completed by the machine's operator in minutes. This program extends the life of our equipment and improves its efficiency, and is one reason we can maintain capital spending at about two-thirds of depreciation and amortization without affecting future growth potential.

We accomplished these financial, strategic and operational breakthroughs during a year in which the freight rail supply industry continued to weaken. This gives us confidence in Wabtec's ability to leverage our gains when this market rebounds.

To further ensure that Wabtec is positioned to benefit from a stronger market, we have developed a four-point strategic plan to build our business. First, we want to become a true Tier I supplier to manufacturers of original equipment. Second, we plan to expand globally. Third, we are accelerating new product development. And fourth, we will become a world-class, lean-thinking corporation.

Why become a Tier I supplier? Because our customers want us to, and because our company-wide product capabilities will enable us to. To achieve this goal, we must focus on integrating our electrical, pneumatic and mechanical technologies across business units. In doing so, we will have few, if any, competitors to challenge the breadth and depth of our product line, and we will be adding more high-value products to our mix. Today, we are actively pursuing projects that fit this model.

DURING 2001, WE DE-LEVERAGED THE COMPANY BY REDUCING DEBT BY \$298 MILLION, COMPLETED SEVERAL MAJOR STRATEGIC ACTIONS AND MADE SIGNIFICANT PROGRESS IN OUR JOURNEY TO MAKE WABTEC A LEAN-THINKING CORPORATION.



BILL KASLING (LEFT) AND GREG DAVIES

To expand globally, we will look at a combination of internal and external growth opportunities. Internally, we seek new markets for our existing products, such as our contract to supply electronic event recorders in the U.K., and we will develop new or modified products to fit specific markets. We also explore opportunities to form alliances, such as our joint venture in China to build bus doors, and we will pursue acquisitions that fit our strict investment criteria. We are confident that these efforts will help us to continue to grow non-NAFTA revenues from about 15 percent of sales to at least 20 percent in three years, compared to less than 5 percent when we went public in 1995.

Similarly, we expect new products to fuel future growth, so we have accelerated the development of practical, incremental products that can help our customers today. In 2001, we rolled out a new Product Development System to ensure higher quality at product launch and to improve efficiency when we pursue large opportunities that require the resources of multiple business units. This system will help us to get the most from our R&D dollars by instilling discipline, standard work and a focus on the highest-return projects.

We are, for example, particularly excited about our ramp car, a new system for intermodal transportation that saves fuel, capital costs and labor. The ramp car will help railroads work cooperatively with trucking companies to offer scheduled trailer service for 300-to-1,000 mile runs, a \$100 billion segment of the intercity transportation market.

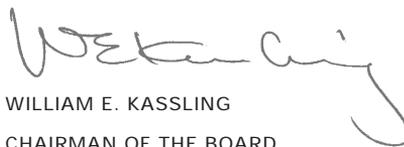
Finally, we will continue to be relentless in pursuit of lean principles, as we sharpen the fighting edge that makes us leaner, smarter and tougher. At Wabtec, we define that edge by lean thinking: the never-ending drive to eliminate waste. When applied, lean thinking pervades every

activity of every person working at the company, as we continuously ask them to perform their jobs better today than they did yesterday. Why be lean? Because we need to be focused always on delivering better safety, quality, delivery, cost and performance so our customers can be more competitive, and so our shareholders and employees can remain fiercely loyal to Wabtec.

We will continue to face very challenging conditions in certain markets in 2002, particularly the new locomotive and new freight car segments, where industry delivery rates could be 40 percent lower than in 2001. We expect our transit business, however, to remain strong, and we will also benefit from significantly lower interest expense due to our lower debt level.

As we face these challenges and opportunities, our commitment to you is the same: We will attack our markets and our internal improvement programs with passion and purpose, as we strive to build our company into a world-class enterprise — one step at a time and, occasionally, by quantum leaps.

In closing, we want to thank two directors who retired from Wabtec's board in 2001, Gil Carmichael and Jim Huntington Jr. For many years, they represented our shareholders' interests with energy and insight. We also thank you for your continued support and your investment in Wabtec.



WILLIAM E. KASSLING
CHAIRMAN OF THE BOARD



GREGORY T. H. DAVIES
PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Fighting Edge: Leaner. Smarter. Tougher.

TO BE SUCCESSFUL IN TODAY'S CHALLENGING MARKET, AND TO POSITION WABTEC TO PROSPER IN THE FUTURE, WE NEED TO IMPROVE OUR BUSINESS AND MANUFACTURING PROCESSES EVERY SINGLE DAY. WE NEED TO SHARPEN THE FIGHTING EDGE THAT MAKES US LEANER, SMARTER AND TOUGHER. AT WABTEC, THAT EDGE IS DEFINED BY LEAN THINKING — THE NEVER-ENDING DRIVE TO ELIMINATE WASTE.

WE APPLY LEAN THINKING THROUGH OUR QUALITY AND PERFORMANCE SYSTEM (QPS), WHICH HELPS US MEET CUSTOMER EXPECTATIONS, GET THE MOST OUT OF OUR ASSETS, AND GENERATE INCREASED PROFITS AND CASH FLOW. WE DRIVE QPS THROUGHOUT THE COMPANY USING A THREE-STEP APPROACH: VALUE STREAM MAPPING, TRAINING AND KAIZEN.

LEANER: Value Stream Mapping leads the way to lean. We use this paper-and-pencil exercise to illustrate every step in the flow of information and materials, and to clearly identify duplicate efforts, unnecessary tasks and bottlenecks. The map then helps us to determine the ideal future state of the process. Value Stream Mapping is where we get leaner.

SMARTER: We attack waste by learning and applying the best QPS tools to solve the problems at hand. Training modules exist for tools such as Standard Work, which documents the best-known way to complete a task to achieve consistent, quality output. Training helps us work smarter.

TOUGHER: Once we've identified possible solutions, our bias toward action takes over. At Kaizen events, we take the process apart and literally move machines and people to make it better, while improving the safety and quality of work life for employees. The new process then becomes the standard, until we discover other improvements, again and again. Kaizen makes Wabtec tougher.



Meeting Customer Expectations

NORTH AMERICAN RAILROADS WORK HARDER THAN EVER TODAY TO IMPROVE THE PRODUCTIVITY OF THEIR EQUIPMENT TO GAIN MARKET SHARE AND REDUCE COSTS. THAT MEANS MORE DEMANDS ON SUPPLIERS LIKE WABTEC. QPS PROVIDES US WITH EFFECTIVE TECHNIQUES TO HELP OUR CUSTOMERS MEET THEIR GOALS, WHILE SIMULTANEOUSLY IMPROVING OUR OWN OPERATIONS.

Locomotive air brake valves, which control the compressed air used to stop a train, must be re-qualified every three years to meet the Association of American Railroads' standards. WABCO Locomotive Products performs this required "clean, oil and test" procedure for railroad customers. To help those customers meet increasing demands on their fleets, WABCO Locomotive Products used Value Stream Mapping to service valves faster.

The map showed a detailed flow of material and information, and revealed that the used valves were received, cleaned, reconditioned and returned to the customer in a batch-processing fashion by valve type. During the 10-day process, the valves were often sitting, waiting and being moved around.

"When we put the process on paper, we immediately saw many opportunities to reduce the turnaround time by increasing communication, improving inventory management and streamlining production," said Bill Zeravica, operations manager for WABCO Locomotive Products.

First, the QPS team determined the number of reconditioned valves the railroad service centers need each day. Through daily communication with these locations, WABCO Locomotive Products now replenishes only what is needed. Also, the customers now ship smaller quantities of used

valves to us several times per week, instead of large batches a few times a month. This process ensures a more predictable flow of material and is closer to our goal of Just-In-Time.

Inside our plant, batch processing gave way to one-piece-flow manufacturing. One person rebuilds and tests many different types of valves instead of just one or two. This required significant changes to the shop floor, as well as cross training of the operators involved, creating a more flexible system.

These changes improved turnaround time by 80 percent. But, in the spirit of continuous improvement, we plan to incorporate point-of-use, electronic inventory management software, provided by Wabtec Transportation Technologies, to make the process even better.

A Kaizen team used pencil and paper to map a new process for servicing brake valves.





Increasing Productivity

ACHIEVING MORE WITH LESS IS A MAJOR BENEFIT OF LEAN THINKING. SO WHEN OUR U.K.-BASED UNIT, WABTEC RAIL, WAS AWARDED A CONTRACT TO MANUFACTURE SPECIALTY, MAINTENANCE-OF-WAY RAIL VEHICLES ON A TIGHT DELIVERY SCHEDULE AND WITH BELOW-AVERAGE PROFITABILITY, WE OPENED THE QPS TOOLBOX. BY YEAR-END, THESE TECHNIQUES HAD HELPED THE COMPANY SUCCESSFULLY INCREASE PRODUCTION CAPACITY AND LOWER COSTS WITH VIRTUALLY NO INVESTMENT.

Early in 2001, Wabtec Rail received an order to build 190 high-output ballast system (HOBS) maintenance-of-way units for Railtrack, which owns the rail infrastructure in the U.K. These state-of-the-art vehicles would support the construction of a new high-speed Channel Tunnel rail link from the south coast of England to London.

“Railtrack recognized our innovative vehicle design was uniquely suited to their demanding construction program,” said Wabtec Rail’s Managing Director John Meehan. “But the aggressive delivery schedule meant we had to substantially expedite our production. QPS helped us achieve an unprecedented level of productivity.”

A Value Stream Map identified the need to balance the flow of work among the electrical wiring, door-operating system and air brake assembly areas. Detailed sub-assembly work was moved off the main production line, then further streamlined. This eliminated bottlenecks and reduced overall production time by 30 percent by allowing many tasks to be conducted simultaneously in controlled, more-efficient work cells, with the required tools and materials close by.

Lean thinking also produced simple solutions, such as when the QPS team determined the number of screws required to attach exterior lighting boxes could be reduced by 60 percent—without compromising the design specifications.

Lean thinking helped us to speed production of specialty, maintenance-of-way vehicles.



QPS enabled Wabtec Rail to reduce labor and related costs by 15 percent and expand capacity by more than 50 percent with virtually no capital expenditures. Wabtec Rail delivered the vehicles on time, and the contract actually generated an operating profit near the corporate average.

Railtrack’s Project Director, Mike Hames, said, “We had to set a tight delivery schedule for the HOBS vehicles because they were critical to fulfilling Railtrack’s commitments. I am delighted Wabtec Rail rose to the challenge by delivering on time, meeting our demanding quality requirements and staying within budget.”



Generating Cash

IF AT FIRST YOU SUCCEED, TRY, TRY AGAIN... AND AGAIN. THAT'S THE ESSENCE OF CONTINUOUS IMPROVEMENT, AND WABTEC'S TRANSIT PRODUCTS PLANT IN SPARTANBURG, S.C., EMBRACES THIS PHILOSOPHY. IN THE PAST FIVE YEARS, THE PLANT HAS HELD MORE THAN 50 KAIZENS AND DOCUMENTED QUANTIFIABLE IMPROVEMENTS EACH TIME. BUT IN 2001, A QPS TEAM DUG INTO THE TREAD BRAKE MANUFACTURING LINE AND HIT PAYDIRT.

In the transit business, there's no such thing as one size fits all, because each transit authority writes its own vehicle specifications. Suppliers must be willing to handle small production runs and to carry large varieties of raw materials.

For example, Spartanburg builds up to 25 different styles of tread brakes, a key component in a transit car's braking system. Some of the raw materials are common to each style; others are unique to certain styles. As orders fluctuate, the plant has often found itself with too much inventory of some materials, and not enough inventory of others.

"We had already held at least seven Kaizen events for this product line, so productivity was improving, but this time we were really looking to make a step-function improvement," said John Meister, executive vice president of the Transit Group.

A five-person QPS team recommended the solutions. First, create a "U-shaped" work cell to assemble the tread brakes. Then, locate the cell next to the equipment that machines all of the components required to make a tread brake. By doing so, operators became more focused on finishing only the required number of castings, and on increasing the productivity of the entire system. For example, modifications to the equipment's tooling and fixturing reduced machining time by 40 percent.

We have made continuous improvements in building tread brakes (left) and current collectors.

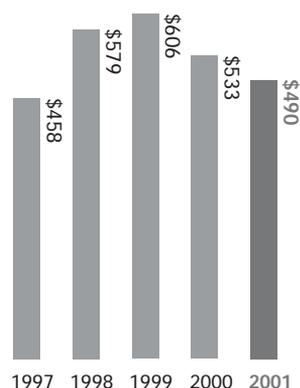
The team's next recommendation was to reorganize storage of tread brake parts. Common parts were placed in color-coded bins in the work cell, in the sequence in which they would be needed for assembly. Non-common parts were stocked together in one location, also in sequence. As a result, the plant cut its inventory of common parts in half, and it now takes 30 minutes to pull a kit of parts, rather than four hours.

These and other improvements, helped Spartanburg improve cash flow and working capital during 2001, even as sales grew 20 percent. Producing cash from working capital when sales are growing is a significant success and a testament to the plant's determination to try, try again.



Freight Group

NET SALES
(in Millions)



2001 RESULTS

SALES DECREASED 8 PERCENT, AS INDUSTRY DELIVERIES OF NEW FREIGHT CARS AND LOCOMOTIVES DROPPED SIGNIFICANTLY. IN ADDITION, THE SLOWING U.S. ECONOMY HAD A NEGATIVE IMPACT ON RAILROAD CARLOADINGS, DOWN ABOUT 1 PERCENT. AS A RESULT, RAILROADS CONTINUED TO PARK SURPLUS EQUIPMENT AND REDUCE AFTERMARKET PURCHASES.

2001 HIGHLIGHTS

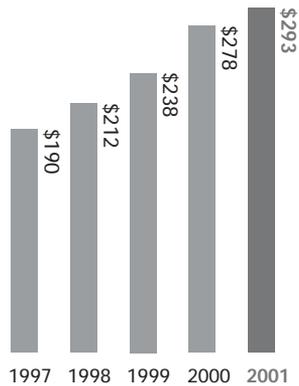
The group offset the North American market slowdown by growing international sales, including \$21 million contract in U.K. (see page 8)... In Australia, supplied braking equipment on more than 500 iron ore cars and sold PowerLink Distributed Power system for coal line...Received orders for radiators in Australia, Spain, Israel, the U.K. and India... Supplied reconfigured air brake for production of locomotives by KOROS in Korea...Sold first locomotive electronics system (QES 1000) in Brazil and received \$6 million order from U.K.-based Angel Trains for 1,200 event recorders to convert existing fleet...Awarded \$1.2 million contract from the U.K.'s Brush Traction for five remanufactured engines, with option for additional 15.

Innovative ramp car, a new system for intermodal transportation, received regulatory and government approvals, and is expected to be placed in revenue service in 2002, offering railroads an opportunity to increase market share...Railroad Friction Products Corporation renewed a three-year, \$12 million contract with Amtrak for disc pads and brake shoes; and obtained AAR approval for its Low Friction shoe, which offers significant savings and improved safety for customers... Penetrated new markets by selling generator-set radiators for peak-shaving power plant in California; a radiator/charge air cooler package for emissions-certified transit buses; and mechanically bonded radiators and oil coolers for large mining equipment.

Expanded electronics business in service centers...Developed a generator-powered, end-of-train device to replace battery-powered units, and sold 200 sets to Union Pacific...Joined with CSX to develop the Engine Run Manager, an innovative control system that reduces locomotive emissions and fuel consumption while the engine idles... Began work on \$80 million contract to build 26 new commuter locomotives for Metra, with units to be delivered during next two years. Locomotives will be compliant with Tier I emissions standards.

Transit Group

NET SALES
(in Millions)



2001 RESULTS

SALES INCREASED 5 PERCENT, THE EIGHTH CONSECUTIVE YEAR THE GROUP GENERATED HIGHER SALES. THE INCREASE WAS PRIMARILY DUE TO STRONG DELIVERIES OF COMPONENTS FOR NEW YORK CITY SUBWAY CARS.

2001 HIGHLIGHTS

Continued to serve as major components supplier for New York City's new subway cars, being built by Bombardier and Kawasaki...Supplied components for 700 new subway cars placed in service during the year, and booked additional components sales of \$60 million for another 470 cars, including door operating equipment and controls/panels, brakes, couplers and current collectors...Began revenue-testing of brake and door equipment for new Communications-Based Train Control vehicles on New York City's Canarsie Line.

Reorganized door business to create market-focused centers of excellence in Montreal (rail) and Chicago (bus)...Awarded \$15 million order from Sumitomo Corporation of America for 300 sets of door operating and control equipment, brakes and couplers for installation on new Metra commuter cars...Bought Milufab, a rail door panel manufacturer, to become a complete door-systems supplier...Awarded order to supply doors for 28 new light-rail vehicles in Pittsburgh.

Delivered 500 sets of bus doors to Irisbus for installation on new buses in Rome...Delivered first production units of electric door actuators for school buses for AmTran, a division of Navistar International, and first production units of CLASS (Contact-Less Acoustic Sensing System) doors for transit buses for Orange County Transportation Authority... Established joint venture in China with Jiangsu Jinhu Automobile Parts Company to manufacture and market bus door equipment for the Chinese market.

Awarded contract to supply new, chilled-water air conditioning system, which uses less freon than conventional systems, to Wales & Borders Railway...Developing low-profile, roof-mounted HVAC unit with advanced controls, as part of qualification process for upcoming New York City order.

CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In Thousands)</i>	2001	Adjusted 2000	Reported 2000
Assets			
Current Assets			
Cash	\$ 53,949	\$ 5,721	\$ 6,071
Receivables	106,527	149,733	194,379
Inventories	104,930	135,516	202,828
Other current assets	30,288	42,498	44,277
Total Current Assets	295,694	333,468	447,555
Property, plant and equipment, net	167,695	176,905	214,645
Intangibles and other assets	266,563	265,923	321,847
Total Assets	\$ 729,952	\$ 776,296	\$ 984,047
Liabilities and Shareholders' Equity			
Current liabilities, excluding debt	\$ 185,439	\$ 158,499	\$ 189,905
Total debt, including current portion	241,870	540,197	540,197
Other liabilities	57,372	47,624	57,574
Shareholders' equity	245,271	29,976	196,371
Total Liabilities and Shareholders' Equity	\$ 729,952	\$ 776,296	\$ 984,047

The adjusted 2000 column represents the removal of discontinued operations.

The company strengthened its balance sheet substantially in 2001, primarily by reducing debt by \$298 million. Wabtec achieved this debt reduction through a combination of cash flow from operations, about \$111 million, and the sale of assets to GE Transportation Systems for \$240 million in pre-tax cash. In 2002, the company expects to continue to generate positive cash flow for debt reduction, stock repurchases and/or acquisitions.

Excluding the discontinued operations, in 2001 the company reduced RECEIVABLES, net of payables, by \$47 million and INVENTORIES by \$31 million, as the company implemented focused plans to reduce working capital.

TOTAL ASSETS decreased \$46 million, excluding the discontinued operations.

As previously discussed, TOTAL DEBT decreased \$298 million. As a result, the company's debt-to-equity ratio at the end of the year was 50 percent, compared to 73 percent at the end of 2000.

SHAREHOLDERS' EQUITY increased 25 percent, through debt reduction and the company's earnings.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In Thousands, Except Per Share Data)</i>	Adjusted 2001	Reported 2001	Adjusted 2000	Reported 2000	Adjusted 1999	Reported 1999
Net Sales	\$ 783,698	\$ 783,698	\$ 811,178	\$ 811,178	\$ 844,079	\$ 844,079
Cost of sales	(573,772)	(573,772)	(571,503)	(575,516)	(563,960)	(569,169)
Gross Profit	209,926	209,926	239,675	235,682	280,119	274,910
Selling, general and administrative expenses	(95,034)	(96,723)	(94,757)	(94,757)	(96,082)	(96,082)
Merger and restructuring charges	—	(3,723)	—	(18,202)	—	(42,903)
Engineering expenses	(33,156)	(33,156)	(32,297)	(32,297)	(34,414)	(34,414)
Asset writedowns	—	(9,253)	—	—	—	—
Amortization expense	(13,013)	(13,013)	(12,615)	(12,615)	(13,759)	(13,759)
Total Operating Expenses	(141,203)	(155,868)	(139,669)	(157,871)	(144,255)	(187,158)
Income From Operations	68,723	54,058	100,006	77,791	135,864	87,752
Other income and expenses						
Interest expense	(33,501)	(33,501)	(43,649)	(43,649)	(41,990)	(41,990)
Other income (expense), net	(2,815)	(2,130)	(724)	3,776	428	428
Income from continuing operations before income taxes and extraordinary item	32,407	18,427	55,633	37,918	94,302	46,190
Income tax expense	(11,342)	(4,465)	(20,028)	(18,718)	(33,572)	(21,687)
Income from continuing operations before extraordinary item	21,065	13,962	35,605	19,200	60,730	24,503
Discontinued operations						
Income from discontinued operations, net of tax	6,360	6,360	6,193	6,193	13,439	13,439
Gain on sale of discontinued operations, net of tax	41,458	41,458	—	—	—	—
Total discontinued operations	47,818	47,818	6,193	6,193	13,439	13,439
Income before extraordinary item	68,883	61,780	41,798	25,393	74,169	37,942
Extraordinary loss on extinguishment of debt, net of tax	—	—	—	—	(469)	(1,319)
Net Income	\$ 68,883	\$ 61,780	\$ 41,798	\$ 25,393	\$ 73,700	\$ 36,623
Earnings Per Diluted Share						
Income from continuing operations before extraordinary item	\$ 0.49	\$ 0.32	\$ 0.82	\$ 0.45	\$ 1.37	\$ 0.55
Income from discontinued operations	1.11	1.11	0.14	0.14	0.31	0.31
Extraordinary item	—	—	—	—	(0.01)	(0.03)
Net Income	\$ 1.60	\$ 1.43	\$ 0.96	\$ 0.59	\$ 1.67	\$ 0.83

Prior periods were restated to exclude businesses sold and other businesses that Wabtec decided to exit in 2001. These businesses are classified as discontinued operations. Wabtec's Form 10-K includes a complete discussion of these items.

In 2001, the company's adjusted earnings from continuing operations decreased, primarily due to lower sales volumes, an unfavorable product mix and pricing pressures, which more than offset lower interest expense.

NET SALES decreased 3 percent, as lower sales in the Freight Group offset higher sales in the Transit Group (see pages 12-13).

ADJUSTED GROSS PROFIT decreased 12 percent, and the company's adjusted gross margin was 26.8 percent in 2001, compared to 29.5 percent in 2000. The decreases were due to lower sales, an unfavorable product mix and pricing pressures.

ADJUSTED OPERATING EXPENSES increased only 1 percent, as the company continued to focus on cost reduction programs, which helped to offset a 3 percent increase in engineering expenses for new product development.

ADJUSTED INCOME FROM OPERATIONS decreased 31 percent for the reasons mentioned previously.

As a result of the company's debt reduction throughout the year, INTEREST EXPENSE decreased 23 percent in 2001. ADJUSTED INCOME TAX EXPENSE was recorded at a rate of 35 percent in 2001 and 36 percent in 2000. For the reasons discussed previously, ADJUSTED INCOME FROM CONTINUING OPERATIONS decreased 41 percent.

The company had INCOME FROM DISCONTINUED OPERATIONS of \$47.8 million in 2001, primarily due to a gain of \$48.7 million on the asset sale to GE Transportation Systems.

NET INCOME was 65 percent higher in 2001, primarily due to the asset sale.

ADJUSTED EARNINGS PER DILUTED SHARE FROM CONTINUING OPERATIONS were 40 percent lower for the reasons mentioned previously.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In Thousands)</i>	2001	2000	1999
Reported net income	\$ 61,780	\$ 25,393	\$ 36,623
Depreciation and amortization	33,061	32,416	33,292
Discontinued operations	(49,031)	(11,329)	7,233
Asset writedowns, including deferred tax asset	2,975	7,955	9,122
Other	681	46	14,304
Changes in operating assets and liabilities	69,631	5,733	(23,185)
Cash provided by operating activities	119,097	60,214	77,389
Capital expenditures	(20,674)	(23,173)	(24,067)
Acquisitions of businesses, net of cash acquired	(3,730)	(650)	(14,472)
Cash received from asset sales	245,020	5,500	—
Other investing activities	6,797	(3,162)	(27,832)
Cash provided by (used for) investing activities	227,413	(21,485)	(66,371)
Changes in debt	298,280	(28,390)	(5,028)
(Purchase of) proceeds from treasury stock, net of proceeds from the issuance of stock under stock-based benefit plans	2,774	(7,924)	(5,719)
Cash dividends	(1,681)	(1,695)	(986)
Cash used for financing activities	(297,187)	(38,009)	(11,733)
Effect of changes in currency exchange rates	(1,445)	(1,705)	(1,212)
Increase (decrease) in cash	47,878	(985)	(1,927)
Cash at beginning of year	6,071	7,056	8,983
Cash at end of year	\$ 53,949	\$ 6,071	\$ 7,056

Prior periods were restated to exclude businesses sold and other businesses that Wabtec decided to exit in 2001. These businesses are classified as discontinued operations. Wabtec's Form 10-K includes a complete discussion of these items.

CASH PROVIDED BY OPERATIONS doubled to \$119 million in 2001, primarily due to lower receivables and inventories, as the company focused on reducing working capital during the year.

CASH PROVIDED BY INVESTING ACTIVITIES was \$227 million, compared to a use of cash of \$22 million in 2000. Most of this cash in 2001 was provided by the sale of assets to GE Transportation Systems for \$240 million in pre-tax proceeds. In addition, capital expenditures continue to be significantly less than depreciation and amortization as a result of our Quality and Performance System (QPS) efforts.

CASH USED FOR FINANCING ACTIVITIES was \$297 million, as the company used the proceeds from the GE asset sale, as well as operating cash flow, to reduce debt. The company had a CASH BALANCE at year-end of \$54 million, a majority of which was used in the first quarter of 2002 to pay taxes on the gain from the GE asset sale.

BOARD OF DIRECTORS

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Special Projects – Ramp Car

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Manufacturing
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Boise, ID

Ronald L. Witt
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Wabtec Australia
Sydney, Australia

Anthony J. Carpani
Vice President
Group Executive,
Friction

Frederick J. Grejda
Vice President and
General Manager
*Railroad Friction Products
Corp.*
Laurinburg, NC
*Greysham Railway Friction
Products*
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Jean Pierre Schild
General Manager
Cobra Europe
Schweighouse, France

Peter Turner
Managing Director
Futuris Brakes International
Sydney, Australia
Allied Friction
Melbourne, Australia
Pioneer Friction Products
Calcutta, India

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Transit Group
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Service Centers
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Vapor Bus International
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Jinwu Control Systems
Nanjing, China

Anthony J. Walsh
Managing Director
Vapor-Stone U.K.
Burton-On-Trent, U.K.



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CORPORATE INFORMATION

TRANSFER AGENT AND REGISTRAR

Our transfer agent is responsible for shareholder records, issuance of stock certificates and distribution of dividends and I.R.S. forms 1099. Your requests, as shareholders, concerning these matters are most efficiently answered by communicating directly with our transfer agent and registrar:

Mellon Investor Services LLC
85 Challenger Road
Overpeck Centre
Ridgefield Park, NJ 07660
Phone: 800.756.3353

STOCK EXCHANGE LISTING

New York Stock Exchange
Ticker Symbol: WAB

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP
Pittsburgh, PA

GENERAL COUNSEL

Reed Smith LLP
Pittsburgh, PA

FORM 10-K

To obtain a copy of the company's Form 10-K annual report write to:
Investor Relations Department
Wabtec Corporation
1001 Air Brake Avenue
Wilmerding, PA 15148

ANNUAL MEETING

May 22, 2002, 11 A.M.
Omni William Penn
Pittsburgh, PA