



M a n a g i n g

M o m e n t u m

2002 Annual Report

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 reliability, safety and productivity so they can compete more effectively.

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.

At Wabtec, we are managing m o m e n t u m .

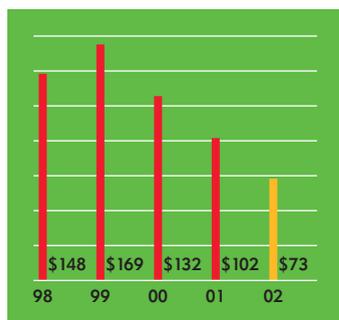
Quite literally, our transportation industry customers use Wabtec products and services to manage the momentum—the speed of movement—of their equipment. But we're also carefully managing the increasing momentum of our corporation and the industry—with a focused, determined strategy. That strategy takes the form of an innovative thrust for new products and services; an agile structure to support evolving customer requirements; a clear direction in pursuit of international growth; and a dedicated team of people who are committed to continuous improvement.

Financial Summary

(In Thousands, Except Per Share Data)	2002	Adjusted 2001	Adjusted 2000	Adjusted 1999	1998
Net sales	\$696,195	\$783,698	\$811,178	\$844,079	\$790,672
EBITDA*	73,047	101,784	132,422	169,156	147,565
Net income from continuing operations*	17,513	21,065	35,605	60,730	63,752
Earnings per diluted share from continuing operations*	0.40	0.49	0.82	1.37	1.44
Cash earnings per diluted share from continuing operations*	0.48	0.68	1.01	1.57	1.59
Total debt	195,151	241,870	540,197	568,587	573,615
Shareholders' equity	199,262	245,271	196,371	181,878	144,076
Capital expenditures	14,137	20,674	23,173	24,067	39,084
Depreciation and amortization	25,513	33,061	32,416	33,292	30,245
Gross margin*	25.8%	26.8%	29.5%	33.2%	31.5%
Operating margin*	6.8%	8.8%	12.3%	16.1%	14.8%
Weighted average diluted shares outstanding	43,617	43,198	43,382	44,234	44,141

* Figures are intended to provide results from normalized operations and, therefore, exclude charges and gains that the company considers to be non-operating and/or non-recurring. 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) are excluded. 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.

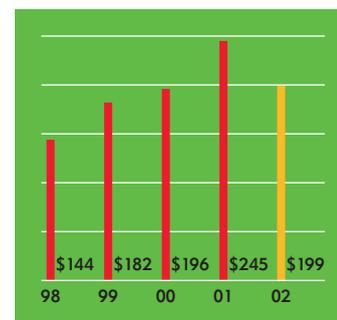
EBITDA* (in millions)



Debt (in millions)



Shareholders' Equity (in millions)





AS A SALESMAN for the Missouri and Pacific Railroad, my father was unusual: he lost market share and never got fired. Of course, the entire freight rail industry lost market share, too, slipping from about 70 percent of intercity freight traffic to about 35 percent. Since then, the industry has clawed back to about 40 percent, which makes my track record only marginally better than my father's.

But, at least I am still working to change that. Which is where Wabtec and other rail suppliers come in.

Together, we must build momentum for our customers by helping them to reclaim lost market share; improve safety; increase quality, productivity and efficiency; and reduce costs. They will then become more competitive, providing ample growth opportunities for all.

Wabtec has products to help. Our Electronic Train Management System, for example, features Positive Train Control, as well as electronic braking and monitoring. Our ramp car, an innovative system for intermodal transportation, enables freight railroads to pursue a \$100 billion market segment (three times annual railroad revenues) that is dominated by trucks today. With efficient railroad performance, trucks would willingly convert to rail to save money.

Just one percentage point of market share could mean an additional \$4 billion of revenues for freight railroads. They would almost certainly use a portion of those incremental revenues to fund growth opportunities, which would translate into more revenues for suppliers. That would give us more capital to invest in new products to make the railroads even more competitive. Which might enable the railroads to capture another point of market share, which...you get the idea.

My father could never envision that kind of momentum in the rail industry. But as chairman of Wabtec, I know we're poised to help make that vision a reality.



William E. Kassling
Chairman of the Board

Fellow

IN A YEAR WHEN economic weakness, corporate and Wall Street scandals, and fears of war and terrorism grabbed the headlines, I am proud to say we aggressively and methodically went about the business of making Wabtec a stronger company. In the process, we generated momentum to propel us forward in the future.

We did so despite another tough year in our freight rail market and a slowdown in our transit business (see pages 4, 9). These factors combined to put pressure on sales, which were 11 percent lower than the previous year, and on earnings per diluted share, which decreased to 40 cents from an adjusted 49 cents in the prior year.

Even so, in 2002 we made progress in our drive to strengthen the company. Real progress, of course, is measured first in cash.

For the year, we generated \$42 million of free cash flow, equal to nearly \$1 per share. We used this cash primarily to reduce debt, which stood at \$176 million, net of cash, at year-end—the lowest figure since we became a public company in 1995 and nearly \$400 million below our high-water mark in 2000. Half of that debt reduction came from an asset sale in 2001, but the other half came from operations, as we have managed to remain profitable while reducing working capital, despite a prolonged and severe downturn in some of our key markets.

This significant debt paydown has clearly improved the company's financial strength in uncertain economic times. And, we believe it was a major reason that our stock substantially outperformed the broader market in 2002. We are

targeting another \$40 million of free cash in 2003, which we expect to use for additional debt reduction or, possibly, strategic acquisitions.

Wabtec also strengthened its factory operations in 2002.

We track four key performance metrics monthly across all of our operations, and we achieved improvements in each. We improved quality, as measured by first-time pass rate, 23 percent. On-time delivery improved 27 percent. Productivity on our shop floors increased 4.7 percent. And we reduced our days' supply of inventory by 10 percent. We strive for continuous improvement in each of these metrics, so we have set stretch goals again for 2003 and will work hard to achieve them by using the lean principles and tools in our Quality and Performance System (QPS) and electronic Product Development System (e-PDS).

Also during 2002, we set out to reduce raw material costs by \$7 million. By using our Priority Deployment management tool, we reached 93 percent of our goal through reverse auctions

"We are aggressively and methodically making Wabtec a stronger company, which is generating momentum for the future."

and negotiating preferred contracts with suppliers. We are targeting similar cost reductions in 2003.

In several key areas, we also strengthened Wabtec's strategic position (see pages 5-8). Our core strategies remain the same: accelerate development of new products and services; become a Tier 1 supplier; increase international sales; and drive continuous improvement through lean principles.

We are convinced that those strategies, combined with a high-performance culture, will provide the momentum necessary to drive the company forward. To that end, we are establishing programs to build that culture, such as our e-PDS.

Using e-PDS we monitor and review the progress of every new product program to ensure the highest-possible quality at product launch—on-time, on-budget and truly responding to the voice of the customer throughout the process. The system mandates internal discipline and standard work, improves cooperation in programs that require multiple business units and helps us to invest in projects that will generate appropriate returns. The system can do for our new product programs what

part on this growth, we are forecasting higher earnings in 2003.

The locomotive market seems poised to recover in 2004, as federal government emission standards stimulate new orders. And the transit market anticipates a boost the next year, when deliveries begin for another major subway car order that has already been placed by New York City. Given this scenario, we could be in the enviable position in late 2004 of experiencing growth in all of our key markets for the first time.

For the past several years, we have worked aggressively to strengthen Wabtec and to position the company to benefit from a market rebound. With recovery in sight, we are very optimistic about our future prospects and look forward to demonstrating substantially more progress in the coming months and years.

In closing, I want to thank two members of the Wabtec team for their invaluable contributions to the company.

Jim Kelley resigned as a Wabtec board member in 2002, after serving in that capacity for 12 years. He provided strategic vision and critical financial expertise, and has always been a passionate activist for shareholder value.

QPS has done for our manufacturing operations.

Although we will continue to face challenging market conditions in 2003, we are beginning to see indications of improvement. For example, we expect the freight car market to improve this year, albeit from a low base. Based in

Greg Davies visits Wabtec's Pioneer Friction subsidiary in India.

In February 2003, we announced the next step in an orderly management transition that began when I was named chief executive officer in 2001. Bob Brooks, our chief financial officer, announced that he was stepping down to become executive vice president of Strategic Development. In this role, he will advise the company on a variety of strategic issues, as well as work closely with our internal audit group and the Audit Committee of the board. He will also remain a board member. As our CFO for many years, Bob played a crucial leadership role in the growth and success of Wabtec; and we can't thank him enough for his vital contributions.

Succeeding Bob is Alvaro Garcia-Tunon, who has been with the company since 1995 and has demonstrated excellent capabilities in a series of increasingly important assignments in our finance organization. Alvaro is well known in the financial community as a result of his duties in treasury and investor relations, and we expect a very smooth transition.

On behalf of our management team and the Board of Directors, I want to thank you for your continued investment in Wabtec. We will continue to work diligently to live up to your expectations by effectively managing the momentum that we generated in 2002.



Gregory T.H. Davies
President and Chief Executive Officer

Shareholders



2002 Highlights

Freight Group

Net Sales (in millions)



2002 Results

Sales decreased 10 percent, primarily because industry deliveries of new freight cars and locomotives dropped about 50 percent and 15 percent, respectively...In addition, the sluggish U.S. economy had a negative impact on railroad carloadings, down about 1 percent for the second consecutive year...As a result, railroads deferred purchases of aftermarket parts and services.

Continued to expand into key international markets...Pioneer Friction, which became a 100 percent wholly owned subsidiary in 2002, awarded a \$5 million contract to supply composite brake shoes for Indian Railways...Australia-based F.I.P. Pty. Ltd. awarded contracts totalling \$5 million to export brake shoes to South Africa, Korea, Egypt, Indonesia and U.K...Completed delivery of 190 High Output Ballast System Vehicles to Railtrack in U.K., with a contract value of \$28 million...Began delivery of Datacord Event Recorders to U.K.-based Angel Trains, with a contract value of \$6 million...In Mauritania, received order to convert 1,200 sets of air brakes for iron ore wagons to U.S.-style equipment (see page 7).

Awarded \$16 million worth of contracts to overhaul commuter locomotives for MBTA and Caltrans, and a \$14 million contract to build new commuter units for Caltrain...Completed first of 27 commuter locomotives for delivery to

Metra in Chicago (see page 8)...Signed 10-year contract to supply locomotive braking equipment to CSX Transportation for 10 of its maintenance facilities (see page 5)... Awarded contracts for car repair billing by Montana Rail Link, Belt Railroad, CSX and BNSF... Awarded contract to maintain end-of-train devices for Norfolk Southern.

Placed two prototype, intermodal ramp cars into revenue service between Toronto and Montreal with Canadian National Railroad...Sold mechanical-bond radiators for high-output, Detroit Diesel-powered generator sets to Kohler Power Systems Americas...Introduced water-saving, air-assisted flush toilet for applications in freight and passenger rail, bus, marine and recreational vehicle markets.

Freight

momentum.

Helping railroads build market share and momentum.



TrainLink™ ATX takes an evolutionary step to reduce maintenance and operating costs for railroads.

1

An Innovative Thrust

Developing practical yet innovative solutions to solve immediate problems—rather than focusing on lengthy, capital-intensive ideas—has emerged as a Wabtec hallmark with customers. Using our disciplined Product Development System, we listen to the voice of our customers every step of the way.

Our new end-of-train (EOT) device demonstrates this incremental approach to new technology. TrainLink™ ATX is a breakthrough EOT that eliminates the cost and inefficiency of charging or replacing the batteries that supply power for traditional EOTs. In fact, TrainLink ATX eliminates batteries altogether by drawing minute levels of air from the train's brake lines and using it to power a self-contained generator. Union Pacific Railroad was the first to purchase 200 of these evolutionary devices, which reduce maintenance and operating costs while eliminating a significant amount of train delays that could result from battery problems.

Another way we use innovation to help customers reduce costs and increase efficiency is through WabLink, our web-based system for parts inventory management. We're using WabLink to help customers not only record real-time inventory data, but to eliminate their need to place orders for replacement stock. In 2002, CSX began using WabLink to track its inventory of locomotive air brake components at 10 locations. Today, WabLink automatically orders additional parts when inventory levels reach pre-determined minimums. As a result, CSX has reduced inventory and eliminated purchase orders, while accelerating deliveries. Another innovative program at CSX, using wireless handheld devices to manage car repair billing, promises even more positive results.



Wabtec's Phyllis Sabol, above, monitors inventory at CSX through WabLink, which automatically orders replacement stock shipped directly to 10 of the railroad's maintenance shops by employees such as Pat Finney.



At CSX, employees can record data on wireless devices to manage car repair billing.



Flexibility

Michael Moriarity, a Wabtec engineer, designed the UBX™ brake assembly (above) to streamline the purchasing and assembly process for freight car builders.



Agile Structure

Original equipment manufacturers today want the option to have a more value-added, comprehensive relationship with their suppliers. Increasingly, they want to source complete systems and assemblies, resulting in cost efficiencies and increased reliance on suppliers for equipment integration. Wabtec's organizational structure is agile and flexible enough to satisfy these requirements.

A year ago, we purchased Milufab, a Canadian-based manufacturer of door panels for transit cars. We now combine Milufab panels with our mechanical door operators to offer customers a complete door operating assembly, so car manufacturers get a single, comprehensive product from a single source. We are supplying these products on more than 800 cars for Long Island Rail Road's M-7 commuter trains, with potentially another 400 cars for 2005.

We are also providing similar benefits to freight car builders and end users with our new UBX™ brake assembly. Wabtec engineers, using our PDS, designed UBX to have fewer components, weigh less and be easier to install than other brake assemblies—all of which make UBX a cost-effective alternative to conventional, body-mounted brakes. Car builders using conventional products must purchase additional parts and brackets from as many as 40 different suppliers. With UBX, car builders purchase the entire assembly from Wabtec, which means faster installation and increased throughput. In addition, because of the significant weight reduction with UBX, end users can increase the payload capacity of their cars. ACF and BNSF are among the first to benefit from this new product.



Software engineer Luc Bessette of Wabtec tests a door operating assembly for the Long Island Rail Road's M-7 commuter trains.

3

Clear Direction

To grow beyond traditional geographic boundaries, it takes a long-term commitment and a clear growth strategy. That commitment, along with a measured, methodical approach, has proven to be successful for our brake shoe subsidiary in India. The idea took root when Wabtec's Australia-based subsidiary, F.I.P. Pty. Ltd., formerly known as Futuris Brakes International, decided to expand into a new market. Through a joint venture with an Indian-

based partner in 1995, F.I.P. approached Indian Railways with an idea to test its composite-material brake shoes on freight cars. The test proved that F.I.P.'s product lasted 10 times longer than traditional cast iron shoes, which meant huge potential savings for the railroad. As a result, a \$50,000 order in 1997 has grown to an \$8 million business today. In 2002, Wabtec purchased complete ownership of the company, now called Pioneer Friction, and relocated to a larger, independent facility that has the capacity to manufacture more brake shoes than F.I.P. does in Australia.



In Mauritania, we are supplying U.S.-style air brakes, which enable SNIM to increase train size and throughput.

A clear strategy also resulted in a major brake components order in Mauritania, located in the Sahara Desert in northern Africa. Societe Nationale Industrielle et Miniere (SNIM), located in Mauritania, hauls 12 million tons of iron ore annually. Because SNIM used European air brake technology, it was limited to 65-car trains. Wabtec proposed that SNIM convert its 1,200 iron ore cars to U.S.-style air brakes and standards, which would enable the company to use 175-car trains. The conversion process began in January 2003 and will result in accelerated throughput and more capacity for SNIM, as well as new markets for Wabtec. We also used QPS principles to help SNIM reorganize its maintenance shop to speed the conversion process. As an additional benefit, Wabtec received a separate order for 150 carsets of air brakes from RSD Dorbyl, a South African builder supplying new cars to SNIM.

FOCUS



As general manager of Wabtec's brake shoe subsidiary in India, Y.R. Rao (right and above) oversees a company that has grown from a \$50,000 order in 1997 to an \$8 million business today.





Employees such as welder Charlie Cortez have developed more efficient processes to build new locomotives for Chicago's Metra commuter railroad.



4

Dedicated People

Our dedicated, experienced people power everything we do at Wabtec. With diligence, enthusiasm and a complete embracing of "lean" thinking, our people make Wabtec a model of continuous improvement. Through rigorous commitment to QPS and e-PDS principles, we eliminate waste, improve safety, enhance quality, ensure reliable delivery, lower costs, increase productivity and improve morale.

At Vapor Bus in Chicago, for instance, we began a comprehensive review of all operations and production procedures three years ago that today has resulted in outstanding improvements in productivity and cost savings. Adopting a cellular manufacturing approach—where all aspects of production occur within a single space, or "cell," instead of the more traditional assembly-line method—has eliminated bottlenecks, reduced overall floor space by 40 percent, cut inventory substantially and improved throughput, enabling more responsive and timely customer deliveries.

For its Metra locomotive project, MotivePower in Boise also has implemented numerous lean manufacturing techniques, including point-of-use storage. A deceptively simple—yet vital—concept, point-of-use storage means having tools and equipment located as close to the employee as possible, then keeping them clearly marked and stored in the same place at all times. This not only speeds production for each employee, but also saves the cost of staffing a tool room and the time lost traveling around the facility looking for the proper tools. In all, lean techniques like this at MotivePower have saved operating costs, reduced man-hours required for certain projects by as much as 60 percent and led to an on-time delivery of Metra locomotives.

Wabtec's Richard Peck (left) and Frank Golemis conduct product testing in our new bus door plant, which has used lean principles to eliminate bottlenecks, reduce floor space, cut inventory and improve delivery.



2002 Highlights

Transit Group

Net Sales (in millions)



2002 Results

Sales decreased 14 percent, the first annual reduction in nine years. The decrease was due to the completion of contracts to provide original equipment components for New York City subway cars, and lower aftermarket sales.

Completed delivery of more than 1,700 sets of brakes, couplers, current collectors and door assemblies for the New York City Metro subway system...Maintained "A" supplier status with New York City, which requires that all business units supplying products must maintain at least 93 percent on-time delivery...Received orders for braking equipment for New Jersey Transit locomotives, brake and current collector equipment for Siemens subway cars for the Boston Blue Line, and rotary compressors with an integrated power conversion system for Mexico City Metro... Received order for 135 carsets of brake equipment for the New Jersey Transit Comet V, and order from Amtrak for brake cylinders for the Superliner II fleet.

Jinwu Control Systems Company, Ltd., a joint venture in China, opened in March and introduced innovative bus door equipment to the growing Chinese market...Wabtec provided personnel to support joint venture in product design, lean manufacturing, quality and marketing...Electric school bus door actuator

specified as standard on conventional bus models by IC Corporation (International Truck and Engine)... Relocated bus door business from a 50-year-old facility in Niles, Ill., to a smaller, more modern facility in Buffalo Grove, Ill., in part to implement lean operating principles (see page 8).

Awarded more than \$20 million of new business for upgrade and overhaul of air conditioning and door assemblies by London Underground, Bombardier and Angel Trains...Signed \$6 million contract to provide door assemblies for subway cars being built by Rotem for the subway system in Athens, Greece, in preparation for the 2004 Olympics.

Transit

momentum.

Providing a comfortable ride for transit passengers worldwide.

Condensed Consolidated Balance Sheets

<i>(In Thousands)</i>	2002	2001
Assets		
Current Assets		
Cash	\$ 19,210	\$ 53,949
Receivables	108,019	106,527
Inventories	88,470	104,930
Other current assets	29,524	30,288
Total Current Assets	245,223	295,694
Property, plant and equipment, net	148,592	167,695
Intangibles and other assets	195,050	266,563
Total Assets	\$588,865	\$729,952
Liabilities and Shareholders' Equity		
Current liabilities, excluding debt	\$134,430	\$185,439
Total debt, including current portion	195,151	241,870
Other liabilities	60,022	57,372
Shareholders' equity	199,262	245,271
Total Liabilities and Shareholders' Equity	\$588,865	\$729,952

The company continued to strengthen its balance sheet in 2002, primarily by reducing debt by \$47 million. Wabtec achieved this debt reduction through cash flow from operations, including operating income and working capital reduction. In 2003, the company expects to continue to generate positive cash flow, primarily for debt reduction.

At year-end 2002 the company's **cash balance** was \$19 million, compared to \$54 million at the end of 2001. The decrease was due primarily to a tax payment related to the gain on an asset sale completed in late 2001. During 2002, Wabtec reduced **inventories** by \$16 million, as the company continued

to focus on lean principles and generating cash. **Intangibles and other assets** decreased by \$72 million, primarily reflecting the writeoff of goodwill upon adoption of Financial Accounting Standard No. 142, which eliminated periodic goodwill amortization.

Current liabilities decreased \$51 million, primarily due to the tax payment, which was accrued at the end of 2001. As previously discussed, **total debt** decreased \$47 million. **Shareholders' equity** decreased \$46 million, primarily due to the goodwill writeoff.

Condensed Consolidated Statements of Operations

<i>(In Thousands, Except Per Share Data)</i>	2002	Adjusted 2001	Reported 2001	Adjusted 2000	Reported 2000
Net Sales	\$ 696,195	\$ 783,698	\$ 783,698	\$ 811,178	\$ 811,178
Cost of sales	(516,724)	(573,772)	(573,772)	(571,503)	(575,516)
Gross Profit	179,471	209,926	209,926	239,675	235,682
Selling, general and administrative expenses	(93,023)	(95,034)	(96,723)	(94,757)	(94,757)
Merger and restructuring charges	—	—	(3,723)	—	(18,202)
Engineering expenses	(33,592)	(33,156)	(33,156)	(32,297)	(32,297)
Asset writedowns	—	—	(9,253)	—	—
Amortization expense	(5,322)	(13,013)	(13,013)	(12,615)	(12,615)
Total Operating Expenses	(131,937)	(141,203)	(155,868)	(139,669)	(157,871)
Income From Operations	47,534	68,723	54,058	100,006	77,791
Other income and expenses					
Interest expense	(16,221)	(33,501)	(33,501)	(43,649)	(43,649)
Other income (expense), net	(5,558)	(2,185)	(2,130)	(724)	3,776
Income from continuing operations before income taxes, extraordinary item and cumulative effect of accounting change	25,755	32,407	18,427	55,633	37,918
Income tax expense	(8,242)	(11,342)	(4,465)	(20,028)	(18,718)
Income from continuing operations before extraordinary item and cumulative effect of accounting change	17,513	21,065	13,962	35,605	19,200
Discontinued operations					
Income from discontinued operations, net of tax	403	6,360	6,360	6,193	6,193
Gain (loss) on sale of discontinued operations, net of tax	(529)	41,458	41,458	—	—
Total discontinued operations	(126)	47,818	47,818	6,193	6,193
Income before extraordinary item and cumulative effect of accounting change	17,387	68,883	61,780	41,798	25,393
Extraordinary loss on extinguishment of debt, net of tax	(1,203)	—	—	—	—
Income before cumulative effect of accounting change for goodwill	16,184	68,883	61,780	41,798	25,393
Cumulative effect of accounting change for goodwill, net of tax	(61,663)	—	—	—	—
Net Income (loss)	\$ (45,479)	\$ 68,883	\$ 61,780	\$ 41,798	\$ 25,393
Earnings Per Diluted Share					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	\$ 0.40	\$ 0.49	\$ 0.32	\$ 0.82	\$ 0.45
Income from discontinued operations	—	1.11	1.11	0.14	0.14
Extraordinary item	(0.03)	—	—	—	—
Cumulative effect of accounting change	(1.41)	—	—	—	—
Net Income (loss)	\$ (1.04)	\$ 1.60	\$ 1.43	\$ 0.96	\$ 0.59

Note: The following narrative compares 2002 results to 2001 "adjusted" results, which exclude charges and gains that the company considers to be non-operating and/or non-recurring. Please refer to Wabtec's Form 10-K for a complete discussion of these items.

In 2002, the company's income from continuing operations decreased compared to the prior year's adjusted results. The decrease was due to lower sales volumes, which more than offset lower amortization and interest expenses.

Net sales decreased 11 percent, due to lower sales in both the Freight Group and the Transit Group (see pages 4, 9).

Gross profit decreased 15 percent, and the company's gross margin was 25.8 percent, compared to 26.8 percent in 2001. The decreases were due to lower sales.

Operating expenses decreased 6 percent, due to lower amortization expense and lower selling, general and administrative expenses. The lower amortization

expense was due to the adoption of the new accounting standard for goodwill. Wabtec maintained **engineering expenses** at the same level as 2001, as the company continued to invest in new product development. **Income from operations** decreased 31 percent for the reasons mentioned previously.

As a result of the company's debt reduction throughout the year and lower interest rates, **interest expense** decreased 52 percent in 2002. **Other expense** increased to \$5.6 million, primarily due to the writedown of a facility held for sale. **Income tax expense** was recorded at a rate of 32 percent, compared to 35 percent in 2001, primarily reflecting the benefit of foreign tax credits. The company expects its ongoing tax rate to be about 35-36 percent. For the reasons discussed previously, **income from continuing operations** decreased 17 percent and **earnings per diluted share from continuing operations** decreased 18 percent.

For the year, the company had a **net loss** due to a goodwill writeoff of \$62 million, net of tax.

Condensed Consolidated Statements of Cash Flows

<i>(In Thousands)</i>	2002	2001	2000
Reported net income (loss)	\$(45,479)	\$ 61,780	\$ 25,393
Cumulative effect of accounting change for goodwill, net of tax	61,663	—	—
Depreciation and amortization	25,513	33,061	32,416
Discontinued operations	184	(49,031)	(11,329)
Asset writedowns, including deferred tax asset	—	2,975	7,955
Other	1,905	681	46
Changes in accrued income taxes	(29,615)	5,021	(5,081)
Changes in other operating assets and liabilities	1,487	64,610	10,814
Cash provided by operating activities	15,658	119,097	60,214
Capital expenditures, net	(10,464)	(14,801)	(30,831)
Acquisitions of businesses, net of cash acquired	(1,654)	(3,730)	(650)
Cash received from asset sales	1,400	245,020	5,500
Discontinued operations	(99)	924	4,496
Cash provided by (used for) investing activities	(10,817)	227,413	(21,485)
Changes in debt	(45,941)	(298,280)	(28,390)
(Purchase of) proceeds from treasury stock, net of proceeds from the issuance of stock under stock-based benefit plans	3,695	2,774	(7,924)
Cash dividends	(1,808)	(1,681)	(1,695)
Cash used for financing activities	(44,054)	(297,187)	(38,009)
Effect of changes in currency exchange rates	4,474	(1,445)	(1,705)
Increase (decrease) in cash	(34,739)	47,878	(985)
Cash at beginning of year	53,949	6,071	7,056
Cash at end of year	\$ 19,210	\$ 53,949	\$ 6,071

Cash provided by operations was \$16 million in 2002. Excluding a planned, \$30 million tax payment related to the sale of certain assets to GE Transportation Systems in 2001, cash provided by operations would have been \$46 million.

Cash used for investing activities was \$11 million, primarily for capital expenditures. In 2001, the company received \$240 million in pre-tax proceeds for the GE asset sale.

Cash used for financing activities was \$44 million as the company reduced debt. The company had a **cash balance** of \$19 million at the end of 2002.

Board of Directors

William E. Kassling⁽³⁾
Chairman of the Board
Wabtec Corporation

Emilio A. Fernandez^(1,2)
Vice Chairman of
the Board
Wabtec Corporation

Gregory T. H. Davies
President and
Chief Executive Officer
Wabtec Corporation

Robert J. Brooks
Executive Vice President
Strategic Development
Wabtec Corporation

Kim G. Davis^(2,3)
Managing Director
Charlesbank Capital
Partners LLC

Lee B. Foster II^(1,2)
Chairman
L.B. Foster Co.

James P. Miscoll⁽¹⁾
Retired Vice Chairman
Bank of America

James V. Napier⁽²⁾
Chairman of the Board
Scientific Atlanta, Inc.

(1) Audit Committee
(2) Compensation Committee
(3) Nominating Committee

Corporate Management

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Chairman of the Board

Gregory T. H. Davies
President and
Chief Executive Officer

Robert J. Brooks
Executive Vice President
Strategic Development

Alvaro Garcia-Tunon
Senior Vice President,
Chief Financial Officer
and Secretary

Timothy J. Logan
Vice President
International

James E. McClaine
Vice President
Railroad Marketing

Barry L. Pennypacker
Vice President
Quality and
Performance System

Seppo O. Saarinen
Vice President
Product Development

George A. Socher
Vice President
Internal Audit and
Taxation

Scott E. Wahlstrom
Vice President
Human Resources

Timothy R. Wesley
Vice President
Investor Relations
and Corporate
Communications

Operating Management Freight Group

Paul E. Golden
President,
Freight Car Group
Cardwell Westinghouse
Chicago, IL
WABCO Freight Car
Products
Stoney Creek, Ontario,
Canada
WABCO Locomotive
Products
Wilmerding, PA
Wabtec Rubber Products
Greensburg, PA
Wabtec de Mexico
San Luis Potosi, Mexico

Darren J. Beatty
Vice President and
General Manager
Wabtec Rubber Products

Robert C. Bourg
Vice President and
General Manager
Locomotive Products

Robert D. Dimsa
Vice President and
General Manager
Freight Car Pneumatics

James C. Hoffner
Vice President and
General Manager
Wabtec Global Services
Wilmerding, PA
Wabtec Service Centers
Carson City, NV
Chicago, IL
Columbia, SC
Kansas City, MO
San Luis Potosi, Mexico
Wabtec Transportation
Technologies
Boulder, CO

James C. Pontious
Vice President
Special Projects—
Ramp Car

Gary P. Prasser
Vice President
Manufacturing
Freight Car Group

Robert P. Haag
President
Wabtec Railway Electronics
Germantown, MD
Cedar Rapids, IA
Calgary, Alberta,
Canada

James R. Jenkins II
President
Young Touchstone
Jackson, TN
Lexington, TN
Racine, WI

John D. Meehan
Managing Director
Wabtec Rail
Doncaster, U.K.

John R. Vickers
Vice President and
General Manager
Wabtec Foundry
Wallageburg, Ontario,
Canada
San Luis Potosi, Mexico

Mark S. Warner
Vice President and
General Manager
MotivePower
Boise, ID
Microphor
Willits, CA

Ronald L. Witt
Managing Director
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

Mark D. Kuenzle
General Manager
F.I.P.
Sydney, Australia
Allied Friction
Melbourne, Australia

Gerald M. Rowe
Vice President and
Managing Director
Friction Products,
Europe
Cobra Europe
Schweighouse, France

Peter Turner
Vice President and
Managing Director
International Operations,
Friction Group
Pioneer Friction
Kolkata, India

Operating Management Transit Group

John M. Meister
Executive Vice President,
Transit
WABCO Transit
Spartanburg, SC
Service Centers
Elmsford, NY
Richmond, CA
Sun Valley, CA

Luigi Camellini
Managing Director
H.P.
Sassuolo, Italy

Marc Laliberté
Vice President and
General Manager
Vapor Rail
Montreal, Quebec,
Canada
Stone Air
Plattsburgh, NY

Keith N. Nippes
Vice President and
General Manager
Vapor Bus International
Niles, IL
Jinwu Control Systems
Nanjing, China

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

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
Ridgefield Park, NJ
07660
800.756.3353
201.329.8660
www.melloninvestor.com

Stock Exchange Listing
New York Stock Exchange
Ticker Symbol: WAB

**Independent Public
Accountants**
Ernst & Young 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 21, 2003
11 a.m.
Omni William Penn
Pittsburgh, PA



1001 Air Brake Avenue

Wilmerding, PA 15148

412.825.1000

www.wabtec.com