

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP
Form DEF 14A
April 13, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

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Check the appropriate box:

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Westinghouse Air Brake Technologies Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Notice of Annual Meeting May 17, 2006

and Proxy Statement

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

1001 Air Brake Avenue

Wilmerding, Pennsylvania 15148

Dear Stockholder:

We invite you to attend the annual meeting of stockholders of Westinghouse Air Brake Technologies Corporation, doing business as Wabtec Corporation (Wabtec), on May 17, 2006 at 11:00 a.m. in Pittsburgh, Pennsylvania.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you more about the items upon which we will vote at the meeting. It also explains how the voting process works and gives personal information about our director candidates.

Whether or not you plan to attend, please promptly complete, sign, date and return your proxy card in the enclosed envelope, or you may vote over the Internet or by telephone by following the instructions found on the proxy card. Regardless of the method used, please vote your shares so that enough shares are represented to allow us to conduct the business of the annual meeting. Mailing your proxy or voting over the Internet or by telephone does not affect your right to vote in person if you attend the annual meeting.

Sincerely yours,

Alvaro Garcia-Tunon

Senior Vice President,

Chief Financial Officer and

Secretary

April 13, 2006

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NOTICE OF 2006 ANNUAL MEETING

Date, Time and Place

May 17, 2006

11:00 a.m.

Omni William Penn Hotel, William Penn Place, Pittsburgh, Pennsylvania 15219

Purpose

Elect three directors for a term of three years

Approve the Amended and Restated Stock Incentive Plan

Approve the Amended and Restated Director Plan

Conduct other business if properly raised

Procedures

If you own stock directly, please complete the enclosed proxy card requested by the Board.

Only stockholders of record on April 7, 2006 receive notice of and may vote at the meeting.

Your vote is important. Please complete, sign, date, and return your proxy card promptly in the enclosed envelope or vote over the Internet or by telephone.

Alvaro Garcia-Tunon

Senior Vice President,

Chief Financial Officer and

Secretary

April 13, 2006

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General

We have sent you this booklet and proxy on or about April 13, 2006 because the Board of Directors of Westinghouse Air Brake Technologies Corporation, doing business as Wabtec Corporation (Wabtec), is soliciting your proxy to vote at the company's 2006 annual meeting of stockholders.

Who May Vote

Stockholders of Wabtec as reflected in our stock records at the close of business on April 7, 2006 may vote. You have one vote for each share of Wabtec common stock you own.

How to Vote

You may vote in person at the meeting or by proxy. Most shareholders of record have a choice of voting by proxy over the Internet, by telephone, or by using a traditional proxy card. Please check your proxy card or the information forwarded by your bank, stockbroker or other holder of record to see which options are available to you. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting.

Electronic Access to Proxy Materials and Annual Report

This notice of Annual Meeting and Proxy Statement and the 2005 Annual Report are available on our Internet site at <http://www.wabtec.com>. If you are a shareholder of record and would like to view future proxy statements and annual reports over the Internet instead of receiving copies in the mail, follow the instructions provided when you vote over the Internet or by telephone, or check the appropriate box on the proxy card if mailing your proxy. If you hold your shares through a bank, stockbroker or other holder, check the information provided by that entity for instructions on how to view future proxy statements and annual reports and vote your shares over the Internet. Choosing to receive your proxy materials online saves us the cost of producing and mailing these materials to your home or office and gives you an automatic link to the proxy voting site.

How a Proxy Works

Giving us a proxy means you authorize us to vote your shares in accordance with your directions. If you do not make any selections, your shares will be voted in favor of our director candidates, approval of the Amended and Restated Stock Incentive Plan and approval of the Amended and Restated Director Plan.

You may receive more than one proxy or voting card depending on how you hold your shares. Shares registered in your name are generally covered by one card. If you hold shares through someone else, such as a stockbroker, you may get material from them asking how you want to vote.

Changing Your Vote

You may revoke your proxy before it is voted by submitting a new proxy with a later date, by voting in person at the meeting or by notifying Wabtec's Secretary in writing.

Common Stock Outstanding

As of the close of business on April 7, 2006, approximately 48,500,000 shares of Wabtec common stock were issued and outstanding.

Quorum and Voting Information

To conduct the business of the meeting, we must have a quorum. This means at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either in person or by proxy. You are considered a part of the quorum if you submit a properly signed proxy card, vote over the Internet or vote by telephone.

If a quorum is present at the meeting, the three director candidates receiving the most votes will be elected to fill the three open seats on the Board of Directors. Abstentions and brokers non-votes are not relevant to the election of directors.

Approval of the Amended and Restated Stock Incentive Plan and approval of the Amended and Restated Director Plan each require, under the New York Stock Exchange (NYSE) rules, the favorable vote of a majority of the votes cast on each proposal. In addition, NYSE rules require that the total votes cast on each of these proposals represent over 50% of all shares entitled to vote on each of these proposals. Abstentions will be treated as a vote cast, but broker non-votes will not.

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Approval of any other matter that properly comes before the annual meeting requires the favorable vote of a majority of shares present in person or by proxy, unless the matter requires more than a majority vote under statute or our by-laws.

Because the total shares voted for, against, or abstain are considered shares present, they are counted to determine the minimum votes required for approval of other proposals. Therefore, if you abstain from voting, it has the same legal effect as a vote against any other proposal. Broker non-votes will not be counted as a vote or used to determine the favorable votes required to approve any other proposal.

A broker non-vote occurs when a broker limits the number of shares voted on a proposal on its proxy card or indicates the shares represented by the proxy card are not being voted on a proposal.

Table of Contents**Common Stock Ownership****Director and Executive Officer Stock Ownership**

Under the proxy rules of the Securities and Exchange Commission, a person beneficially owns Wabtec common stock if the person has the power to vote or dispose of the shares, or if such power may be acquired, by exercising options or otherwise, within 60 days. The table below shows how much Wabtec common stock is beneficially owned as of March 1, 2006 by directors, nominees for director, the chief executive officer during 2005 and the four highest paid executive officers, other than the chief executive officer, in 2005. Each person has sole voting power and sole dispositive power unless indicated otherwise.

Executive Officer	Shares Owned	Percent of Class
William E. Kassling	1,978,525(1)(2)	4.09%
Alvaro Garcia-Tunon	98,287(2)(3)	*
Barry L. Pennypacker	97,029(2)(3)	*
Timothy J. Logan	149,049(2)(3)	*
James E. McClaine	0	0%
Director/Nominee	Shares Owned	Percent of Class
Robert J. Brooks	557,974(2)(4)	1.15%
Kim G. Davis	12,666(2)	*
Emilio A. Fernandez	668,374(2)(5)	1.38%
Lee B. Foster, II	49,572(2)(6)	*
Michael W.D. Howell	11,180(2)(7)	*
James V. Napier	38,966(2)(8)	*
Albert J. Neupaver (9)	122,500(3)	*
Gary C. Valade	6,500	*
Directors and Executive Officers as a Group (18 persons)	3,972,737(2)	8.21%

* Less than 1%

- (1) Includes 100,513 shares beneficially owned by Mr. Kassling. Also includes 1,450,966 shares beneficially owned by Davideco, a Pennsylvania business trust, 8,000 shares owned by Mr. Kassling's wife and 500 shares owned by Mr. Kassling's son. Mr. Kassling disclaims beneficial ownership of the shares held by his wife and son.
- (2) Includes options that are exercisable on or within 60 days of March 1, 2006 as follows: Mr. Brooks 144,773; Mr. Davis 7,666; Mr. Fernandez 6,666; Mr. Foster 16,666; Mr. Garcia-Tunon 68,499; Mr. Howell 2,000; Mr. Kassling 418,546; Mr. Logan 131,772; Mr. Napier 21,666; Mr. Pennypacker 83,332; and all directors and executive officers as a group 1,026,414.
- (3) Includes restricted shares as follows: Mr. Garcia-Tunon 9,000; Mr. Logan 9,000; Mr. Pennypacker 9,000; Mr. Neupaver 122,500; and all directors and executive officers as a group 179,500. The restricted shareholders have sole voting power with respect to the restricted shares but do not have sole or shared dispositive power until the restricted shares vest.
- (4) Includes 37,449 shares beneficially owned by Mr. Brooks. Also includes 375,702 shares owned by Suebro, Inc., a Delaware holding company.
- (5) Includes 404,533 shares beneficially owned by Mr. Fernandez. Also includes 257,175 shares beneficially owned by Mr. Fernandez's wife. Mr. Fernandez disclaims beneficial ownership of the shares held by his wife.
- (6) Includes 26,306 shares beneficially owned by Mr. Foster and 6,600 shares held by Foster Holdings, Inc.
- (7) Includes 6,680 shares beneficially owned by Mr. Howell and 2,500 shares held by Hilliard Lyons, Inc. as custodian for Mr. Howell's retirement account.
- (8) Includes 16,800 shares beneficially owned by Mr. Napier and 500 shares held in Mr. Napier's Keogh account.
- (9) Effective February 1, 2006, Mr. Neupaver replaced Mr. Kassling as President and Chief Executive Officer of Wabtec.

Table of Contents**Other Owners of More Than 5%**

The following table shows stockholders who are known to the company to be a beneficial owner of more than 5% of Wabtec's common stock as of December 31, 2005.

Name and Address of Beneficial Owner	Shares of Common Stock	Percent of Class
The PNC Financial Services Group, Inc. One PNC Plaza 249 Fifth Avenue Pittsburgh, PA 15222-2707	2,841,200(1)	5.92%
Mellon Financial Corporation One Mellon Center Pittsburgh, PA 15258	2,404,492(2)	5.01%

- (1) According to the Schedule 13G filed with the Securities and Exchange Commission on February 13, 2006, The PNC Financial Services Group, Inc., a holding company, together with certain of its direct and indirect subsidiaries reported therein, one of which being a registered investment advisor (collectively, the PNC Group), has beneficial ownership of 2,841,200 shares, of which 2,092,863 are held by PNC Bank, National Association in a fiduciary capacity. The PNC Group has sole voting power with respect to 2,592,405 shares, sole dispositive power with respect to 841,987 shares and shared dispositive power with respect to 540,247 shares.
- (2) According to the Schedule 13G filed with the Securities and Exchange Commission on February 16, 2006, Mellon Financial Corporation, a holding company, together with certain of its direct and indirect subsidiaries reported therein, some of which being a bank, registered investment advisor and/or holding company (collectively, the Mellon Group), has beneficial ownership of 2,404,492 shares of which the Mellon Group has sole voting power with respect to 1,588,242 shares and sole dispositive power with respect to 2,373,492 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to file reports of beneficial ownership and changes in beneficial ownership of Wabtec stock. Directors and officers must furnish us with copies of these reports. Based on these copies and directors' and executive officers' representations we believe all directors and executive officers complied with the requirements in 2005 except that Robert J. Brooks, Kim G. Davis, Emilio A. Fernandez, Lee B. Foster II, Michael W.D. Howell and James V. Napier each filed one late Form 4 covering the same transaction. The transaction occurred on May 18, 2005 and related to the issuance of shares in connection with non-employee director annual compensation. The relevant Forms 4 were each filed on June 16, 2005, with the exception of Mr. Foster's, which was filed on June 23, 2005.

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Proposal 1 Election of Directors

Wabtec's Board of Directors currently has nine members and three vacant seats. The Board is divided into three classes whose terms of office end in successive years. Kim G. Davis, Michael W.D. Howell and Gary C. Valade, whose terms of office are expiring, have been nominated to serve for new terms ending in 2009. The Board may act at a future date to fill the three remaining vacancies or reduce the size of the Board. Mr. Valade was appointed to the Board of Directors by the sitting Board members in July 2005 to fill an existing vacancy based on a recommendation from the Nominating and Corporate Governance Committee. Mr. Valade was originally recommended to the Nominating and Corporate Governance Committee by the former Chief Executive Officer and a non-management director. All nominations were made by the Nominating and Corporate Governance Committee, as further described in the Nominating and Corporate Governance Committee on page 7, and approved by the entire Board of Directors.

Vote Required

Your proxy will be voted for the election of these nominees unless you withhold authority to vote for any one or more of them. If any nominee is unable or unwilling to stand for election, your proxy authorizes us to vote for a replacement nominee if the Board names one.

Only votes for a candidate are counted in the election of directors. The three nominees who receive the most votes will be elected as directors.

The Board recommends you vote FOR each of the following candidates.

Director Nominees to Serve for a Three-Year Term Expiring in 2009

Kim G. Davis

Managing Director of Charlesbank Capital Partners, LLC and its predecessor since 1998.

Age 52

Director since 1997

Director of Shoppers Drug Mart Corporation, National Surgical Hospital, Computer Sales International, Technisource and GSI Holdings.

Michael W. D. Howell

Chief Executive Officer of Transport Initiatives Edinburgh Limited (tie) since May 2002; Chairman of FPT Group Limited from April 1998 to March 2002.

Age 58

Director since 2003

Trustee and Treasurer of City & Guilds of London Institute; Chairman of Audit and Risk Committee of Clothworkers' Company and Foundation, London; Director of Arlington Capital Management (CI) Limited.

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Gary C. Valade

Age 62

Director since 2005

Member of the Board of Management and Executive Vice President of Global Procurement and Supply for DaimlerChrysler until his retirement in 2003; Executive Vice President and Chief Financial Officer and member of the Office of the Chairman of Chrysler Corporation from 1993 to 1998.

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Continuing Directors with a Three-Year Term Expiring in 2008

Emilio A. Fernandez	Vice Chairman of Wabtec since March 1998; Executive Vice President of Wabtec from prior to 1997 to February 1998.
Age 61	
Director since 1995	
Lee B. Foster, II	Chairman of L. B. Foster Company since 1998; Chief Executive Officer of L. B. Foster Company from prior to 1997 to 2002; President of L.B. Foster Company from prior to 1997 to 2000.
Age 59	
Director since 1999	
	Director of L.B. Foster Company, Capital Guidance Ltd. and Dakota, Minnesota & Eastern Railroad.
James V. Napier	Chairman of Scientific Atlanta, Inc. from prior to 1997 to November 2000.
Age 69	
Director since 1995	
	Director of Engelhard Corporation, Vulcan Materials Company, McKesson Corporation and Intelligent Systems, Inc.

Continuing Directors with a Three-Year Term Expiring in 2007

Robert J. Brooks	Executive Vice President of Wabtec from November 1999 to March 2004; Chief Financial Officer and Secretary of Wabtec since prior to 1997 to March 2003.
Age 62	
Director since 1990	
	Director of Crucible Materials Corporation.
William E. Kassling	Chairman of Wabtec since prior to 1997; Chief Executive Officer of Wabtec from May 2004 to January 2006 and from prior to 1997 to February 2001; President of Wabtec from May 2004 to January 2006 and from prior to 1997 to February 1998.
Age 62	
Director since 1990	
	Director of Smartops, Inc., Pittsburgh Penguins Inc. and Parker-Hannifin Corporation.
Albert J. Neupaver	President and Chief Executive Officer since February 2006. President of the Electromechanical Group of AMETEK, Inc. from 1998 to February 2006.
Age 55	

Director since 2006

Directors Compensation

Each non-employee director of Wabtec receives an annual cash retainer equal to \$25,000 for their services as a director. In addition, each such director is entitled to receive \$1,500 for each Board meeting or Board committee meeting that they attend in person and \$1,000 for each Board meeting or Board committee meeting that they participate by telephone. All directors are reimbursed for their out-of-pocket expenses incurred in connection with attendance at meetings and other activities relating to the Board or its committees.

In addition, the non-employee directors also participate in the 1995 Non-Employee Directors Fee and Stock Option Plan (the Plan). Under the Plan, newly elected directors are eligible to receive 5,000 stock options (vesting one-third on each subsequent anniversary date) and 1,500 shares of Wabtec common stock upon their initial election to the Board. On July 20, 2005, Gary Valade received 5,000

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options at a grant price of \$22.39 and also received 1,500 shares of Wabtec common stock.

Each non-employee director is entitled to receive 1,500 shares of Wabtec common stock annually on the first business day following the annual meeting of stockholders (unless his or her first election was at such meeting or within three months prior to the anniversary date of the last annual meeting). Each non-employee director serving on the Board received 1,500 shares of Wabtec common stock on May 18, 2005. Each non-employee director also receives 4,000 stock options each January 2nd during the term of his or her service on the Board. Such grants are priced at the average of the high and low stock price on the date granted. On January 3, 2005, each non-employee director serving on the Board received 4,000 options at a grant price of \$21.145 and on January 3, 2006 each non-employee director serving on the Board received 4,000 options at a grant price of \$26.655. The committee administering the plan has authority to modify the number of options granted upon election and annually as well as the vesting periods of these options.

The Board and Committees

The Board met seven times during 2005. All directors attended at least 75% of all meetings of the Board and the committees on which they served in 2005. The Board committees that help the Board fulfill its duties include the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee. The Board also holds regularly scheduled meetings of non-employee directors. Mr. Davis presides at these meetings, and upon expiration of his current term, Mr. Fernandez has been chosen to preside at these meetings.

The Board has adopted categorical standards to assist it in determining whether its members meet the independence requirements of the NYSE. These standards provide that the following relationships are deemed to be immaterial and would not in and of themselves impair a director's independence:

a director or an immediate family member is an executive officer or employee of a company that makes payments to, or receives payments from, Wabtec or any of its subsidiaries for property or services in an amount which in any single fiscal year does not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenue;

a director beneficially owns less than 10% of Wabtec's issued and outstanding common stock; and

a director serves as an executive officer of a charitable organization and Wabtec's charitable contributions to the charitable organization in any fiscal year are not more than the greater of \$1 million or 2% of the charitable organization's consolidated gross revenues.

The Board has reviewed the independence of its members considering these standards and any other commercial, legal, accounting and familial relationships between the directors and Wabtec and has determined that a majority of its members are independent. Specifically, none of the following directors, Mr. Davis, Mr. Fernandez, Mr. Foster, Mr. Napier, Mr. Howell and Mr. Valade, has a material relationship with Wabtec and each such director meets the independence requirements of the NYSE.

The Board provides a process for stockholders to send communications to the Board or any of the directors of Wabtec. Stockholder communications to the Board or any director should be sent c/o the Secretary of Wabtec, 1001 Air Brake Avenue, Wilmerding, PA 15148. All such communications will be compiled by the Secretary of Wabtec and submitted to the Board or the individual director at the next regularly scheduled meeting of the Board. Stockholders may also communicate directly with the non-employee directors at the email address

nonmanagementdirectors@wabtec.com.

It is the company's policy that all directors attend the annual meeting of stockholders if reasonably possible. All but one director attended the 2005 annual meeting of stockholders.

The Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee reviewed and approved an amended and restated charter at its February 16, 2006 meeting. A current copy of the amended charter is available on

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Wabtec's website at <http://www.wabtec.com> and available to any shareholder who requests it. The principal functions of the Nominating and Corporate Governance Committee are to:

identify the skills and characteristics to be found in candidates to be considered to serve on Wabtec's Board of Directors and to use such to select nominees;

recommend nominees for each Board committee;

oversee the corporate governance of Wabtec; and

to recommend corporate governance guidelines.

The Committee met two times during 2005. The members of the Nominating and Corporate Governance Committee are Mr. Davis, Mr. Fernandez and Mr. Howell, who are each independent, as independence for such members is defined in the listing standards of the NYSE. Mr. Davis is the Chairman of the Nominating and Corporate Governance Committee.

The Committee will consider director nominees recommended by stockholders. Stockholders wishing to recommend a director candidate for consideration by the Committee can do so by writing the Secretary of Wabtec at 1001 Air Brake Avenue, Wilmerding, PA 15148; giving the candidate's name, biographical data and qualifications. Any such recommendation should be accompanied by a written statement from the individual of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director. No candidates for Board membership have been put forward by stockholders for election at the 2006 annual meeting of stockholders.

In evaluating candidates for the Board, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials. The Committee is guided by the objective set forth in its charter of ensuring that the Board consists of individuals from diverse educational and professional experiences and backgrounds who collectively provide meaningful counsel to management. The Committee considers the candidate's character, integrity, experience, understanding of strategy and policy-setting and reputation for working well with others. If candidates are recommended by the company's stockholders, such candidates will be evaluated using the same criteria. With respect to nomination of continuing directors for re-election, the individual's contributions to the Board are also considered.

Pursuant to authority granted under its charter, the Nominating and Corporate Governance Committee consulted with a search firm in 2005 for assistance for identifying and evaluating potential candidates for Board positions.

The Audit Committee

The Audit Committee acts under a written charter, which was amended and restated by the Board of Directors on February 18, 2004. The Audit Committee reviewed and approved the continued use of its written charter at its February 16, 2006 meeting. A current copy of the charter is available on Wabtec's website at <http://www.wabtec.com> and available in print to any shareholder who requests it.

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The Audit Committee provides assistance to the Board in fulfilling its oversight responsibility to stockholders, the investment community and others relating to the integrity of Wabtec's financial statements, the financial reporting process, the systems of internal accounting and financial controls, the performance of Wabtec's internal audit function and independent registered public accountants, the independent registered public accountant's qualifications and independence, and Wabtec's compliance with ethics policies and legal and regulatory requirements. The Committee is directly responsible for appointing, compensating, retaining and overseeing the work of the independent registered public accounting firm engaged by Wabtec. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by Wabtec regarding accounting, internal controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The Audit Committee met ten times in 2005. The current Audit Committee members are Mr. Fernandez, Mr. Foster, Mr. Howell and Mr. Valade, who are each independent, as independence is defined in the listing standards of the NYSE. During 2005, Mr. Miscoll, who resigned due to health reasons in January of 2006, also served on

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the Audit Committee as its Chairman. The Board had determined that he qualified as an audit committee financial expert as such is defined by the regulations of the Securities and Exchange Commission. At the Board's meeting on February 16, 2006, the Board determined that Mr. Valade, who now serves as the Audit Committee's Chairman, qualifies as an audit committee financial expert as defined in the regulations of the Securities and Exchange Commission.

Audit Committee Report

The Audit Committee is responsible for reviewing the company's financial reporting process on behalf of the Board of Directors. Management of the company has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In the performance of our oversight function, we meet with management periodically to consider the adequacy of the company's internal controls and the objectivity of its financial reporting. We meet privately with the independent registered public accountants, who have unrestricted access to the audit committee. Specifically, we have reviewed and discussed with management and the independent registered public accountants the company's consolidated financial statements as of and for the fiscal year ended December 31, 2005.

We have also discussed with the independent registered public accountants the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect.

Furthermore, we have received and reviewed the written disclosures and the letter from the independent registered public accountants required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as currently in effect, and have discussed with the independent registered public accountants their independence.

Based on the review and discussions referred to above, we recommended to the Board of Directors that the audited financial statements referred to above be included in the company's Annual Report on Form 10-K for the year ended December 31, 2005 to be filed with the Securities and Exchange Commission.

Respectfully submitted,

Gary C. Valade, Chairman

Emilio A. Fernandez

Lee B. Foster, II

Michael W. D. Howell

The Compensation Committee

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The Compensation Committee provides assistance to the Board relating to the compensation of Wabtec's officers and directors. The Committee's principal responsibilities include:

reviewing and approving goals and objectives for the Chief Executive Officer and determining the Chief Executive Officer's compensation,

recommending compensation of all directors and officers, and

recommending incentive compensation plans and equity-based plans.

The Compensation Committee members are: Mr. Davis, Mr. Fernandez, Mr. Foster and Mr. Napier. Mr. Napier serves as the Compensation Committee's Chairman. Mr. Foster has been chosen to preside as the Compensation Committee's Chairman upon expiration of Mr. Napier's current term following this annual meeting of stockholders. The Compensation Committee met four times in 2005. The Compensation Committee reviewed and approved the continued use of its written charter at its February 16, 2006 meeting. A copy of the written charter is available on Wabtec's website at <http://www.wabtec.com> and available in print to any shareholder who requests it.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee in 2005, Mr. Davis, Mr. Fernandez, Mr. Foster and Mr. Napier, are non-employee directors who satisfy the independence standards of the NYSE listing standards.

During 2005, Wabtec had no interlocking relationships in which (i) an executive officer of Wabtec served as a member of the compensation

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committee of another entity, one of whose executive officers served on the Compensation Committee of Wabtec; (ii) an executive officer of Wabtec served as a director of another entity, one of whose executive officers served on the Compensation Committee of Wabtec; and (iii) an executive officer of Wabtec served as a member of the compensation committee of another entity, one of whose executive officers served as a director of Wabtec.

Compensation Committee Report

All of the members of the Compensation Committee are non-employee directors. The Committee's principal responsibility is to review, recommend and approve changes to our compensation policies and programs. The Committee is also responsible for reviewing and approving all compensation actions for the Chief Executive Officer and other executive officers.

Our compensation plan has three basic components:

Base salaries and bonuses,

Benefit plans, and

Long-term incentives.

Base Salaries and Bonuses. The Committee recommends base salaries and bonuses of executive officers to the Board, which then establishes these items. Base salaries are determined at the beginning of the year and bonuses are awarded after our fiscal year results are available.

Executive officers' base salaries depend mainly on their office and responsibilities and are reviewed annually. Mr. William E. Kassling served as Chief Executive Officer of Wabtec from May 2004 through January 2006 at an annual base salary of \$700,000. Mr. Kassling also receives a bonus based on the same factors as the other executive officers as discussed below. The Committee reviews and approves the salary for the Chief Executive Officer each year.

During 2005, Wabtec had in effect an executive bonus plan, which was approved by the Board. Bonuses are based upon the success of two factors: a financial performance factor, which measures earnings before interest and taxes and working capital management; and a personal performance factor which measures whether the executive has attained certain goals agreed to by the executive, his supervisor, and the Board. There are guidelines as to the payment of bonuses, although the Committee may exercise its discretion with respect to those guidelines. We believe that this philosophy encourages Wabtec and our executives to establish ambitious goals and that it promotes teamwork, productivity and profitability.

In an effort to promote stock ownership, Wabtec established an Employee Stock Purchase Plan in 1998. Under the plan, Wabtec employees may purchase shares of Wabtec common stock for 85% of the fair market value through payroll deductions up to a maximum of \$25,000 of Wabtec stock per year. We believe that this plan promotes Wabtec's continued success by encouraging our employees to have increased awareness of, and commitment to, our corporate goals. William E. Kassling, Patrick D. Dugan, Barry L. Pennypacker, Gary Prasser, Scott E. Wahlstrom and

Timothy R. Wesley participated in the Plan during 2005.

Long Term Incentives. The Committee may grant long-term incentives to employees by granting stock options or performance units or making restricted share awards under the company's 2000 Stock Incentive Plan. The Committee views stock options, performance units and restricted share awards as incentives to enable Wabtec to hire and retain executives and to provide executives with incentives related to the company's stock price, in the case of stock option or restricted share awards, or economic profit, in the case of performance units, so their interests are aligned with your interests, as Wabtec common stockholders. Our decision to grant stock options or performance units or award restricted shares is based upon an individual's job level, among other factors.

Other. Executive officers may also participate in Wabtec's 401(k) Plan. Wabtec provides certain other personal benefits to certain employees, including executive officers that are not significant in total.

Respectfully submitted,

James V. Napier, Chairman

Emilio A. Fernandez

Lee B. Foster, II

Kim G. Davis

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Transactions with Management

Employment Agreement. Albert J. Neupaver became President and Chief Executive Officer of Wabtec effective February 1, 2006. In connection with this appointment Wabtec entered into an employment agreement, effective February 1, 2006, with Mr. Neupaver. Pursuant to the agreement, Mr. Neupaver will receive a salary of \$600,000 and is entitled to participate in Wabtec's Executive Bonus Plan, Long-Term Incentive Plan and Stock Incentive Plan. Mr. Neupaver was also granted 90,000 shares of restricted stock, which vest in annual 25% increments from February 1, 2006. Mr. Neupaver is also entitled to executive perquisites such as a company car, club memberships and reimbursement for tax preparation and estate planning services. Under the terms of the agreement, if Mr. Neupaver is terminated during his first two years of employment for reasons other than cause, death or disability, he is entitled to receive 24 months base salary and his target bonus, and is entitled to participate in Wabtec's benefit programs for two years from his termination date.

By-laws. Pursuant to the terms of Wabtec's amended and restated by-laws, William E. Kassling and Emilio A. Fernandez will be members of the Board so long as each person is able and willing to serve and each person beneficially owns a certain percentage of Wabtec common stock.

Table of Contents**Summary Compensation Table**

This table shows the compensation for Wabtec's Chief Executive Officer during 2005 and the four other most highly paid executive officers, other than the Chief Executive Officer, in 2005.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary	Bonus	Other Annual Compensation (1)	Restricted Stock Award	Securities Underlying Options	LTIP Payouts	All Other Compensation (2)
William E. Kassling (3) Chairman and Former Chief Executive Officer and President	2005	\$ 700,000	\$ 1,000,000	\$ 101,014		50,000		\$ 18,144
	2004	571,608	533,356	95,978		30,000		17,242
	2003	449,009	182,717	111,092		75,000		18,720
Alvaro Garcia-Tunon Senior Vice President, Chief Financial Officer and Secretary	2005	\$ 279,231	\$ 263,687	\$ 53,868		20,000		\$ 13,580
	2004	246,519	198,376	54,796		10,000		13,053
	2003	203,750	98,052	47,542		40,000		16,066
Barry L. Pennypacker Vice President and Group Executive	2005	\$ 254,154	\$ 235,823	\$		20,000		\$ 12,990
	2004	235,058	194,271			10,000		6,478
	2003	211,615	81,777			15,000		9,810
Timothy J. Logan Vice President and Group Executive	2005	\$ 218,461	\$ 202,385	\$		20,000		\$ 13,354
	2004	208,596	182,253			10,000		12,990
	2003	196,615	100,348			10,000		15,988
James E. McClaine Vice President and Group Executive	2005	\$ 205,000	\$ 180,387	\$ 39,860		20,000		\$ 20,578
	2004	199,450	138,301			10,000		15,735
	2003	192,000	56,579			10,000		19,804

(1) In accordance with the Securities and Exchange Commission regulations, amounts that are less than the lesser of \$50,000 or 10% of the total annual salary and bonus for the applicable executive officer have been omitted. The amount of personal benefits shown in this column that represent more than 25% of the applicable executive officer's total Other Annual Compensation for the applicable year include: (1) perquisite payments were paid in the form of reimbursements of actual expenses to Mr. Kassling of up to \$40,000 in 2005, 2004, and 2003; and to Mr. Garcia-Tunon of up to \$15,000 in 2005, 2004 and 2003, which covered items such as financial planning services, tax preparation, estate planning, additional country club fees and health club fees; (2) tax gross up payments for the following individuals: Mr. Kassling, \$41,022 (2005), \$38,976 (2004) and \$48,736 (2003); Mr. Garcia-Tunon, \$21,876 (2005), \$22,253 (2004) and \$20,857 (2003); and Mr. McClaine, \$19,609 (2005); and (3) car allowances for the following individuals: Mr. Garcia-Tunon, \$11,173 (2004); and Mr. McClaine, \$15,013 (2005).

(2) Amounts include matching contributions made by the company under its 401(k) plan paid on behalf of the following individuals in 2005, 2004 and 2003, respectively: Mr. Kassling, \$12,600, 12,300 and \$15,500; Mr. Garcia-Tunon, \$12,600, 12,300 and \$15,500; Mr. Pennypacker, \$12,600, \$6,150 and \$9,500; Mr. Logan, \$12,600, \$12,300 and \$15,339; and Mr. McClaine, \$12,300, \$12,005 and \$15,260. Amounts also include imputed group term life insurance premium payments paid by the company on behalf of the following individuals in 2005, 2004 and 2003, respectively: Mr. Kassling, \$5,544, \$4,942 and \$3,220; Mr. Garcia-Tunon, \$980, \$753 and \$566; Mr. Pennypacker, \$390, \$328 and \$310; Mr. Logan, \$754, \$690 and \$649; and Mr. McClaine, \$2,043, \$1,885 and \$1,885. Amounts also include additional life insurance policy premium payments paid by the company on behalf of Mr. McClaine of \$6,235

(2005), \$1,845 (2004) and \$2,659 (2003).

- (3) Mr. Kassling served as President and Chief Executive Officer from May 19, 2004 through January 31, 2006. Mr. Kassling continues to serve as Chairman of Wabtec and has held this position since 1990. Effective as of February 1, 2006, Albert J. Neupaver is the President and Chief Executive Officer of Wabtec.

Table of Contents**Option Grants in 2005**

This table shows the options granted in 2005 for Wabtec's Chief Executive Officer during 2005 and the four most highly paid executive officers, other than the Chief Executive Officer, in 2005.

Name	No. of Shares Subject to Options Granted (1)	% of Total Options Granted to Employees in 2005	Exercise Price/Share	Expiration Date	Grant Date Present Value (2)
William E. Kassling Chairman and Former President and Chief Executive Officer	50,000	20.0%	\$ 17.07	02/24/15	\$ 364,000
Alvaro Garcia-Tunon Senior Vice President, Chief Financial Officer and Secretary	20,000	8.0%	\$ 17.07	02/24/15	\$ 145,600
Barry L. Pennypacker Vice President and Group Executive	20,000	8.0%	\$ 17.07	02/24/15	\$ 145,600
Timothy J. Logan Vice President and Group Executive	20,000	8.0%	\$ 17.07	02/14/15	\$ 145,600
James E. McClaine Vice President and Group Executive	20,000	8.0%	\$ 17.07	02/14/15	\$ 145,600

(1) The option grants were made on February 24, 2005 under the company's 2000 Stock Incentive Plan.

(2) Based on the Black-Scholes option pricing model adopted for use in valuing executive stock options. The actual value, if any, an executive may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised. There is no assurance that the value realized by an executive will be at or near the value estimated by the Black-Scholes model. The estimated values under that model were calculated based on the following assumptions:

	February 24, 2005 Grant
Dividend Yield	0.30
Exercise Date	Five-Year Expected Life
Risk-Free Interest Rate	4.30%
Volatility	43.5

Table of Contents**2005 Aggregate Option Exercises and Year-End Option Values**

This table shows the number and value of stock options exercised and unexercised for Wabtec's Chief Executive Officer during 2005 and the four most highly paid executive officers, other than the Chief Executive Officer, in 2005.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at	Value of Unexercised In-the-Money Options	
			December 31, 2005 Exercisable/Unexercisable	at December 31, 2005 Exercisable/Unexercisable (1)	
William E. Kassling Chairman and Former President and Chief Executive Officer			366,880/95,000	\$ 4,910,866	\$ 1,118,500
Alvaro Garcia-Tunon Senior Vice President, Chief Financial Officer and Secretary	833	\$ 6,672	45,167/40,000	\$ 615,711	\$ 487,331
Barry L. Pennypacker Vice President and Group Executive	10,000	\$ 187,300	68,333/31,667	\$ 1,064,838	\$ 351,837
Timothy J. Logan Vice President and Group Executive	30,000	\$ 479,100	118,440/30,000	\$ 1,358,577	\$ 324,731
James E. McClaine Vice President and Group Executive	46,750	\$ 594,964	40,800/30,000	\$ 581,253	\$ 324,731

(1) The value of unexercised options is based on the difference between the exercise prices of the various option grants and the fair market value (average of high and low) of Wabtec's common stock on the NYSE on December 30, 2005 of \$27.03.

Equity Compensation Plan Information

This table provides aggregate information as of December 31, 2005 concerning equity awards under Wabtec's compensation plans and arrangements.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	2,922,387	\$ 13.98	1,028,322
Equity compensation plans not approved by shareholders	0	0	0
Total	2,922,387	\$ 13.98	1,028,322

Table of Contents**Long-Term Incentive Plan Awards in 2005**

This table shows the performance units granted to and estimated future payouts for Wabtec's Chief Executive Officer during 2005 and the four most highly paid executive officers, other than the Chief Executive Officer, in 2005.

Name	Performance Units (1)	Performance Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
			William E. Kassling	30,000	01/05 12/07
Alvaro Garcia-Tunon	12,000	01/05 12/07	6,000	12,000	24,000
Barry L. Pennypacker	12,000	01/05 12/07	6,000	12,000	24,000
Timothy J. Logan	12,000	01/05 12/07	6,000	12,000	24,000
James E. McClaine	12,000	01/05 12/07	6,000	12,000	24,000

- (1) Represents a target grant of performance units at the beginning of the 3-year performance period. A performance unit is equal to a share of Wabtec common stock. If Wabtec achieves its 3-year cumulative economic profit goal, then participants will earn the target number of performance units. In general, the goals increase each year taking into account expected market conditions, and are intended to reflect a superior performance by management. If Wabtec achieves the maximum 3-year cumulative economic profit goal, a participant will earn a maximum number (equal to two (2) times the target level) of performance units. If Wabtec achieves the threshold 3-year cumulative economic profit goal, a participant will earn a threshold number (equal to one-half of the target level) of performance units. The number of performance units earned for performance between threshold and target, and target and maximum will be interpolated on a straight-line basis. No performance units will be earned for performance below the 3-year cumulative economic profit threshold and no additional performance units will be earned for performance exceeding the 3-year cumulative economic profit maximum. This plan is intended to encourage the long-term stability of Wabtec's management by establishing ambitious goals designed to promote the long-term productivity and profitability of the company. If a plan participant leaves the company voluntarily, or is terminated for cause, prior to the end of the performance period, they are not eligible to receive any performance units they may have earned under the plan. If a plan participant otherwise leaves the company, his or her payout will be pro-rated in accordance with the amount of time he or she participated in the plan relative to the performance period.

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Stock Performance Graph

The graphs below compare the cumulative total stockholder return, through December 30, 2005, of Wabtec's common stock, the S&P 500 and two peer groups of manufacturing companies, the former peer group and the new peer group. The former peer group consists of the following publicly traded manufacturing companies, which engaged in lines of business similar to those of Wabtec: Atchison Casting Corp., The Greenbrier Companies, Inc., L.B. Foster Company and Trinity Industries. The new peer group is comprised of the same companies as the former peer group except Portec Rail Products, Inc. and FreightCar America Inc., which completed initial public offerings in 2004 and 2005, respectively, have been added and Atchison Casting Corp, which has been in bankruptcy, has been removed. The new peer group has been chosen to more closely reflect the companies that resemble Wabtec. The graphs assume that a person invested \$100 on December 29, 2000 and that dividends are reinvested.

Stock Performance Graph of Former Peer Group

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Stock Performance Graph of New Peer Group

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Table of Contents**Fees to Independent Registered Public Accounting Firm**

The following table shows the aggregate fees for services provided by Ernst & Young LLP for the fiscal years ended December 31, 2005 and December 31, 2004:

	2005	2004
Audit Fees	\$ 1,878,000	\$ 1,759,787
Audit-Related Fees	\$ 23,000	\$ 102,427
Tax Fees	\$ 461,000	\$ 355,477
All Other Fees	\$ 0	\$ 0
	<hr/>	<hr/>
Total Fees	\$ 2,362,000	\$ 2,217,691

Audit Fees

Audit fees include fees for audit services in connection with Wabtec's annual financial statements, review of financial statements included in Wabtec's quarterly reports on Form 10-Q and Securities and Exchange Commission filings, and audit of internal control over financial reporting.

Audit-Related Fees

Audit-related fees include fees for services related to the audits of employee benefit plans, international accounting issues and implementation of rules related to Sarbanes-Oxley.

Tax Fees

Tax fees include fees for services related to tax return preparation, tax compliance and tax planning.

All Other Fees

None.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm to assure that the provision of such services does not impair the independent registered public accounting firm's independence.

The annual audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. All other permitted services must be pre-approved by the Audit Committee.

The Chief Financial Officer determines whether services to be provided require pre-approval or are included within the list of pre-approved services.

All services provided by Ernst & Young LLP for fiscal year 2005 were pre-approved by the Audit Committee.

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Proposal 2 Approval of the Amended and Restated Stock Incentive Plan

On February 16, 2006, the Board approved amendments to and amended and restated the stock incentive plan (the Amended and Restated Stock Incentive Plan) to replace the 2000 Stock Incentive Plan subject to your approval. The changes made to the 2000 Stock Incentive Plan by the Amended and Restated Stock Incentive Plan include:

removal of the evergreen provision for share replenishment from the plan and addition of 2,000,000 shares to the plan,

extension of the expiration date of the plan until January 31, 2016,

prohibition of repricing or exchange of options without stockholder approval,

elimination of the ability of Wabtec to grant discounted stock options,

modification of the plan to permit upward adjustments to performance targets in mid-cycle as well as downward adjustments, and

certain other technical, conforming or updating modifications to the plan.

The Board recommends that you approve the Amended and Restated Stock Incentive Plan for the reasons discussed in **General** below.

The following is a summary of the main features of the Amended and Restated Stock Incentive Plan and is not a complete description of all provisions of the plan. A copy of the Amended and Restated Stock Incentive Plan is attached as *Appendix A*. You may want to read the entire plan before voting.

General

The purpose of the Amended and Restated Stock Incentive Plan is to:

provide additional motivation for eligible employees and improve their retention,

reward employees with an opportunity to acquire shares of Wabtec common stock on favorable terms, and

provide us a way to attract able persons to join Wabtec.

Eligible employees include key employees of Wabtec identified by the sub-committee of the Compensation Committee (referred to as the committee) who share responsibility for management, growth or protection of the business. As of December 31, 2005, there were approximately 160 persons eligible to participate in the plan. The plan provides for the grant of different types of options: incentive stock options (options under Section 422 of the Internal Revenue Code), nonstatutory stock options (options that do not qualify under Sections 422 or 423 of the Internal Revenue Code) or both, but not together. It also provides for the grant of cash payment rights with nonstatutory stock options and the award of restricted shares and performance units. The maximum number of shares for which future stock options may be granted or shares may be awarded under the plan is the number of shares that are available under the existing 2000 Stock Incentive Plan plus an additional 2,000,000, which represents 5.65% of the total shares outstanding as of December 31, 2005. The committee may not grant or award stock options, cash payment rights, restricted shares or performance units payable in shares after January 31, 2016. The fair market value of a share of Wabtec common stock on March 31, 2006 was \$32.33.

Stock Options

A stock option provides the optionee with the ability to purchase shares of Wabtec common stock by paying the exercise price. The exercise price is determined by the committee and may not be less than the fair market value per share of the stock covered by the option on the grant date. The exercise price for incentive stock options granted to an employee who owns stock representing over ten percent of the voting power of all Wabtec common stock must be at least 110% of fair market value on the date of grant. Fair market value is the average of the high and low sales prices of Wabtec common stock as quoted in the NYSE-Composite Transactions listing of *The Wall Street Journal* for the applicable date.

The exercise price is payable in cash unless the committee authorizes an optionee to pay all or a portion of the exercise price with Wabtec common stock. The fair market value of the stock delivered

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applies to the exercise price. Cash must be paid in lieu of payment with a fractional share. The optionee may not use shares that have been held for less than six months.

The maximum number of shares that may be awarded as stock options under the plan to any one employee in any one calendar year is 300,000 shares. The difference between this maximum number and the number of shares granted in a given year may increase the maximum number of shares that may be awarded in subsequent years.

The total fair market value of the shares with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year may not exceed \$100,000. Any amount above the limit will be converted to nonstatutory stock options. The plan provides limitations on accelerating option exercise dates if the result is to violate this \$100,000 limit. The committee may accelerate exercise dates of incentive stock options in its discretion.

Wabtec cannot modify outstanding stock options to decrease the exercise price or offer to exchange stock options for other consideration without first obtaining stockholder approval.

Unless disabled, as defined in the Internal Revenue Code, if an optionee is voluntarily terminated or retires the optionee may exercise outstanding incentive stock options within the shorter of three months from termination or the expiration date, if the options were exercisable immediately before termination. The optionee may exercise outstanding nonstatutory options within the shorter of one year from termination or the expiration date, if the options were exercisable immediately before termination. If disabled and voluntarily terminated, an optionee may exercise outstanding options within the shorter of one year from termination or the expiration date, even if the options were not exercisable prior to termination. If an optionee dies while employed, the optionee's legal representative may exercise options within the shorter of one year from death or the expiration date, even if the options were not exercisable prior to death. If an optionee dies after his or her employment has terminated when an option is exercisable, the optionee's legal representative may exercise options within the shorter of one year from death or the expiration date, if the options were exercisable immediately prior to death. Options are automatically terminated if an optionee's employment ends for any other reason. These rules and time periods may be modified by the committee.

Only an optionee can exercise an option during his or her life. Options can only be transferred by will or state laws of distribution.

Cash Payment Rights

Cash payment rights may be granted with nonstatutory stock options. The holder will receive cash for these rights equal to a percentage, set by the committee, of the fair market value of the stock less the exercise price multiplied by the number of shares covered by the option. The percentage may not be over one hundred percent.

Restricted Shares

The committee may award restricted shares that are subject to transfer and other restrictions and other conditions imposed by them. Share certificates are issued in the name of the awardee and held by us in escrow. When the restrictions and conditions lapse, we will give the shares to the awardee along with any unpaid dividends. From the date of the award, the awardee is a stockholder of all shares represented by the certificates and has all stockholder rights, subject to the restrictions imposed by the committee.

Performance Units

The committee may award performance units based on the level of performance of Wabtec over a period of time determined by the committee. Performance units may be paid in cash or shares of Wabtec common stock. Cash awards may be fixed dollars, percentage of salary or percentage of a pool based on earnings of Wabtec.

Additional Rights

The plan provides for additional rights for certain events including:

our actual knowledge that a person has acquired shares having 30% or more of voting power,

a tender offer is made for our shares having 30% or more of voting power,

someone other than us solicits proxies to elect or remove 50% or more of any class of the Board, or

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you approve a merger or similar transaction in which you do not own a majority of voting power after the transaction.

If one of these events occurs:

all outstanding stock options become fully exercisable,

all options of optionees who are terminated within a year of the event are exercisable for three years from termination unless they expire earlier,

all restrictions on restricted shares lapse, and

all performance units are paid to the awardee.

Furthermore, Wabtec will pay cash (on a grossed-up basis) for the amount of excise tax due from an optionee or awardee that is deemed to have received an excess payment on a change of control. These provisions may be considered as having an anti-takeover effect.

Miscellaneous

Grants and awards under the plan will be confirmed by an agreement between Wabtec and the employee. The Board may amend or terminate the plan at any time except that your approval is needed to increase the number of shares that may be issued under the plan, to increase the maximum number of shares that may be granted or awarded to any one employee, to change the class of eligible employees and if your approval is needed for grants and awards under the plan to qualify for the exemption from Section 16(b) of the Exchange Act. Consent of a holder is necessary to adversely affect his or her rights. The committee may make adjustments to shares available under the plan and outstanding options to prevent dilution in certain circumstances.

Federal Income Tax Consequences

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the Amended and Restated Stock Option Plan to the recipient and the company. This summary is not intended to be exhaustive, is based on U.S. federal income tax law currently in effect, does not constitute tax advice and, among other things, does not address possible state, local or foreign tax consequences.

This summary is not intended or written to be used, and it cannot be used, by any recipient for the purpose of avoiding any penalties that may be imposed on any recipient.

Nonstatutory Stock Options. Generally, an optionee does not have any taxable income when a nonstatutory stock option is granted. At the time of exercise, an optionee has compensation income for the excess of the fair market value of the shares received on the exercise date over the exercise price. If the exercise price is paid for in whole or in part with shares, an optionee will have no income, gain or loss for the value of shares received equal to the value of shares used to pay the exercise price. However, the optionee will have taxable compensation income for the excess of the fair market value of shares received over those delivered to pay the exercise price, minus any cash paid as part of the exercise price. If an optionee later sells the shares, the optionee has capital gain or loss for the difference between the amount received and the tax basis of the shares. The tax basis generally includes the compensation income from the exercise of the option. Wabtec can generally take a deduction for the amount taxed as compensation to the optionee.

Incentive Stock Options. An optionee does not have any taxable income when an incentive stock option is granted. Generally, an optionee does not have any taxable income at the time of exercise regardless of whether cash or shares are used to pay the exercise price but will have an increase in taxable income for alternative minimum tax purposes.

An optionee can generally treat gain or loss recognized when shares are disposed as a long-term capital gain or loss, unless the disposition is a disqualifying disposition. Long-term capital gains are generally taxed at lower rates than compensation income and capital losses have special rules regarding deductibility. A disqualifying disposition generally occurs when the shares are disposed within two years from the date of grant of the incentive stock option or within one year after the exercise. For disqualifying dispositions, an optionee generally has compensation income in the year of the disposition equal to the difference between the fair market value of the shares received on the exercise date and the exercise price. This amount may be limited in certain circumstances. Any additional gain is taxed as short-term or long-term capital gain, depending on how long the shares were held. Special rules apply if the

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exercise price is paid in shares of Wabtec common stock.

Wabtec is not allowed a tax deduction for the shares received by an optionee when an optionee exercises an incentive stock option. If an optionee has taxable compensation because of a disqualifying disposition, Wabtec can generally take a tax deduction for the amount taxed as compensation to the optionee.

Cash Payment Rights. An optionee does not have any taxable income when cash payment rights are received. An optionee has compensation income in the year when eligible to receive the cash payment with exercise of the related option. Wabtec can generally take a deduction for the amount taxed as compensation. (It is currently not clear whether cash payment rights are exempt from or comply with the requirements of Section 409A of the Internal Revenue Code. They will not be granted unless Wabtec believes they are exempt or comply.)

Restricted Shares. If restricted shares are nontransferable and subject to risk of forfeiture, the awardee is not taxed on compensation income in the year of the award unless the awardee elects to be taxed in that year as allowed by the Internal Revenue Code. If the election is made, the awardee has compensation income in the year of the award equal to the fair market value of the shares on the date of the award (without consideration of the restrictions) less any cash paid by the awardee for the shares. If the election is not made, the awardee has compensation income for the fair market value of the shares on the date the restrictions expire less any cash paid by the awardee for the shares. Wabtec can generally take a tax deduction for the amount taxed as compensation to the awardee. If the awardee later sells the shares, the difference between the amount realized on the sale and the amount previously taxed as compensation (plus any cash paid for the shares) is taxed as a capital gain or loss.

Performance Units. An awardee does not have any taxable income when a performance unit is received. The awardee has compensation income in the year the awardee is entitled to receive cash or shares equal to the cash or the fair market value of the shares. Wabtec can generally take a deduction for the amount treated as compensation to the awardee. If the awardee later sells any shares received, the difference between the amount realized and the amount previously taxed as compensation is taxed as a capital gain or loss.

Other. Certain events described above under Additional Rights may result in a Federal excise tax to the optionee or awardee and the loss of a compensation deduction to Wabtec in certain circumstances.

Under Section 162(m) of the Internal Revenue Code in certain circumstances Wabtec may not be able to deduct the compensation (other than from stock options) that exceeds \$1,000,000 in any taxable year paid to a covered employee. A covered employee is the chief executive officer at the end of the tax year and the four highest paid officers for the tax year.

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New Plan Benefits

The following table summarizes what benefits were received by or allocated to each named executive officer and the groups identified below pursuant to the Amended and Restated Stock Incentive Plan during 2006. Non-employee directors, including Kim G. Davis, Michael W.D. Howell and Gary C. Valade, who stand for election at this annual meeting of stockho