WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP
Form 10-K
February 20, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2014

OR

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission file number 033-90866

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 25-1615902 |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

| | |
|---|---|
| 1001 Air Brake Avenue Wilmerding, Pennsylvania 15148 | (412) 825-1000 |
| (Address of principal executive offices, including zip code) | (Registrant’s telephone number) |

Securities registered pursuant to Section 12(b) of the Act:

| Title of Class | Name of Exchange on which registered |
|---|---|
| Common Stock, par value $.01 per share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes x No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes ¨ No x.

The registrant estimates that as of June 30, 2014, the aggregate market value of the voting shares held by non-affiliates of the registrant was approximately $7.6 billion based on the closing price on the New York Stock Exchange for such stock.

As of February 16, 2015, 96,343,620 shares of Common Stock of the registrant were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the registrant's Annual Meeting of Stockholders to be held on May 13, 2015 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. BUSINESS

General

Westinghouse Air Brake Technologies Corporation, doing business as Wabtec Corporation, is a Delaware corporation with headquarters at 1001 Air Brake Avenue in Wilmerding, Pennsylvania. Our telephone number is 412-825-1000, and our website is located at www.wabtec.com. All references to "we", "our", "us", the "Company" and "Wabtec" refer to Westinghouse Air Brake Technologies Corporation and its subsidiaries. Westinghouse Air Brake Company ("WABCO") was formed in 1990 when it acquired certain assets and operations from American Standard, Inc., now known as Trane ("Trane"). In 1999, WABCO merged with MotivePower Industries, Inc. ("MotivePower") and adopted the name Wabtec.

Today, Wabtec is one of the world's largest providers of value-added, technology-based equipment and services for the global rail industry. We believe we hold approximately a 50% market share in North America for our primary braking-related equipment and a leading position in North America for most of our other product lines. Our highly engineered products, which are intended to enhance safety, improve productivity and reduce maintenance costs for customers, can be found on virtually all U.S. locomotives, freight cars, subway cars and buses, and on many of these vehicles around the world. In 2014, the Company had sales of approximately $3.04 billion and net income of about $351.7 million. In 2014 sales of aftermarket parts and services represented about 61% of total sales, while sales to customers outside of the U.S. accounted for about 50% of total sales.

Industry Overview

The Company primarily serves the worldwide freight rail and passenger transit industries. As such, our operating results are largely dependent on the level of activity, financial condition and capital spending plans of the global railroad and transit industries. Many factors influence these industries, including general economic conditions; traffic volumes, as measured by freight tonnage and passenger ridership; government spending on public transportation; and investment in new technologies by freight rail and passenger transit systems.

According to a recent study by UNIFE, the Association of the European Rail Industry, the accessible global market for railway products and services is more than $100 billion, and it is expected to grow at about 2.7% annually through 2019. The three largest markets, which represent about 75% of the total market, are Europe, Asia-Pacific and North America. UNIFE projects the overall market to remain stable through 2020 as emerging markets show above-average growth due to overall economic growth and trends such as urbanization and increasing mobility, deregulation, investments in new technologies, energy and environmental issues, and increasing government support; while developed markets grow at a slower pace. UNIFE projects growth in all major product segments, with rail control and services expected to grow the fastest, at about 3% each.

By using various industry publications and market studies, we estimate that the global installed base of locomotives is about 110,000 units, with about 35% in Asia-Pacific, about 25% in Russia-CIS and about 20% in North America. We estimate the global installed base of freight cars is about 5.2 million units, with about 30% each in Russia-CIS and North America, and about 20% in Asia-Pacific. We estimate the global installed base of transit cars is about 330,000 units, with about 55% in Asia-Pacific, about 20% in Europe and about 10% in Russia.

In North America, railroads carry about 40% of intercity freight, as measured by ton-miles, which is more than any other mode of transportation. They are an integral part of the continent's economy and transportation system, serving nearly every industrial, wholesale and retail sector. Through direct ownership and operating partnerships, U.S. railroads are part of an integrated network that includes railroads in Canada and Mexico, forming what is regarded as the world's most-efficient and lowest-cost freight rail service. There are more than 500 railroads operating in North America, with the largest railroads, referred to as "Class I," accounting for more than 90% of the industry's revenues.

The railroads carry a wide variety of commodities and goods, including coal, metals, minerals, chemicals, grain, and petroleum. These commodities represent about 55% of total rail carloadings, with intermodal carloads accounting for the rest. Intermodal traffic—the movement of trailers or containers by rail in combination with another mode of transportation—has been the railroads' fastest-growing market segment in the past 10 years. Railroads operate in a competitive environment, especially with the trucking industry, and are always seeking ways to improve safety, cost and reliability. New technologies offered by Wabtec and others in the industry can provide some of these benefits.
Demand for our freight related products and services in North America is driven by a number of factors, including rail traffic, and production of new locomotives and new freight cars. In 2014, the Association of American Railroads ("AAR") reported total carloads increased 4.4% including a 5.4% increase in intermodal traffic, which generally reflected a growing economy. Deliveries of new locomotives were about 1,450 units in 2014, compared to about 1,300 in 2013 and the average of about 1,200 in the past 10 years. Deliveries of new freight cars were about 67,000 units in 2014, compared to about 53,000 in 2013 and the average of about 50,000 in the past 10 years.

In the U.S., the passenger transit industry is dependent largely on funding from federal, state and local governments, and from fare box revenues. The New York City region is the largest passenger transit market in the U.S., but most major cities also offer either rail or bus transit services. Demand for North American passenger transit products is driven by a number of factors, including government funding, deliveries of new subway cars and buses, and ridership. The U.S. federal government provides money to local transit authorities, primarily to fund the purchase of new equipment and infrastructure for their transit systems. In 2014, the U.S. Congress passed a bill that includes transit spending of about $11 billion in fiscal 2015, an increase of about 2%. The number of new transit cars delivered in 2014 was about 850, compared to about 1,000 in 2013. The number of new buses delivered in 2014 was about 4,600 compared to about the same in 2013. In the past 10 years, the average number of new transit cars delivered annually is about 800, and the average number of new buses delivered annually is about 4,700. Public transit ridership provides fare box revenues to transit authorities, which use these funds, along with state and local money, primarily for equipment and system maintenance. Based on preliminary figures from the American Public Transportation Association, ridership on U.S. transit vehicles increased about 0.9% in 2014.

Outside of North America, countries such as Australia, Brazil, China, India, Russia, and South Africa have been investing capital to expand and improve both their freight and passenger rail systems. Throughout the world, some government-owned railroads are being sold to private owners, who often look to improve the efficiency of the rail system by investing in new equipment and new technologies. According to UNIFE, emerging markets are expected to grow at above-average rates as global trade creates increases in freight volumes and urbanization leads to increased demand for efficient mass-transportation systems. As this growth occurs, Wabtec expects to have additional opportunities to provide products and services in these markets.

In Europe, the majority of the rail system serves the passenger transit market, which is expected to continue growing as energy and environmental factors encourage investment in public mass transit. France, Germany, the United Kingdom and Italy are the largest transit markets, representing about two-thirds of passenger traffic in the European Union. UNIFE projects the Western European rail market to grow at about 2.0% in the next few years, with the United Kingdom and France expected to invest in new rolling stock. According to the UK's Office of Rail Regulation, passenger rail usage has steadily increased in the past decade, with the Office reporting a 4.4% increase in second quarter ridership in its most recent quarterly report. For the same time period, the Office also reported an decrease of 8.0% in freight volume, driven by a reduction in coal shipments. Germany has the largest rail network in Europe. About 75% of freight traffic in Europe is hauled by truck, while rail accounts for about 20%. The largest freight markets in Europe are Germany, Poland and the United Kingdom. In the first nine months of 2014, The Federal Statistical Office of Germany reported a 0.8% increase in freight volumes compared to the same period in 2013. For the first nine months of 2014, SNCF (French national railway) reported an increase of 3.4% in revenue for local and regional ridership, and an increase of about 0.8% in freight-related revenue. We estimate that the European rail market consists of about 11,000 locomotives, about 750,000 freight cars and about 72,000 passenger transit cars.

The Asia/Pacific market is now the second-largest geographic segment, according to UNIFE. This market consists primarily of China, India and Australia. Growth has been driven by the continued urbanization of China and India, and by investment in freight rail infrastructure to serve the mining and natural resources markets in those countries, as well as in Australia. We estimate that this market consists of about 35,000 locomotives and about 1.0 million freight cars. China is expected to increase spending on rail infrastructure and equipment in 2015, as it resumes investment in high-speed rail programs. In its most recent report, the Indian government reported that in the first nine months of its fiscal 2014 freight rail traffic increased about 5.3% and passenger rail traffic decreased about 1.4%. India is expected to increase spending significantly in 2015 as it seeks to modernize its rail system.

Other key geographic markets include Russia/CIS, South Africa, and Brazil. With about 1.5 million freight cars and about 28,000 locomotives, Russia/CIS is among the largest freight rail markets in the world, and it's expected to invest significantly in new rolling stock and infrastructure. Russian Railways, a state-owned company, provides both freight and passenger transportation. In 2014, Russian Railways announced a decrease of 0.8% in freight loadings and a decrease of 1% in passenger ridership. South Africa, in 2012, announced a major program to invest in its freight rail and passenger transit infrastructure during the next 20 years.  As part of this program, PRASA, the Passenger Rail Agency of South Africa, plans to purchase about 3,600 new transit cars and about 1,000 new locomotives.  Brazil has also been investing in its passenger transport systems in advance of hosting the 2016 2016 Olympics.

Business Segments and Products

We provide our products and services through two principal business segments, the Freight Segment and the Transit Segment, both of which have different market characteristics and business drivers.

The Freight Segment primarily manufactures and services components for new and existing locomotive and freight cars , supplies railway electronics, positive train control equipment, signal design and engineering services, builds switcher locomotives, rebuilds freight locomotives and provides heat exchangers and cooling systems for rail and other industrial markets. Customers include large, publicly traded railroads, leasing companies, manufacturers of original equipment such as locomotives and freight cars, and utilities. As discussed previously, demand in the freight market is primarily driven by rail traffic, and deliveries of new locomotives and freight cars. In 2014, the Freight Segment accounted for 57% of our total sales, with about 75% of its sales in North

America and the remainder to international customers. In 2014, slightly more than half of the Freight Segment's sales were in aftermarket.

The Transit Segment primarily manufactures and services components for new and existing passenger transit vehicles, typically subway cars and buses, builds new commuter locomotives and refurbishes subway cars. Customers include public transit authorities and municipalities, leasing companies, and manufacturers of subway cars and buses around the world. As discussed previously, demand in the transit market is primarily driven by government funding at all levels and passenger ridership. In 2014, the Transit Segment accounted for 43% of our total sales, with about 45% of its sales in North America and the remainder to international customers. About two-thirds of the Transit Segment's sales are in the aftermarket with the remainder in the original equipment market.

Following is a summary of our leading product lines in both aftermarket and original equipment across both of our business segments:

Specialty Products & Electronics:

- Positive Train Control equipment and electronically controlled pneumatic braking products
- Railway electronics, including event recorders, monitoring equipment and end of train devices
- Signal design and engineering services
- Freight car truck components
- Draft gears, couplers and slack adjusters
- Air compressors and dryers
- Heat exchangers and cooling products for locomotives and power generation equipment
- Track and switch products

Brake Products:

- Railway braking equipment and related components for Freight and Transit applications
- Friction products, including brake shoes and pads

Remanufacturing, Overhaul and Build:

- New commuter and switcher locomotives
- Transit car and locomotive overhaul and refurbishment

Transit Products:

- Door and window assemblies for buses and subway cars
- Accessibility lifts and ramps for buses and subway cars
- Traction motors

We have become a leader in the rail industry by capitalizing on the strength of our existing products, technological capabilities and new product innovation, and by our ability to harden products to protect them from severe conditions, including extreme temperatures and high-vibration environments. Supported by our technical staff of over 1,200 engineers and specialists, we have extensive experience in a broad range of product lines, which enables us to provide comprehensive, systems-based solutions for our customers.

Over the past several years, we introduced a number of significant new products, including electronic braking equipment and train control equipment that encompasses onboard digital data and global positioning communication protocols. In 2007, for example, the Federal Railroad Administration (FRA) approved the use of our Electronic Train Management System®, which offers safety benefits to the rail industry. In 2008, the U.S. federal government enacted a rail safety bill that mandates the use of Positive Train Control ("PTC") technology, which includes on-board locomotive computer and related software, on a majority of the locomotives and track in the U.S. With our Electronic Train Management System®, we are the leading supplier of this on-board train control equipment, and we are working with the U.S. Class I railroads, commuter rail authorities and other industry suppliers to implement this technology. The rail safety bill included a deadline of December 31, 2015 for PTC implementation, but railroads and transit authorities have stated in recent years that they cannot achieve full implementation by that deadline. In early 2014, the AAR said the railroads had equipped about half of the required locomotives with PTC equipment. Various bills have been introduced in Congress to

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extend the deadline, but to date there has been no change. An extension of the deadline could affect the rate of industry spending on this technology. In 2014, Wabtec recorded about $290 million of revenue from freight and transit PTC projects.

For additional information on our business segments, see Note 19 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

Competitive Strengths

Our key strengths include:

- Leading market positions in core products. Dating back to 1869 and George Westinghouse’s invention of the air brake, we are an established leader in the development and manufacture of pneumatic braking equipment for freight and passenger transit vehicles. We have leveraged our leading position by focusing on research and engineering to expand beyond pneumatic braking components to supplying integrated parts and assemblies for the locomotive through the end of the train. We are a recognized leader in the development and production of electronic recording, measuring and communications systems, positive train control equipment, highly engineered compressors and heat exchangers for locomotives, and a leading manufacturer of freight car components, including electronic braking equipment, draft gears, trucks, brake shoes and electronic end-of-train devices. We are also a leading provider of braking equipment, door assemblies, lifts and ramps, couplers and current collection equipment for passenger transit vehicles.
- Breadth of product offering with a stable mix of original equipment market (OEM) and aftermarket business. Our product portfolio is one of the broadest in the rail industry, as we offer a wide selection of quality parts, components and assemblies across the entire train. We provide our products in both the original equipment market and the aftermarket. Our substantial installed base of products with end-users such as the railroads and the passenger transit authorities is a significant competitive advantage for providing products and services to the aftermarket because these customers often look to purchase safety- and performance-related replacement parts from the original equipment components supplier. In addition, as OEMs and railroad operators attempt to modernize fleets with new products designed to improve and maintain safety and efficiency, these products must be designed to be interoperable with existing equipment. On average, over the last several years, more than 57% of our total net sales have come from our aftermarket products and services business.
- Leading design and engineering capabilities. We believe a hallmark of our relationship with our customers has been our leading design and engineering practice, which has, in our opinion, assisted in the improvement and modernization of global railway equipment. We believe both our customers and the government authorities value our technological capabilities and commitment to innovation, as we seek not only to enhance the efficiency and profitability of our customers, but also to improve the overall safety of the railways through continuous improvement of product performance. The Company has an established record of product improvements and new product development. We have assembled a wide range of patented products, which we believe provides us with a competitive advantage. Wabtec currently owns 2,241 active patents worldwide and 619 U.S. patents. During the last three years, we have filed for more than 450 patents worldwide in support of our new and evolving product lines.
- Experience with industry regulatory requirements. The freight rail and passenger transit industries are governed by various government agencies and regulators in each country and region. These groups mandate rigorous manufacturer certification, new product testing and approval processes that we believe are difficult for new entrants to meet cost-effectively and efficiently without the scale and extensive experience we possess.
- Experienced management team and the Wabtec Performance System. The Company has implemented numerous initiatives that enable us to manage successfully through cycles in the rail supply market. For example, the Wabtec Performance System (WPS), an ongoing program that focuses on lean manufacturing principles and continuous improvement across all aspects of our business, has been a part of the Company’s culture for more than 20 years. As a result, our management team has improved our cost structure, operating leverage and financial flexibility, and placed the Company in an excellent position to benefit from growth opportunities.

Business strategy

Using WPS, we strive to generate sufficient cash to invest in our growth strategies and to build on what we consider to be a leading position as a low-cost producer in the industry while maintaining world-class product quality, technology and customer responsiveness. Through WPS and employee-directed initiatives such as Kaizen, a Japanese-developed team concept, we continuously strive to improve quality, delivery and productivity, and to reduce costs. These efforts enable us to streamline processes, improve product reliability and customer satisfaction, reduce product cycle times and respond more rapidly to market developments. Over time, these lean initiatives have enabled us to increase operating margins, improve cash flow and strengthen our ability to invest in the following growth strategies:

- Expand globally and into new product markets. We believe that international markets represent a significant opportunity for future growth. In 2014, sales to non-U.S. customers were $1.5 billion, including export sales from the Company's U.S. operations of $521.7 million. We intend to increase our existing international sales through strategic acquisitions, direct sales of products through our existing subsidiaries and licensees, and joint ventures with railway suppliers which have a strong presence in their local markets. We are specifically targeting markets that operate significant fleets of U.S.-style locomotives and freight cars, including Australia, Brazil, China, India, Russia, South Africa, and other select areas within Europe and South America. In addition, we have opportunities to increase the sale of certain products that we currently manufacture for the rail industry into other industrial markets, such as mining, off-highway and energy. These products include heat exchangers and friction materials.
- Expand aftermarket sales. Historically, aftermarket sales are less cyclical than OEM sales because a certain level of aftermarket maintenance and service work must be performed, even during an industry slowdown. In 2014, Wabtec's aftermarket sales and services represented approximately 61% of the Company's total sales across both of our business segments. Wabtec provides aftermarket parts and services for its components, and the Company is seeking to expand this business with customers who currently perform the work in-house. In this way, we expect to take advantage of the rail industry trend toward outsourcing, as railroads and transit authorities focus on their core function of transporting goods and people.
- Accelerate new product development. We continue to emphasize research and development funding to create new and improved products. We are focusing on technological advances, especially in the areas of electronics, braking products and other on-board equipment, as a means of new product growth. We seek to provide customers with incremental technological advances that offer immediate benefits with cost-effective investments.
- Seek acquisitions, joint ventures and alliances. We invest in acquisitions, joint ventures and alliances using a disciplined, selective approach and rigorous financial criteria. These transactions are expected to meet the financial criteria and contribute to our growth strategies of global expansion, new products and expanding aftermarket sales.

All of these expansion strategies will help Wabtec to grow profitably, expand geographically, and dampen the impact from potential cycles in the North American rail industry.

Recent Acquisitions and Joint Ventures

Wabtec has completed certain significant acquisitions in support of its growth strategies mentioned above:

- On February 4, 2015, the Company acquired Railroad Controls L.P. ("RCL"), a U.S. based provider of railway signal construction services for a purchase price of approximately $63.7 million, net of cash acquired.
- On September 3 , 2014, the Company acquired C2CE Pty Ltd. ("C2CE"), a leading provider of railway signal design services in Australia, for a purchase price of approximately $25.1 million, net of cash acquired.
- On August 19, 2014, the Company acquired Dia-Frag, a leading manufacturer of friction products in Brazil, for a purchase price of approximately $70.6 million, net of cash acquired.
- On June 6, 2014, the Company acquired Fandstan Electric Group Ltd. ("Fandstan"), a leading rail and industrial equipment manufacturer for a variety of markets, including rail and tram transportation, industrial and energy, for a purchase price of approximately $199.4 million, net of cash acquired.
- On September 24, 2013, the Company acquired Longwood Industries, Inc ("Longwood"), a manufacturer of specialty rubber products for transportation, oil and gas, and industrial markets, for a purchase price of approximately $83.9 million, net of cash acquired.

- On July 30, 2013, the Company acquired Turbonetics Holdings, Inc ("Turbonetics"), a manufacturer of turbochargers and related components for various industrial markets, for a purchase price of approximately $23.2 million, net of cash acquired.
- On January 31, 2013, the Company acquired Napier Turbochargers Ltd., a UK-based provider of turbochargers and related parts for the worldwide power generation and marine markets, for a purchase price of approximately $112.3 million, net of cash acquired.

## Backlog

The Company’s backlog was about $2.32 billion at December 31, 2014. For 2014, about 61% of total sales came from aftermarket orders, which typically carry lead times of less than 30 days, and are not recorded in backlog for a significant period of time.

The Company’s contracts are subject to standard industry cancellation provisions, including cancellations on short notice or upon completion of designated stages. Substantial scope-of-work adjustments are common. For these and other reasons, completion of the Company’s backlog may be delayed or cancelled. The railroad industry, in general, has historically been subject to fluctuations due to overall economic conditions and the level of use of alternative modes of transportation.

The backlog of firm customer orders as of December 31, 2014 and December 31, 2013, and the expected year of completion are as follows:

| In thousands | Total Backlog 12/31/2014 | Expected Delivery 2015 | Other Years | Total Backlog 12/31/2013 | Expected Delivery 2014 | Other Years |
|---|---|---|---|---|---|---|
| Freight Segment | $977,759 | $843,681 | $134,078 | $511,699 | $447,429 | $64,270 |
| Transit Segment | 1,344,222 | 659,211 | 685,011 | 1,182,206 | 650,690 | 531,516 |
| Total | $2,321,981 | $1,502,892 | $819,089 | $1,693,905 | $1,098,119 | $595,786 |

## Engineering and Development

To execute our strategy to develop new products, we invest in a variety of engineering and development activities. For the fiscal years ended December 31, 2014, 2013, and 2012, we invested about $61.9 million, $46.3 million and $41.3 million, respectively, on product development and improvement activities. The engineering resources of the Company are allocated between research and development activities and the execution of original equipment customer contracts.

Our engineering and development program includes investment in train control and new braking technologies, with an emphasis on applying electronics to traditional pneumatic equipment. Electronic braking has been used in the transit industry for years, and freight railroads are conducting pilot programs to test its reliability and benefits. Freight railroads have generally been slower to accept the technology due to issues over interoperability, connectivity and durability. We are proceeding with efforts to enhance the major components for existing hard-wired braking equipment and development of new electronic technologies for the freight railroads. We are also investing in technology, such as advanced cooling systems that enable lower emissions from diesel engines used in rail and other industrial markets. Sometimes we conduct specific research projects in conjunction with universities, customers and other industry suppliers.

We use our Product Development System (PDS) to develop and monitor new product programs. The system requires the product development team to follow consistent steps throughout the development process, from concept to launch, to ensure the product will meet customer expectations and internal profitability targets.

## Intellectual Property

We have 2,241 active patents worldwide. We also rely on a combination of trade secrets and other intellectual property laws, nondisclosure agreements and other protective measures to establish and protect our proprietary rights in our intellectual property.

Certain trademarks, among them the name WABCO®, were acquired or licensed from American Standard Inc., now known as Trane, in 1990 at the time of our acquisition of the North American operations of the Railway Products Group of Trane. Other trademarks have been developed through the normal course of business, or acquired as a part of our ongoing merger and acquisition program.

We have entered into a variety of license agreements as licensor and licensee. We do not believe that any single license agreement is of material importance to our business or either of our business segments as a whole.

We have issued licenses to the two sole suppliers of railway air brakes and related products in Japan, Nabtesco and Mitsubishi Electric Company. The licensees pay annual license fees to us and also assist us by acting as liaisons with key Japanese passenger transit vehicle builders for projects in North America. We believe that our relationships with these licensees have been beneficial to our core transit business and customer relationships in North America.

Customers

Our customers include railroads and passenger transit authorities throughout North America, as well as in the United Kingdom, Australia, Europe, Asia, South Africa and South America; manufacturers of transportation equipment, such as locomotives, freight cars, subway vehicles and buses; and lessors of such equipment.

Top customers can change from year to year. For the fiscal year ended December 31, 2014, our top five customers accounted for 17% of net sales: The Massachusetts Bay Transportation Authority, General Electric Transportation, CSX Corporation, Trinity Industries, and Union Pacific Corporation. No one customer represents 10% or more of consolidated sales. We believe that we have strong relationships with all of our key customers.

Competition

We believe that we hold approximately a 50% market share in North America for our primary braking-related equipment and a leading market position in North America for most of our other product lines. On a global basis, our market shares are smaller. We operate in a highly competitive marketplace. Price competition is strong because we have a relatively small number of customers and they are very cost-conscious. In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery, and customer service and support.

Our principal competitors vary across product lines. Within North America, New York Air Brake Company, a subsidiary of the German air brake producer Knorr-Bremse AG (“Knorr”) and Amsted Rail Company, Inc., a subsidiary of Amsted Industries Corporation, are our principal overall OEM competitors. Our competition for locomotive, freight and passenger transit service and repair is mostly from the railroads’ and passenger transit authorities’ in-house operations, Electro-Motive Diesel, a division of Caterpillar, GE Transportation Systems, and New York Air Brake/Knorr. We believe our key strengths, which include leading market positions in core products, breadth of product offering with a stable mix of OEM and aftermarket business, leading design and engineering capabilities, significant barriers to entry and an experienced management team, enable us to compete effectively in this marketplace. Outside of North America, no individual company is our principal competitor in all of our operating locations. The largest competitors for Brake and Transit products are Faiveley Transport and Knorr. In addition, our competitors often include smaller, local suppliers in most international markets.

Employees

At December 31, 2014, we had approximately 12,600 full-time employees, approximately 28% of whom were unionized. A majority of the employees subject to collective bargaining agreements are outside North America and these agreements are generally effective from 2015 through 2017. Agreements expiring at various times during 2015 cover approximately 21% of the Company’s workforce. We consider our relations with employees and union representatives to be good, but cannot assure that future contract negotiations will be favorable to us.

Regulation

In the course of our operations, we are subject to various regulations of governments and other agencies in the U.S. and around the world. These entities typically govern equipment and safety standards for freight rail and passenger transit rolling stock, oversee a wide variety of rules and regulations governing safety and design of equipment, and evaluate certification and qualification requirements for suppliers. New products generally must undergo testing and approval processes that are rigorous and lengthy. As a result of these regulations and requirements, we must usually obtain and maintain certifications in a variety of jurisdictions and countries. The governing bodies include: The FRA and AAR in the U.S., the the International Union of Railways (“UIC”) and the European Railway Agency in Europe, the Federal Agency of Railway Transport in Russia, the Agencia Nacional de Transportes Terrestres in Brazil, the National Railway Administration, formerly the Ministry of Railway, China, and the Ministry of Railways in India.

Effects of Seasonality

Our business is not typically seasonal, although the third quarter results may be affected by vacation and scheduled plant shutdowns at several of our major customers during this period.

Environmental Matters

Information on environmental matters is included in Note 18 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

Available Information

We maintain an Internet site at www.wabtec.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as the annual report to stockholders and other information, are available free of charge on this site. The Internet site and the information contained therein or connected thereto are not incorporated by reference into this Form 10-K. The following are also available free of charge on this site and are available in print to any shareholder who requests them: Our Corporate Governance Guidelines, the charters of our Audit, Compensation and Nominating and Corporate Governance Committees, our Code of Conduct, which is applicable to all employees, our Code of Ethics for Senior Officers, which is applicable to all of our executive officers, our Policies on Related Party Transactions and Conflict Minerals, and our Sustainability Report.

## Item 1A. RISK FACTORS

Prolonged unfavorable economic and market conditions could adversely affect our business.

Unfavorable general economic and market conditions in the United States and internationally could have a negative impact on our sales and operations. To the extent that these factors result in continued instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected.

We are dependent upon key customers.

We rely on several key customers who represent a significant portion of our business. Our top customers can change from year to year. For the fiscal year ended December 31, 2014, our top five customers accounted for 17% of our net sales. While we believe our relationships with our customers are generally good, our top customers could choose to reduce or terminate their relationships with us. In addition, many of our customers place orders for products on an as-needed basis and operate in cyclical industries. As a result, their order levels have varied from period to period in the past and may vary significantly in the future. Such customer orders are dependent upon their markets and customers, and may be subject to delays and cancellations. As a result of our dependence on our key customers, we could experience a material adverse effect on our business, results of operations and financial condition if we lost any one or more of our key customers or if there is a reduction in their demand for our products.

Our business operates in a highly competitive industry.

We operate in a competitive marketplace and face substantial competition from a limited number of established competitors in the United States and abroad, some of which may have greater financial resources than we do. Price competition is strong and, coupled with the existence of a number of cost conscious customers, has historically limited our ability to increase prices. In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery and customer service and support. There can be no assurance that competition in one or more of our markets will not adversely affect us and our results of operations.

We intend to pursue acquisitions, joint ventures and alliances that involve a number of inherent risks, any of which may cause us not to realize anticipated benefits.

One aspect of our business strategy is to selectively pursue acquisitions, joint ventures and alliances that we believe will improve our market position, and provide opportunities to realize operating synergies. These transactions involve inherent risks and uncertainties, any one of which could have a material adverse effect on our business, results of operations and financial condition including:

- difficulties in achieving identified financial and operating synergies, including the integration of operations, services and products;
- diversion of Management’s attention from other business concerns;
- the assumption of unknown liabilities; and
- unanticipated changes in the market conditions, business and economic factors affecting such an acquisition.

We cannot assure that we will be able to consummate any future acquisitions, joint ventures or other business combinations. If we are unable to identify suitable acquisition candidates or to consummate strategic acquisitions, we may be unable to fully implement our business strategy, and our business and results of operations may be adversely affected as a result. In addition, our ability to engage in strategic acquisitions will be dependent on our ability to raise substantial capital, and we may not be able to raise the funds necessary to implement our acquisition strategy on terms satisfactory to us, if at all.

As we introduce new products and services, a failure to predict and react to consumer demand could adversely affect our business.

We have dedicated significant resources to the development, manufacturing and marketing of new products. Decisions to develop and market new transportation products are typically made without firm indications of customer acceptance. Moreover, by their nature, new products may require alteration of existing business methods or threaten to displace existing equipment in which our customers may have a substantial capital investment. There can be no assurance that any new products that we develop will gain widespread acceptance in the marketplace or that such products will be able to compete successfully with other new products or services that may be introduced by competitors. In addition, we may incur additional warranty or other costs as new products are tested and used by customers.

A portion of our sales are related to delivering products and services to help our U.S. railroad and transit customers meet the Positive Train Control (PTC) mandate from the U.S. federal government, which requires the use of on-board locomotive computers and software by December 31, 2015.

For the year ended December 31, 2014, we had sales of about $290 million related to PTC. In recent years, the railroads and transit authorities have stated they cannot achieve full implementation of PTC by the deadline, and various bills have been introduced to extend it, but to date there has been no change in the deadline. Should the federal government change its mandate by amending the timing, scope or requirements of the safety bill, there could be an adverse impact on our revenues in future periods, and would cause us to reassess the staffing, resources and assets deployed in delivering Positive Train Control services.

Our revenues are subject to cyclical variations in the railway and passenger transit markets and changes in government spending.

The railway industry historically has been subject to significant fluctuations due to overall economic conditions, the use of alternate methods of transportation and the levels of federal, state and local government spending on railroad transit projects. In economic downturns, railroads have deferred, and may defer, certain expenditures in order to conserve cash in the short term. Reductions in freight traffic may reduce demand for our replacement products.

The passenger transit railroad industry is also cyclical. New passenger transit car orders vary from year to year and are influenced greatly by major replacement programs and by the construction or expansion of transit systems by transit authorities. A substantial portion of our net sales have been, and we expect that a material portion of our future net sales will be, derived from contracts with metropolitan transit and commuter rail authorities and Amtrak. To the extent that future funding for proposed public projects is curtailed or withdrawn altogether as a result of changes in political, economic, fiscal or other conditions beyond our control, such projects may be delayed or cancelled, resulting in a potential loss of business for us, including transit aftermarket and new transit car orders. There can be no assurance that economic conditions will be favorable or that there will not be significant fluctuations adversely affecting the industry as a whole and, as a result, us.

Our backlog is not necessarily indicative of the level of our future revenues.

Our backlog represents future production and estimated potential revenue attributable to firm contracts with, or written orders from, our customers for delivery in various periods. Instability in the global economy, negative conditions in the global credit markets, volatility in the industries that our products serve, changes in legislative policy, adverse changes in the financial condition of our customers, adverse changes in the availability of raw materials and supplies, or un-remedied contract breaches could possibly lead to contract termination or cancellations of orders in our backlog or request for deferred deliveries of our backlog orders, each of which could adversely affect our cash flows and results of operations.

A growing portion of our sales may be derived from our international operations, which exposes us to certain risks inherent in doing business on an international level.

In fiscal year 2014, approximately 50% of our consolidated net sales were to customers outside of the U.S. and we intend to continue to expand our international operations in the future. We currently conduct our international operations through a variety of wholly and majority-owned subsidiaries and joint ventures in Australia, Austria, Brazil, Canada, China, Czech Republic, France, Germany, India, Italy, Macedonia, Mexico, the Netherlands, Poland, Russia, Spain, South Africa, Turkey, and the United Kingdom. As a result, we are subject to various risks, any one of which could have a material adverse effect on those operations and on our business as a whole, including:

- lack of complete operating control;
- lack of local business experience;
- currency exchange fluctuations and devaluations;
- foreign trade restrictions and exchange controls;

- difficulty enforcing agreements and intellectual property rights;
- the potential for nationalization of enterprises; and
- economic, political and social instability and possible terrorist attacks against American interests.

In addition, certain jurisdictions have laws that limit the ability of non-U.S. subsidiaries and their affiliates to pay dividends and repatriate cash flows.

We may incur increased costs due to fluctuations in interest rates and foreign currency exchange rates.

In the ordinary course of business, we are exposed to increases in interest rates that may adversely affect funding costs associated with variable-rate debt and changes in foreign currency exchange rates. We may seek to minimize these risks through the use of interest rate swap contracts and currency hedging agreements. There can be no assurance that any of these measures will be effective. Any material changes in interest or exchange rates could result in material losses to us.

We may have liability arising from asbestos litigation.

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Most of these claims have been made against our wholly owned subsidiary, Railroad Friction Products Corporation (RFPC), and are based on a product sold by RFPC prior to the time that the Company acquired any interest in RFPC.

Most of these claims, including all of the RFPC claims, are submitted to insurance carriers for defense and indemnity or to non-affiliated companies that retain the liabilities for the asbestos-containing products at issue. We cannot, however, assure that all these claims will be fully covered by insurance or that the indemnitors or insurers will remain financially viable. Our ultimate legal and financial liability with respect to these claims, as is the case with most other pending litigation, cannot be estimated.

We are subject to a variety of environmental laws and regulations.

We are subject to a variety of environmental laws and regulations governing discharges to air and water, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. We believe our operations currently comply in all material respects with all of the various environmental laws and regulations applicable to our business; however, there can be no assurance that environmental requirements will not change in the future or that we will not incur significant costs to comply with such requirements.

Future climate change regulation could result in increased operating costs, affect the demand for our products or affect the ability of our critical suppliers to meet our needs.

The Company has followed the current debate over climate change and the related policy discussion and prospective legislation. The potential challenges for the Company that climate change policy and legislation may pose have been reviewed by the Company. Any such challenges are heavily dependent on the nature and degree of climate change legislation and the extent to which it applies to our industry. At this time, the Company cannot predict the ultimate impact of climate change and climate change legislation on the Company’s operations. Further, when or if these impacts may occur cannot be assessed until scientific analysis and legislative policy are more developed and specific legislative proposals begin to take shape. Any laws or regulations that may be adopted to restrict or reduce emissions of greenhouse gas could require us to incur increased operating costs, and could have an adverse effect on demand for our products. In addition, the price and availability of certain of the raw materials that we use could vary in the future as a result of environmental laws and regulations affecting our suppliers. An increase in the price of our raw materials or a decline in their availability could adversely affect our operating margins or result in reduced demand for our products.

Our manufacturer's warranties or product liability may expose us to potentially significant claims.

We warrant the workmanship and materials of many of our products. Accordingly, we are subject to a risk of product liability or warranty claims in the event that the failure of any of our products results in personal injury or death, or does not conform to our customers' specifications. In addition, in recent years, we have introduced a number of new products for which we do not have a history of warranty experience. Although we have not had any material product liability or warranty claims made against us and we currently maintain liability insurance coverage, we cannot assure that product liability claims, if made, would not exceed our insurance coverage limits or that insurance will continue to be available on commercially acceptable terms, if at all. The possibility exists for these types of warranty claims to result in costly product recalls, significant repair costs and damage to our reputation.

Labor disputes may have a material adverse effect on our operations and profitability.

We collectively bargain with labor unions that represent approximately 28% of our employees. Our current collective bargaining agreements are generally effective from 2015 through 2017. Agreements expiring at various times during 2015 cover approximately 21% of the Company's workforce. Failure to reach an agreement could result in strikes or other labor protests which could disrupt our operations. If we were to experience a strike or work stoppage, it would be difficult for us to find a sufficient number of employees with the necessary skills to replace these employees. We cannot assure that we will reach any such agreement or that we will not encounter strikes or other types of conflicts with the labor unions of our personnel. Such labor disputes could have an adverse effect on our business, financial condition or results of operations, could cause us to lose revenues and customers and might have permanent effects on our business.

From time to time we are engaged in contractual disputes with our customers.

From time to time, we are engaged in contractual disputes with our customers regarding routine delivery and performance issues as well as adjustments for design changes and related extra work. These disputes are generally resolved in the ordinary course of business without having a material adverse impact on us.

Our indebtedness could adversely affect our financial health.

At December 31, 2014, we had total debt of $521.8 million. If it becomes necessary to access our available borrowing capacity under the 2013 Refinancing Credit Agreement, the $270.0 million currently borrowed under this facility and the $250.0 million 4.375% senior notes, being indebted could have important consequences to us. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- place us at a disadvantage compared to competitors that have less debt; and
- limit our ability to borrow additional funds.

The indenture for our $250 million 4.375% senior notes due in 2023 and our 2013 Refinancing Credit Agreement contain various covenants that limit our Management's discretion in the operation of our businesses.

The indenture governing the notes and our credit agreement contain various covenants that limit our Management's discretion.

The 2013 Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2013 Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations and sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; capital expenditures; and imposes a minimum interest expense coverage ratio and a maximum debt to cash flow ratio.

The indenture under which the senior notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The integration of our recently completed acquisitions may not result in anticipated improvements in market position or the realization of anticipated operating synergies or may take longer to realize than expected.

In 2013 and 2014, we completed multiple acquisitions with a combined investment of $522.2 million. Although we believe that the acquisitions will improve our market position and realize positive operating results, including operating synergies, operating expense reductions and overhead cost savings, we cannot be assured that these improvements will be obtained or the timing of such improvements. The management and acquisition of businesses involves substantial risks, any of which may result in a material adverse effect on our business and results of operations, including:

- the uncertainty that an acquired business will achieve anticipated operating results;
- significant expenses to integrate;

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- diversion of Management's attention;
- departure of key personnel from the acquired business;
- effectively managing entrepreneurial spirit and decision-making;
- integration of different information systems;
- unanticipated costs and exposure to unforeseen liabilities; and
- impairment of assets.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Facilities

The following table provides certain summary information about the principal facilities owned or leased by the Company as of December 31, 2014. The Company believes that its facilities and equipment are generally in good condition and that, together with scheduled capital improvements, they are adequate for its present and immediately projected needs. Leases on the facilities are long-term and generally include options to renew. The Company's corporate headquarters are located at the Wilmerding, PA site.

| Location | Primary Use | Segment | Own/Lease | Approximate Square Feet | |
|---|---|---|---|---|---|
| Domestic | | | | | |
| Rothbury, MI | Manufacturing/Warehouse/Office | Freight | Own | 500,000 | |
| Wilmerding, PA | Manufacturing/Service | Freight | Own | 365,000 | (1) |
| Lexington, TN | Manufacturing | Freight | Own | 170,000 | |
| Jackson, TN | Manufacturing | Freight | Own | 150,000 | |
| Berwick, PA | Manufacturing/Warehouse | Freight | Own | 150,000 | |
| Chicago, IL | Manufacturing/Service | Freight | Own | 123,140 | |
| Greensburg, PA | Manufacturing | Freight | Own | 113,000 | |
| Chillicothe, OH | Manufacturing/Office | Freight | Own | 104,000 | |
| Warren, OH | Manufacturing | Freight | Own | 102,650 | |
| Coshocton, OH | Manufacturing/Warehouse/Office | Freight | Own | 83,000 | |
| Germantown, MD | Manufacturing | Freight | Own | 80,000 | |
| Kansas City, MO | Service Center | Freight | Lease | 95,900 | |
| Pittsburgh, PA | Manufacturing/Office | Freight | Lease | 90,000 | |
| Strongsville, OH | Manufacturing/Warehouse/Office | Freight | Lease | 80,000 | |
| Columbia, SC | Service Center | Freight | Lease | 71,400 | |
| Jacksonville, FL | Office | Freight | Lease | 59,518 | |
| Bensenville, IL | Manufacturing/Warehouse/Office | Freight | Lease | 58,230 | |
| Cedar Rapids, IA | Office | Freight | Lease | 36,568 | |
| Jacksonville, FL | Warehouse | Freight | Lease | 30,000 | |
| Boise, ID | Manufacturing | Freight/Transit | Own | 326,000 | |
| Maxton, NC | Manufacturing | Freight/Transit | Own | 105,000 | |
| Willits, CA | Manufacturing | Freight/Transit | Own | 70,000 | |
| Brenham, TX | Manufacturing/Office | Transit | Own | 144,671 | |
| Wytheville, VA | Manufacturing/Office | Transit | Own | 82,400 | |
| Piedmont, SC | Manufacturing/Office | Transit | Own | 47,000 | |
| Spartanburg, SC | Manufacturing/Service | Transit | Lease | 183,600 | |
| Buffalo Grove, IL | Manufacturing | Transit | Lease | 115,570 | |
| Cleveland, OH | Manufacturing/Warehouse/Office | Transit | Lease | 87,407 | |
| San Fernando, CA | Manufacturing | Transit | Lease | 65,347 | |
| Plattsburgh, NY | Manufacturing | Transit | Lease | 64,000 | |
| Moorpark, CA | Office/Warehouse | Transit | Lease | 45,916 | |
| Cleveland, OH | Manufacturing/Warehouse/Office | Transit | Lease | 43,643 | |
| Export, PA | Manufacturing | Transit | Lease | 34,000 | |
| Elmsford, NY | Service Center | Transit | Lease | 28,000 | |
| Greer, SC | Warehouse | Transit | Lease | 20,000 | |

| | | | | |
|---|---|---|---|---|
| International | | | | |
| Wallaceburg (Ontario), Canada | Manufacturing | Freight | Own | 126,000 |
| San Luis Potosi, Mexico | Manufacturing/Service | Freight | Own | 73,100 |
| East Beijing, Hebei Province, China | Manufacturing | Freight | Own | 64,702 |
| Daye City, Hebei Province, China | Manufacturing | Freight | Own | 59,147 |
| Barneveld, Netherlands | Manufacturing/Office | Freight | Own | 53,443 |
| Northampton, UK | Manufacturing | Freight | Lease | 300,000 |
| Shenyang City, Liaoning Province, China | Manufacturing | Freight | Lease | 290,550 |
| Lincolnshire, UK | Manufacturing/Office | Freight | Lease | 149,468 |
| London (Ontario), Canada | Manufacturing | Freight | Lease | 103,540 |
| Stoney Creek (Ontario), Canada | Manufacturing/Service | Freight | Lease | 47,940 |

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| Location | Primary Use | Segment | Own/Lease | Approximate Square Feet |
|---|---|---|---|---|
| Kolkata, India | Manufacturing | Freight | Lease | 36,965 |
| Belo Horizonte, Brazil | Manufacturing/Service | Freight | Lease | 33,992 |
| Juiz de Fora, Minas Gerais, Brazil | Manufacturing/Office | Freight | Lease | 33,992 |
| Lachine (Quebec), Canada | Service Center | Freight | Lease | 25,455 |
| Doncaster, UK | Manufacturing/Service | Freight/Transit | Own | 330,000 |
| Kilmarnock, UK | Manufacturing | Freight/Transit | Own | 107,975 |
| Loughborough, UK | Manufacturing | Freight/Transit | Lease | 245,245 |
| Kempton Park, South Africa | Manufacturing | Freight/Transit | Lease | 156,077 |
| Wetherill Park, Australia | Manufacturing | Freight/Transit | Lease | 70,600 |
| Monte Alto, Brazil | Manufacturing/Office | Transit | Own | 244,081 |
| Schuttorf, Germany | Manufacturing/Office | Transit | Own | 189,445 |
| Chard, UK | Manufacturing/Office | Transit | Own | 141,610 |
| Avellino, Italy | Manufacturing/Office | Transit | Own | 132,495 |
| Tianjin, Hebebi Province, China | Manufacturing/Office | Transit | Own | 87,672 |
| Recklinghausen, Germany | Manufacturing | Transit | Own | 86,390 |
| Sable-sur-Sarthe, France | Manufacturing | Transit | Own | 51,667 |
| Utrecht, The Netherlands | Manufacturing | Transit | Own | 48,438 |
| Katy Wroclawskie, Poland | Manufacturing/Office | Transit | Own | 31,484 |
| Soria, Spain | Manufacturing/Office | Transit | Own | 31,000 |
| Burton on Trent, UK | Manufacturing/Office | Transit | Lease | 253,453 |
| Camisano, Italy | Manufacturing/Office | Transit | Lease | 136,465 |
| San Luis Potosi, Mexico | Manufacturing/Office | Transit | Lease | 112,825 |
| St. Laurent (Quebec), Canada | Office | Transit | Lease | 38,926 |
| Chard, UK | Manufacturing/Office | Transit | Lease | 35,282 |
| Hangzhou City, Hunan Province, China | Manufacturing | Transit | Lease | 31,032 |
| Sassuolo, Italy | Manufacturing | Transit | Lease | 30,000 |

(1) Approximately 250,000 square feet are currently used in connection with the Company's corporate and manufacturing operations. The remainder is leased to third parties.

Item 3. LEGAL PROCEEDINGS

Information with respect to legal proceedings is included in Note 18 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table provides information on our executive officers. They are elected periodically by our Board of Directors and serve at its discretion.

| Officers | Age | Position |
|---|---|---|
| Albert J. Neupaver | 64 | Executive Chairman |
| Raymond T. Betler | 59 | President and Chief Executive Officer |
| Patrick D. Dugan | 48 | Senior Vice President and Chief Financial Officer |
| Charles F. Kovac | 58 | Senior Vice President and Group Executive |
| R. Mark Cox | 47 | Senior Vice President, Corporate Development |
| David L. DeNinno | 59 | Senior Vice President, General Counsel and Secretary |
| Scott E. Wahlstrom | 51 | Senior Vice President, Human Resources |
| Robert Bourg | 53 | Vice President and Group Executive |
| Karl-Heinz Colmer | 58 | Vice President and Group Executive |
| Michael E. Fetsko | 49 | Vice President and Group Executive |
| John A. Mastalerz | 48 | Vice President and Corporate Controller |
| David Meyer | 44 | Vice President and Group Executive |
| John D. Whiteford | 55 | Vice President and Group Executive |
| Timothy R. Wesley | 53 | Vice President, Investor Relations and Corporate Communications |

Albert J. Neupaver was named Executive Chairman of the Company in May, 2014. Previously, Mr. Neupaver served as Chairman and CEO from May 2013 to May 2014 and as the Company's President and CEO from February 2006 to May 2013. Prior to joining Wabtec, Mr. Neupaver served in various positions at AMETEK, Inc., a leading global manufacturer of electronic instruments and electric motors. Most recently he served as President of its Electromechanical Group for nine years.

Raymond T. Betler was named President and Chief Executive Officer in May 2014. Previously, Mr. Betler was President and Chief Operating Officer since May 2013 and the Company's Chief Operating Officer since December 2010. Prior to that, he served as Vice President, Group Executive of the Company since August 2008. Prior to joining Wabtec, Mr. Betler served in various positions of increasing responsibility at Bombardier Transportation since 1979. Most recently, Mr. Betler served as President, Total Transit Systems from 2004 until 2008 and before that as President, London Underground Projects from 2002 to 2004.

Patrick D. Dugan was named Senior Vice President and Chief Financial officer effective January 2014. Previously, Mr. Dugan was Senior Vice President, Finance and Corporate Controller from January 2012 until November 2013. He originally joined Wabtec in 2003 as Vice President, Corporate Controller. Prior to joining Wabtec, Mr. Dugan served as Vice President and Chief Financial Officer of CWI International, Inc. from December 1996 to November 2003. Prior to 1996, Mr. Dugan was a Manager with PricewaterhouseCoopers.

Charles F. Kovac was named Senior Vice President and Group Executive in December 2010. Mr. Kovac was Vice President, Group Executive of the Company from September 2007 until December 2010. Prior to joining Wabtec, Mr. Kovac served as General Manager of the Global Floor Care / Specialty Motors Division of AMETEK, Inc. since

2003. Prior to joining AMETEK, Inc., Mr. Kovac was Chief Operating Officer of The Teleios Group, LLC from 1999 to 2003.

R. Mark Cox was named Senior Vice President, Corporate Development in January 2012, and has been with Wabtec since September 2006 as Vice President, Corporate Development. Prior to joining Wabtec, Mr. Cox served as Director of Business Development for the Electrical Group of Eaton Corporation since 2002. Prior to joining Eaton, Mr. Cox was an investment banker with UBS Warburg, Prudential and Stephens.

David L. DeNinno was named Senior Vice President, General Counsel and Secretary of the Company in February 2012. Previously, Mr. DeNinno served as a partner at K&L Gates LLP since May 2011 and prior to that with Reed Smith LLP.

Scott E. Wahlstrom was named Senior Vice President, Human Resources in January 2012. Mr. Wahlstrom has been Vice President, Human Resources, since November 1999. Previously, Mr. Wahlstrom was Vice President, Human Resources & Administration of MotivePower Industries, Inc. from August 1996 until November 1999.

Robert Bourg was named Vice President and Group Executive in February 2012. Prior to that, he was Vice President Rail Electronics from May 2010. Previously, he was Vice President and General Manager of Wabtec Railway Electronics from May 2006 to May 2010. Prior to that, he held various senior management positions within Wabtec since he was hired in August 1992.

Karl-Heinz Colmer was named Vice President and Group Executive in February 2012. Mr. Colmer served as Managing Director of Friction Products from January 2009 until February 2012. Prior to that position, Mr. Colmer served as Managing Director of Becorit GmbH since 2006 after joining Wabtec. Prior to joining Wabtec Mr. Colmer served in various management roles with BBA PLC.

Michael E. Fetsko was named Vice President and Group Executive in January 2014. Mr Fetsko joined Wabtec in July of 2011 as Vice President, Freight Pneumatics. Prior to joining Wabtec, Mr. Fetsko served in various executive management roles with Bombardier Transportation.

John A. Mastalerz was named Vice President and Corporate Controller in January 2014. Prior to joining Wabtec, Mr. Mastalerz served in various executive management roles with the H.J. Heinz Company from January 2001 to December 2013, most recently as the Corporate Controller and Principal Accounting Officer. Prior to 2001, Mr. Mastalerz was a Senior Manager with PricewaterhouseCoopers.

David Meyer was named Vice President and Group Executive in February 2012. Mr. Meyer served as Vice President, Freight Car Products from April 2007 until February 2012. Prior to this position, Mr. Meyer served in several Vice President and General Manager roles within Wabtec since 2003 and joined Wabtec as a Product Line Manager in 1999. Prior to joining Wabtec, Mr. Meyer served in various management roles with Eaton Corporation.

John D. Whiteford was named Vice President and Group Executive in May 2014. Mr. Whiteford served as Vice President, Global Sourcing from February 2010 to May 2014. Prior to joining Wabtec, Mr. Whiteford served in a variety of management positions with Michael Baker Corporation.

Timothy R. Wesley was named Vice President, Investor Relations and Corporate Communications in November 1999. Previously, Mr. Wesley was Vice President, Investor and Public Relations of MotivePower Industries, Inc. from August 1996 until November 1999.

PART II

## Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Common Stock of the Company is listed on the New York Stock Exchange under the symbol "WAB". As of February 16, 2015, there were 96,343,620 shares of Common Stock outstanding held by 540 holders of record. On May 14, 2013, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock to 200.0 million shares. In addition, on May 14, 2013, our Board of Directors approved a two-for-one split of the Company's issued and outstanding common stock in the form of a 100% stock dividend. The increase in the authorized shares and the stock split became effective on May 14, 2013 and June 11, 2013. The high and low sales price of the shares and dividends declared per share were as follows:

| 2014 | High | Low | Dividends |
|---|---|---|---|
| First Quarter | $82.42 | $69.55 | $ 0.040 |
| Second Quarter | $83.77 | $69.45 | $ 0.040 |
| Third Quarter | $87.14 | $78.51 | $ 0.060 |
| Fourth Quarter | $92.20 | $70.20 | $ 0.060 |

| 2013 | High | Low | Dividends |
|---|---|---|---|
| First Quarter | $51.19 | $44.04 | $ 0.025 |
| Second Quarter | $56.50 | $48.04 | $ 0.025 |
| Third Quarter | $63.29 | $52.63 | $ 0.040 |
| Fourth Quarter | $77.64 | $61.63 | $ 0.040 |

The Company's credit agreement restricts the ability to make dividend payments, with certain exceptions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and see Note 8 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

At the close of business on February 16, 2015, the Company's Common Stock traded at $90.53 per share.

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference to any future filings under the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended, except to the extent that Wabtec specifically incorporates it by reference into such filing. The graph below compares the total stockholder return through December 31, 2014, of Wabtec's common stock to, (i) the S&P 500, (ii) our former peer group of manufacturing companies which consisted of the following publicly traded companies: The Greenbrier Companies, L.B. Foster, Trinity Industries and Freight Car America; and (iii) our new peer group of manufacturing companies which consists of the following publicly traded companies: The Greenbrier Companies, Trinity Industries, AMETEK, Regal Beloit, Harsco, Valmont, Lincoln Electric, Kennametal, Pall, Crane, Donaldson, WABCO, ITT, Briggs & Stratton, IDEX, Woodward, Titan Wheel, Actuant and Koppers. The peer group was revised to better match the operations and products of Wabtec.

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On December 11, 2013, the Board of Directors amended its stock repurchase authorization to $200 million of the Company's outstanding shares. This new stock repurchase authorization supersedes the previous authorization of $150 million of which $44.4 million remained. Through December 31, 2014, 346,800 shares have been repurchased under the new authorization totaling $26.8 million leaving $173.2 million under the authorization.

The Company intends to purchase shares on the open market or in negotiated or block trades. No time limit was set for the completion of the programs which conform to the requirements under the 2013 Refinancing Credit Agreement, as well as the Notes currently outstanding.

During the first quarter of 2014, the Company repurchased 27,500 at an average price of $78.19 per share. During the second quarter of 2014, the Company repurchased 194,700 shares at an average price of $74.30 per share. During the third quarter, the Company repurchased 124,600 shares at an average price of $81.31 per share. The Company did not repurchase any shares in the fourth quarter of 2014. All purchases were on the open market.

During the first and second quarters of 2013, no shares were repurchased. During the third quarter of 2013, the Company repurchased 93,205 shares at an average price of $58.86 per share. During the fourth quarter of 2013, the Company repurchased 413,900 shares at an average price of $66.47 per share. All purchases were on the open market.

## Item 6. SELECTED FINANCIAL DATA

The following table shows selected consolidated financial information of the Company and has been derived from audited financial statements. This financial information should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company and the Notes thereto included elsewhere in this Form 10-K.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| In thousands, except per share amounts | 2014 | 2013 | 2012 | 2011 | 2010 |
| Income Statement Data | | | | | |
| Net sales | $3,044,454 | $2,566,392 | $2,391,122 | $1,967,637 | $1,507,012 |
| Gross profit | 935,982 | 764,027 | 694,567 | 570,424 | 449,078 |
| Operating expenses | (408,873) | (326,717) | (302,288) | (299,723) | (246,268) |
| Income from operations (1) | $527,109 | $437,310 | $392,279 | $270,701 | $202,810 |
| Interest expense, net | $(17,574) | $(15,341) | $(14,251) | $(15,007) | $(15,923) |
| Other (expense) income, net | (1,680) | (882) | (670) | (380) | (60) |
| Net income attributable to Wabtec shareholders | $351,680 | $292,235 | $251,732 | $170,149 | $123,099 |
| Diluted Earnings per Common Share | | | | | |
| Net income attributable to Wabtec shareholders (2) | $3.62 | $3.01 | $2.60 | $1.76 | $1.28 |
| Cash dividends declared per share (2) | $0.20 | $0.13 | $0.08 | $0.04 | $0.02 |
| Fully diluted shares outstanding (2) | 96,885 | 96,832 | 96,742 | 96,657 | 96,010 |
| Balance Sheet Data | | | | | |
| Total assets | $3,303,841 | $2,821,997 | $2,351,542 | $2,158,953 | $1,803,081 |
| Cash | 425,849 | 285,760 | 215,766 | 285,615 | 236,941 |
| Total debt | 521,195 | 450,709 | 317,896 | 395,873 | 422,075 |
| Shareholder' equity | 1,808,298 | 1,587,167 | 1,282,017 | 1,047,644 | 903,387 |

(1) In 2011, includes an $18.1 million charge for a court ruling.
(2) Information above for net income attributable to Wabtec shareholders, cash dividends declared per share and fully diluted shares outstanding for all periods presented reflects the two-for-one split of the Company's common stock, which occurred on May 14, 2013.

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### OVERVIEW

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in more than 100 countries throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 20 countries. In 2014, about 50% of the Company's revenues came from customers outside the U.S.

Management Review and Future Outlook

Wabtec's long-term financial goals are to generate cash flow from operations in excess of net income, maintain a strong credit profile while minimizing our overall cost of capital, increase margins through strict attention to cost controls and implementation of the Wabtec Performance System, and increase revenues through a focused growth strategy, including global and market expansion, new products and technologies, aftermarket products and services, and acquisitions. In addition, Management evaluates the Company's current operational performance through measures such as quality and on-time delivery.

The Company monitors a variety of factors and statistics to gauge market activity. Freight rail markets around the world are driven primarily by overall economic conditions and activity, while Transit markets are driven primarily by government funding and passenger ridership. Changes in these market drivers can cause fluctuations in demand for Wabtec's product and services. UNIFE projects growth of about 2.7% in the worldwide rail supply market over the next several years, with the highest expected growth rates in Africa, the Middle East, and Latin America.

In North America, the AAR compiles statistics that gauge the level of activity in the freight rail industry, including revenue ton-miles and carloadings, which are generally referred to as "rail traffic". Based on changes in rail traffic trends, railroads can increase or decrease purchases of new locomotives and freight cars. In 2014, North American carloadings increased 4.4%, including a 5.4% increase in intermodal carloadings, while deliveries of new locomotives and new freight cars increased 15% and 27%, respectively. In 2015, we expect demand for new locomotives to be slightly lower than in 2014, while we expect demand for new freight cars to be higher. UNIFE projects a growth rate of about 3.0% in North America.

In North America, the American Public Transportation Association (APTA) compiles ridership statistics and trends. Based on preliminary figures for 2014, ridership increased about 0.9% in the U.S. and about 1.4% in Canada. Ridership provides fare box revenues to transit authorities, which use these funds, along with state and local money, primarily, for equipment maintenance. In 2014, the U.S. Congress passed a budget that is expected to increase spending on transit projects to $11 billion in 2015, an increase of about 2% from 2014 levels. A majority of federal money is used by transit agencies to purchase new equipment or infrastructure.

Wabtec continues to expand its presence in freight rail and passenger transit markets outside the U.S., particularly in Europe, Asia-Pacific and South America. To gauge activity in these markets, we monitor trends in rail traffic and the spending plans of our customers. In Europe, the majority of the rail system serves the passenger transit market, which is larger than the transit market in the U.S., our presence in the U.K., Germany and Italy has positioned the Company to take advantage of this market. UNIFE projects the Western European rail market to grow at about 2.0% in the next few years, with the United Kingdom and France expected to invest in new rolling stock. UNIFE projects the market in Asia-Pacific, the world's second largest according to the study, to grow by 4.0% over the next several years, primarily reflecting strong spending in China in recent years. Other growth markets around the world, according to UNIFE, include Latin America, expected to grow at about 5.0%; and the Commonwealth of Independent States, expected to grow at about 1.0%. Through wholly owned subsidiaries and joint ventures, Wabtec has a presence in every key freight rail and passenger transit market around the world.

In 2015 and beyond, general economic and market conditions in the United States and internationally will have an impact on our sales and operations. To the extent that these factors cause instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected. In addition, we face risks associated with our four-point growth strategy including the level of investment that customers are willing to make in new technologies developed by the industry and the Company, and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to reflect changes in market conditions and risks.

RESULTS OF OPERATIONS

The following table shows our Consolidated Statements of Operations for the years indicated.

| | Year Ended December 31, | | |
|---|---|---|---|
| In thousands | 2014 | 2013 | 2012 |
| Net sales | $3,044,454 | $2,566,392 | $2,391,122 |
| Cost of sales | (2,108,472) | (1,802,365) | (1,696,555) |
| Gross profit | 935,982 | 764,027 | 694,567 |
| Selling, general and administrative expenses | (324,539) | (262,718) | (245,709) |
| Engineering expenses | (61,886) | (46,289) | (41,307) |
| Amortization expense | (22,448) | (17,710) | (15,272) |
| Total operating expenses | (408,873) | (326,717) | (302,288) |
| Income from operations | 527,109 | 437,310 | 392,279 |
| Interest expense, net | (17,574) | (15,341) | (14,251) |
| Other (expense) income, net | (1,680) | (882) | (670) |
| Income from operations before income taxes | 507,855 | 421,087 | 377,358 |
| Income tax expense | (156,175) | (128,852) | (125,626) |
| Net income attributable to Wabtec shareholders | $351,680 | $292,235 | $251,732 |

2014 COMPARED TO 2013

The following table summarizes the results of operations for the period:

| | For the year ended December 31, | | |
|---|---|---|---|
| In thousands | 2014 | 2013 | Percent Change |
| Freight Segment | $1,731,477 | $1,398,103 | 23.8 % |
| Transit Segment | 1,312,977 | 1,168,289 | 12.4 % |
| Net sales | 3,044,454 | 2,566,392 | 18.6 % |
| Income from operations | 527,109 | 437,310 | 20.5 % |
| Net income attributable to Wabtec shareholders | $351,680 | $292,235 | 20.3 % |

The following table shows the major components of the change in sales in 2014 from 2013:

| In thousands | Freight Segment | Transit Segment | Total |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 2013 Net Sales | $1,398,103 | $1,168,289 | $2,566,392 |
| Acquisition | 93,259 | 136,121 | 229,380 |
| Change in Sales by Product Line: | | | |
| Specialty Products & Electronics | 184,504 | 210 | 184,714 |
| Brake Products | 55,483 | 28,705 | 84,188 |
| Remanufacturing, Overhaul & Build | (13,844 ) | (39,894 ) | (53,738 ) |
| Other Transit Products | - | (2,212 ) | (2,212 ) |
| Other | 26,205 | (1,636 ) | 24,569 |
| Foreign exchange | (12,233 ) | 23,394 | 11,161 |
| 2014 Net Sales | $1,731,477 | $1,312,977 | $3,044,454 |

Net sales increased by $478.1 million to $3,044.5 million in 2014 from $2,566.4 million in 2013. The increase is due to sales related to acquisitions of $229.4 million, $184.7 million for Specialty Products and Electronics sales from higher demand for freight original equipment products and aftermarket electronic products, and $84.2 million for Brake Products sales due to higher demand for original equipment products for freight customers and aftermarket brakes from certain transit authorities. The increases were partially offset by lower sales for original equipment locomotives. Favorable foreign exchange increased sales $11.2 million.

Freight Segment sales increased by $333.4 million, or 23.8%, primarily due to a $184.5 million for Specialty Products and Electronics sales from higher demand for freight original equipment rail products, positive train control electronics, and aftermarket rail products, acquisitions of $93.3 million, and $55.5 million for Brake Products due to higher demand for original equipment brakes. Unfavorable foreign exchange decreased sales $12.2 million.

Transit Segment sales increased by $144.7 million, or 12.4%, due to acquisitions of $136.1 million and $28.7 million from increased demand for aftermarket brakes from certain transit authorities. These increases were partially offset by $39.9 million in lower sales for original equipment transit locomotives. Favorable foreign exchange increased net sales $23.4 million.

Cost of Sales and Gross profit Cost of Sales increased by $306.1 million to $2,108.5 million in 2014 from $1,802.4 million in 2013. Cost of sales, as a percentage of sales was 69.3% in 2014 and 70.2% in 2013.

Raw material costs were approximately 43% as a percentage of sales in 2014 and 2013. Labor costs decreased to approximately 11% as a percentage of sales in 2014 from 12% in 2013. Overhead costs as a percentage of sales decreased to approximately 14% in 2014 from 15% in 2013. Freight Segment raw material costs increased as a percentage of sales to approximately 42% in 2014 from 40% in 2013 due to the higher mix of revenue generated from freight and transit original equipment sales and aftermarket services, which have a higher raw material component as cost of sales. Freight Segment labor costs decreased from approximately 10% as a percentage of sales in 2014 from 11% in 2013, and overhead costs as a percentage of sales were approximately 13% in 2014 and 14% in 2013. Transit Segment raw material costs decreased as a percentage of sales to approximately 45% in 2014 from 46% in 2013, primarily due to lower original equipment locomotive sales, which have a higher raw material component. Transit Segment labor costs increased as a percentage of sales to approximately 13% in 2014 from 12% in 2013, and overhead costs remained unchanged at 15% for both 2014 and 2013. In general, overhead costs vary as a percentage of sales depending on product mix and changes in sales volume.

Included in cost of sales is warranty expense. The provision for warranty expense is generally established for specific losses, along with historical estimates of customer claims as a percentage of sales, which can cause variability in warranty expense between quarters. Warranty expense was $11.1 million higher in 2014 compared to 2013 due to increased sales. As a percentage of sales, warranty expense was 0.6% in 2014 and 0.9% in 2013.

Gross profit increased to $936.0 million in 2014 compared to $764.0 million in 2013, due to higher sales volume and the reasons discussed above. For 2014 and 2013, gross profit, as a percentage of sales, was 30.7% and 29.8%, respectively.

Operating expenses The following table shows our operating expenses:

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| In thousands | 2014 | Percentage of Sales | | 2013 | Percentage of Sales | |
| Selling, general and administrative expenses | $324,539 | 10.7 | % | $262,718 | 10.2 | % |
| Engineering expenses | 61,886 | 2.0 | % | 46,289 | 1.8 | % |
| Amortization expense | 22,448 | 0.7 | % | 17,710 | 0.7 | % |
| Total operating expenses | $408,873 | 13.4 | % | $326,717 | 12.7 | % |

Total operating expenses were 13.4% and 12.7% of sales for the years ending December 31 2014, and 2013, respectively. Selling, general, and administrative expenses increased $61.8 million, or 23.5%, primarily due to $30.1 million of expenses from acquisitions and $9.2 million of expenses related to higher incentive and non-cash compensation expense. In addition, selling, general and administrative expenses increased to support higher sales volumes. Engineering expense increased by $15.6 million, or 33.7%, primarily due to $7.5 million of expenses from acquisitions. The remainder of the increase can be attributed to the company concentrating resources on new product development, specifically in the electronics market. Costs related to engineering for specific customer contracts are included in cost of sales. Amortization expense increased $4.7 million due to amortization of intangibles associated with acquisitions.

The following table shows our segment operating expenses:

| | For the year ended December 31, | | |
|---|---|---|---|
| In thousands | 2014 | 2013 | Percent Change |
| Freight Segment | $188,929 | $158,128 | 19.5 % |
| Transit Segment | 196,776 | 153,132 | 28.5 % |
| Corporate | 23,168 | 15,457 | 49.9 % |
| Total operating expenses | $408,873 | $326,717 | 25.1 % |

Freight Segment operating expenses increased $30.8 million, or 19.5%, in 2014 but decreased 40 basis points to 10.9% of sales. The increase primarily relates to $8.4 million of incremental operating expenses from acquisitions, $8.2 million in higher corporate allocations mainly due to increased incentive compensation expense, and $8.2 million for engineering attributable to the Company concentrating resources on new product development.

Transit Segment operating expenses increased $43.6 million, or 28.5%, in 2014 and increased 190 basis points to 15.0% of sales. The increase is primarily related to $33.9 million of incremental operating expenses related to acquisitions. In addition, Transit Segment engineering expenses increased to support new product development.

Corporate non-allocated operating expenses increased $7.7 million in 2014 primarily due to higher administrative costs associated with growing the business.

Income from operations Income from operations totaled $527.1 million or 17.3% of sales in 2014 compared to $437.3 million or 17.0% of sales in 2013. Income from operations increased due to higher sales volume, partially offset by increased operating expenses discussed above.

Interest expense, net Overall interest expense, net, increased $2.2 million in 2014 due to due to higher debt balances resulting from acquisitions, partially offset by lower average interest rates.

Other expense, net Other expense, net, increased $0.8 million to $1.7 million for 2014, compared to 2013.

Income taxes The effective income tax rate was 30.8% and 30.6% in 2014 and 2013, respectively. In 2014, the positive effect of an increase in foreign income taxed at lower statutory rates was offset by tax reserves required for uncertain tax positions in several jurisdictions.

Net income Net income for 2014 increased $59.4 million to $351.7 million, compared to 2013. The increase in net income is due to higher sales volume and lower effective tax rate, partially offset by higher operating expenses.

2013 COMPARED TO 2012

The following table summarizes the results of operations for the period:

| | For the year ended December 31, | | |
|---|---|---|---|
| In thousands | 2013 | 2012 | Percent Change |
| Freight Segment | $1,398,103 | $1,501,911 | -6.9 % |
| Transit Segment | 1,168,289 | 889,211 | 31.4 % |
| Net sales | 2,566,392 | 2,391,122 | 7.3 % |
| Income from operations | 437,310 | 392,279 | 11.5 % |
| Net income attributable to Wabtec shareholders | $292,235 | $251,732 | 16.1 % |

The following table shows the major components of the change in sales in 2013 from 2012:

| In thousands | Freight Segment | Transit Segment | Total |
|---|---|---|---|
| 2012 Net Sales | $1,501,911 | $889,211 | $2,391,122 |
| Acquisition | 72,418 | 85,463 | 157,881 |
| Change in Sales by Product Line: | | | |
| Specialty Products & Electronics | (111,680 ) | 26,801 | (84,879 ) |
| Brake Products | (16,124 ) | 51,648 | 35,524 |
| Remanufacturing, Overhaul & Build | (27,684 ) | 102,470 | 74,786 |
| Other Transit Products | - | 5,901 | 5,901 |

| | | | |
|---|---|---|---|
| Other | (569 ) | 2,195 | 1,626 |
| Foreign exchange | (20,169 ) | 4,600 | (15,569 ) |
| 2013 Net Sales | $1,398,103 | $1,168,289 | $2,566,392 |

Net sales increased by $175.3 million to $2,566.4 million in 2013 from $2,391.1 million in 2012. The increase is due to sales related to acquisitions of $157.9 million; higher Brake Products sales of $35.5 million due to higher demand for transit original equipment brakes; higher Remanufacturing, Overhaul and Build sales of $74.8 million from increased demand for transit original equipment locomotives and aftermarket services for locomotives; and an increase in Other Transit Products of $5.9 million.  These increases were partially offset by a $84.9 million decrease for Specialty Products and Electronics sales from lower demand for freight original equipment rail products, lower demand heat exchange products, partially offset by an increased demand for positive train control products.. Company net sales decreased $15.6 million and income from operations decreased $0.7 million due to unfavorable effects of foreign exchange. Net income for 2013 was $292.2 million or $3.01 per diluted share.  Net income increased due to higher sales volume.

Freight Segment sales decreased by $103.8 million, or 6.9%, due to a decrease of $27.7 million for freight original equipment locomotives as contract mix shifted to transit locomotives; $111.7 million decrease for Specialty Products and Electronics sales from lower demand for freight original equipment rail products and heat exchange products; and $16.1 million from decreased demand for original equipment brake products. These decreases were partially offset by $72.4 million in sales from acquisitions. For the Freight Segment, net sales decreased by $20.2 million due to unfavorable effects of foreign exchange.

Transit Segment sales increased by $279.1 million, or 31.4%, due to higher sales of $102.5 million for original equipment transit locomotives as contract mix shifted from freight locomotives; $85.5 million from acquisitions; $51.6 million from increased demand for original equipment brakes; $26.8 million primarily from increased demand for positive train control electronics; and an increase of $5.9 million from certain transit car build contracts. For the Transit Segment, net sales increased by $4.6 million due to favorable effects of foreign exchange.

Cost of Sales and Gross profit Cost of Sales increased by $105.9 million to $1,802.4 million in 2013 from $1,696.5 million in 2012. Cost of sales, as a percentage of sales was 70.2% in 2013 and 71.0% in 2012.

Raw material costs were approximately 43% as a percentage of sales in 2013 and 2012. Labor costs were approximately 12% as a percentage of sales in 2013 and 2012. Overhead costs as a percentage of sales were approximately 15% in 2013 and 16% in 2012. Freight Segment raw material costs decreased as a percentage of sales to approximately 40% in 2013 from 43% in 2012. Freight Segment labor costs were approximately 11% as a percentage of sales in 2013 and 2012, and overhead costs as a percentage of sales were approximately 15% in 2013 and 2012. Transit Segment raw material costs increased as a percentage of sales to approximately 46% in 2013 from 43% in 2012. Transit Segment labor costs decreased as a percentage of sales to approximately 12% in 2013 from 13% in 2012, and overhead costs as a percentage of sales were 17% in 2013 and 19% in 2012. Freight Segment material costs decreased as a percentage of sales and Transit Segment material costs increased as a percentage of sales due to shift in contract mix for original equipment locomotives from freight to transit. Overhead costs vary as a percentage of sales depending on product mix and changes in sales volume.

Included in cost of sales is warranty expense. The provision for warranty expense is generally established for specific losses, along with historical estimates of customer claims as a percentage of sales, which can cause variability in warranty expense between quarters. Warranty expense was $0.2 million higher in 2013 compared to 2012 due to increased sales. As a percentage of sales, warranty expense was 0.9% in 2013 and 1.0% in 2012.

Gross profit increased to $764.0 million in 2013 compared to $694.6 million in 2012, due to higher sales volume and the reasons discussed above. For 2013 and 2012, gross profit, as a percentage of sales, was 29.8% and 29.0%, respectively.

Operating expenses The following table shows our operating expenses:

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| In thousands | 2013 | Percentage of Sales | | 2012 | Percentage of Sales | |
| Selling, general and administrative expenses | $262,718 | 10.2 | % | $245,709 | 10.3 | % |
| Engineering expenses | 46,289 | 1.8 | % | 41,307 | 1.7 | % |
| Amortization expense | 17,710 | 0.7 | % | 15,272 | 0.6 | % |
| Total operating expenses | $326,717 | 12.7 | % | $302,288 | 12.6 | % |

Selling, general, and administrative expenses increased $17.0 million in 2013 compared to 2012 primarily due to $17.4 million of expenses from acquisitions, partially offset by a release of $3.9 million of certain legal reserves for a court ruling. In addition, selling, general and administrative expenses increased to support higher sales volumes. Engineering expense increased by $5.0 million in 2013 compared 2012 primarily from acquisitions. Costs related to engineering for specific customer contracts are included in cost of sales. Amortization expense increased in 2013 compared to 2012 due to amortization of intangibles in 2013 associated with acquisitions. Total operating expenses were 12.7% and 12.6% of sales for 2013 and 2012, respectively.

The following table shows our segment operating expenses:

| | For the year ended December 31, | | |
|---|---|---|---|
| In thousands | 2013 | 2012 | Percent Change |
| Freight Segment | $158,128 | $157,320 | 0.5 % |
| Transit Segment | 153,132 | 127,759 | 19.9 % |
| Corporate | 15,457 | 17,209 | -10.2 % |
| Total operating expenses | $326,717 | $302,288 | 8.1 % |

Segment operating expenses consist of specific segment costs such as, sales and marketing, information technology, insurance, and audit and tax fees, allocated corporate costs, and other segment specific discrete charges. Corporate costs are allocated to the freight and transit segments based on segment revenues. Certain corporate departmental expenses are not allocated. Allocated operating expenses decreased $2.1 million in 2013 compared to 2012, mostly due to a decrease in allocated legal expenses.

Freight Segment operating expenses increased $0.8 million in 2013 compared to 2012 because of $5.2 million of expenses from acquisitions, partially offset by a decrease of $4.0 million in expenses allocated to the operating segments. Freight Segment operating expenses were 11.3% and 10.5% of sales for 2013 and 2012, respectively.

Transit Segment operating expenses increased $25.4 million in 2013 compared to 2012 because of $12.2 million of expenses from acquisitions, and an increase of $1.8 million in expense allocated to the operating segments. In addition, Transit Segment selling, general and administrative expenses increased to support higher sales volumes. Transit Segment operating expenses were 13.1% and 14.4% of sales for 2013 and 2012, respectively.

Corporate non-allocated operating expenses decreased $1.8 million in 2013 compared to 2012 primarily due to a release of $2.8 million of certain allocated legal reserves for a court ruling, partially offset by an increase in certain non-allocated administrative expenses.

Income from operations Income from operations totaled $437.3 million or 17.0% of sales in 2013 compared to $392.3 million or 16.4% of sales in 2012. Income from operations increased due to higher sales volume, partially offset by increased operating expenses discussed above.

Interest expense, net Overall interest expense, net, increased due to higher debt balances.

Other expense, net The Company recorded foreign exchange losses of $3.5 million and $0.1 million in 2013 and 2012, respectively, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated and charged or credited to earnings.

Income taxes The effective income tax rate was 30.6% and 33.3% in 2013 and 2012, respectively. The decrease in the effective rate is primarily due to retroactive extension of the R&D tax credit, an increase in foreign income taxed at lower statutory rates, and a benefit recorded for the enacted reduction of a foreign statutory tax rate.

Net income Net income for 2013 increased $40.5 million, compared to 2012. The increase in net income is due to higher sales volume and lower effective tax rate, partially offset by higher operating expenses.

Liquidity and Capital Resources

Liquidity is provided by operating cash flow and borrowings under the Company’s unsecured credit facility with a consortium of commercial banks. The following is a summary of selected cash flow information and other relevant data:

| | For the year ended December 31, | | |
|---|---|---|---|
| In thousands | 2014 | 2013 | 2012 |
| Cash provided by (used for): | | | |
| Operating activities | $472,385 | $235,653 | $237,438 |
| Investing activities | (347,678) | (258,692) | (184,944) |
| Financing activities: | | | |
| Proceeds from debt | 563,400 | 959,067 | 233,400 |
| Payments of debt | (493,819) | (829,842) | (311,457) |
| Stock repurchase | (26,757) | (32,998) | (46,556) |

| | | | |
|---|---|---|---|
| Cash dividends | (19,246 ) | (12,644 ) | (7,666 ) |
| Other | 1,928 | 9,431 | 7,556 |

Operating activities. In 2014, 2013 and 2012, cash provided by operations was $472.4 million, $235.7 million and $237.4 million, respectively. In comparison to 2013, cash provided by operations in 2014 increased due to reduced working capital compared to the prior year, coupled with higher operating results. The major components of the higher cash inflows were as follows: a positive change in accounts receivable of $132.3 million as the number of days to collect cash decreased, a positive change in other accrued liabilities and customer deposits of $117.6 million, and a positive change in accrued income taxes due to payment timing. These cash inflows were partially offset by the following cash outflows: an unfavorable change in accounts payable of $5.6 million due to payment timing, and an unfavorable change or increase of $90.1 million in inventory as the Company held more inventory to support the higher backlog of orders in 2015.

In comparison to 2012, cash provided by operations in 2013 resulted from higher operating results offset by higher cash outflows for working capital. The major components of the higher cash outflows were as follows: a negative change in accounts receivable of $126.7 million as the number of days to collect cash increased slightly and sales increased, a negative change in customer deposits due to the completion of certain large contracts, and a $15.8 million payment in 2012 for a court ruling. These cash outflows were partially offset by the following cash inflows: a favorable change in accounts payable of $60.9 million due to payment timing, and a favorable change or decrease of $58.6 million in inventory as our days' supply in inventory (DSI) decreased to 63 days from 72 days at the end of 2012 due to the completion of certain original equipment contracts.

Investing activities. In 2014, 2013 and 2012, cash used in investing activities was $347.7 million, $258.7 million and $184.9 million, respectively. The major components of the cash outflow in 2014 were planned additions to property, plant, and equipment of $47.6 million for continued investments in our facilities and manufacturing processes and $300.4 million in net cash paid for acquisitions. This compares to $41.2 million for property, plant, and equipment and $223.5 million in net cash paid for acquisitions. Refer to Note 3 of the "Notes to Condensed Consolidated Financial Statements" for additional information on acquisitions.

Financing activities. In 2014, cash provided by financing activities was $25.5 million, which included $563.4 million in proceeds from the revolving credit facility debt, $493.4 million of repayments of debt on the revolving credit facility, $19.2 million of dividend payments and $26.8 million of Wabtec stock repurchases. In 2013, cash provided by financing activities was $93.0 million, which included $711.6 million in proceeds from the revolving credit facility debt, proceeds of $247.4 million from the issuance of 4.375% Senior Notes, net of issuance costs, $679.6 million of repayments of debt on the revolving credit facility, and a $150.0 million payment for the maturity of the 2003 Senior Notes.

The following table shows outstanding indebtedness at December 31, 2014 and 2013.

| | December 31, | |
|---|---|---|
| In thousands | 2014 | 2013 |
| 4.375% Senior Notes, due 2023 | $250,000 | $250,000 |
| Revolving Credit Facility | 270,000 | 200,000 |
| Capital Leases | 1,195 | 709 |
| Total | 521,195 | 450,709 |
| Less - current portion | 792 | 421 |
| Long-term portion | $520,403 | $450,288 |

Cash balances at December 31, 2014 and 2013 were $425.8 million and $285.8 million, respectively.

2013 Refinancing Credit Agreement

On December 19, 2013, the Company amended its existing revolving credit facility with a consortium of commercial banks. This "2013 Refinancing Credit Agreement" provides the company with a $800 million, five-year revolving credit facility. The Company incurred approximately $1.0 million of deferred financing cost related to the 2013 Refinancing Credit Agreement. The facility expires on December 19, 2018. The 2013 Refinancing Credit Agreement borrowings bear variable interest rates indexed as described below. At December 31, 2013, the Company had available bank borrowing capacity, net of $29.1 million of letters of credit, of approximately $500.9 million, subject to certain financial covenant restrictions.

Under the 2013 Refinancing Credit Agreement, the Company may elect a Base Rate of interest for U.S. Dollar denominated loans or, for certain currencies, an interest rate based on the London Interbank Offered Rate ("LIBOR") of interest, or other rates appropriate for such currencies (in any case, "the Alternate Rate"). The Base Rate adjusts on a daily basis and is the greater of the Federal Funds Effective Rate plus 0.5% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points, plus a margin that ranges from 0 to 75 basis points. The Alternate Rate is based on the quoted rates specific to the applicable currency, plus a margin that ranges from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins are dependent on the Company's consolidated total indebtedness to cash flow ratios. The current Base Rate margin is 0 basis points and the Alternate Rate margin is 100 basis points.

At December 31, 2014 the weighted average interest rate on the Company's variable rate debt was 1.75%. On January 12, 2012, the Company entered into a forward starting interest rate swap agreement with a notional value of $150 million. The effective date of the interest rate swap agreement is July 31, 2013, and the termination date is November 7, 2016. The impact of the interest rate swap agreement converts a portion of the Company's outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value will be fixed at 1.415% plus the Alternate Rate margin. On June 5, 2014, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement is November 7, 2016, and the termination date is December 19, 2018. The impact of the interest rate swap agreement converts a portion of the Company's outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value will be fixed at 2.56% plus the Alternate

Rate margin. As for the agreements, the Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions with excellent credit ratings and history of performance. The Company currently believes the risk of nonperformance is negligible.

The 2013 Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2013 Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations, sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; and imposes a minimum interest expense coverage ratio of 3.0 and a maximum debt to cash flow ratio of 3.25. The Company does not expect that these measurements will limit the Company in executing our operating activities.

2011 Refinancing Credit Agreement

On November 7, 2011, the Company refinanced its existing revolving credit and term loan facility with a consortium of commercial banks. This "2011 Refinancing Credit Agreement" provided the company with a $600 million, five-year revolving credit facility. The Company incurred approximately $1.9 million of deferred financing cost related to the 2011 Refinancing Credit Agreement. The facility was set to expire on November 7, 2016.

Under the 2011 Refinancing Credit Agreement, the Company may have elected a Base Rate of interest or an interest rate based on the London Interbank Offered Rate ("LIBOR") of interest ("the Alternate Rate"). The Base Rate adjusted on a daily basis and was the greater of the Federal Funds Effective Rate plus 0.5% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points plus a margin that ranged from 0 to 75 basis points. The Alternate Rate was based on quoted LIBOR rates plus a margin that ranged from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins were dependent on the Company's consolidated total indebtedness to cash flow ratios. The current Base Rate margin was 0 basis points and the Alternate Rate margin was 100 basis points.

4.375% Senior Notes Due August 2023

In August 2013, the Company issued $250.0 million of Senior Notes due in 2023 ("the 2013 Notes"). Interest on the 2013 Notes accrues at a rate of 4.375% per annum and is payable semi-annually on February 15 and August 15 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.6 million of deferred financing costs related to the issuance.

The 2013 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2013 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2013 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

6.875% Senior Notes Due August 2013

In August 2003, the Company issued $150.0 million of Senior Notes due in 2013 ("the 2003 Notes"). The 2003 Notes were issued at par. Interest on the 2003 Notes accrued at a rate of 6.875% per annum and was payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement and for general corporate purposes. The Company paid off the 2003 Notes, which matured on July 31, 2013 utilizing available capacity under the 2011 Refinancing Credit Agreement.

Contractual Obligations and Off-Balance Sheet Arrangements

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements and have certain contingent commitments such as debt guarantees. The Company has grouped these contractual obligations and off-balance sheet arrangements into operating activities, financing activities, and investing activities in the same manner as they are classified in the Statement of Consolidated Cash Flows to provide a better understanding of the nature of the obligations and arrangements and to provide a basis for comparison to historical information. The table below provides a summary of contractual obligations and off-balance sheet arrangements as of December 31, 2014:

| In thousands | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
|---|---|---|---|---|---|
| Operating activities: | | | | | |
| Purchase obligations (1) | $116,592 | $105,093 | $10,089 | $1,410 | $- |
| Operating leases (2) | 87,216 | 17,822 | 38,610 | 30,784 | - |
| Pension benefit payments (3) | 119,374 | 11,207 | 22,444 | 23,517 | 62,206 |
| Postretirement benefit payments (4) | 18,953 | 1,517 | 3,217 | 3,567 | 10,652 |
| Financing activities: | | | | | |
| Interest payments (5) | 119,158 | 15,736 | 31,442 | 31,417 | 40,563 |
| Long-term debt (6) | 521,195 | 825 | 257 | 270,097 | 250,016 |
| Dividends to shareholders (7) | 23,106 | 23,106 | - | - | - |
| Investing activities: | | | | | |
| Capital projects (8) | 73,776 | 73,776 | - | - | - |
| Other: | | | | | |
| Standby letters of credit (9) | 61,321 | 49,394 | 8,345 | 3,321 | 261 |
| Total | $1,140,691 | $298,476 | $114,405 | $364,112 | $363,698 |

(1) Purchase obligations represent non-cancelable contractual obligations at December 31, 2014. In addition, the Company had $366.1 million of open purchase orders for which the related goods or services had not been received. Although open purchase orders are considered enforceable and legally binding, their terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

(2) Future minimum payments for operating leases are disclosed by year in Note 14 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

(3) Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Pension benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets and rate of compensation increases. The Company expects to contribute about $6.1 million to pension plan investments in 2014. See further disclosure in Note 9 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

(4)

Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Postretirement payments are based on actuarial estimates using current assumptions for discount rates and health care costs. See further disclosure in Note 9 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

(5) Interest payments are payable February and August of each year at 4.375% of $250 million Senior Notes due in 2023. Interest payments for the Revolving Credit Facility and Capital Leases are based on contractual terms and the Company’s current interest rates.

(6) Scheduled principal repayments of outstanding loan balances are disclosed in Note 8 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

(7) Shareholder dividends are subject to approval by the Company’s Board of Directors, currently at an annual rate of approximately $23.1 million.

(8) The annual capital expenditure budget is subject to approval by the Board of Directors. The 2015 budget amount was approved at the December 2014 Board of Directors meeting.

(9) The Company has $60.8 million in outstanding letters of credit for performance and bid bond purposes, which expire in various dates through 2022. Amounts include interest payments based on contractual terms and the Company’s current interest rate.

The above table does not reflect uncertain tax positions of $12.6 million, the timing of which are uncertain except for $0.7 million that may become payable during 2015. Refer to Note 10 of the “Notes to Consolidated Financial Statements” for additional information on uncertain tax positions.

Obligations for operating activities. The Company has entered into $116.9 million of material long-term non-cancelable materials and supply purchase obligations. Operating leases represent multi-year obligations for rental of facilities and equipment. Estimated pension funding and post-retirement benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets, rate of compensation increases and health care cost trend rates. Benefits paid for pension obligations were $12.7 million and $10.1 million in 2014 and 2013, respectively. Benefits paid for post-retirement plans were $1.0 million and $2.9 million in 2014 and in 2013, respectively.

Obligations for financing activities. Cash requirements for financing activities consist primarily of long-term debt repayments, interest payments and dividend payments to shareholders. The Company has historically paid quarterly dividends to shareholders, subject to quarterly approval by our Board of Directors, currently at a rate of approximately $23.1 million annually.

The Company arranges for performance bonds to be issued by third party insurance companies to support certain long term customer contracts. At December 31, 2014 initial value of performance bonds issued on the Company’s behalf is about $167.2 million.

Obligations for investing activities. The Company typically spends approximately $50 million to $75 million a year for capital expenditures, primarily related to facility expansion efficiency and modernization, health and safety, and environmental control. The Company expects annual capital expenditures in the future will be within this range.

Forward Looking Statements

We believe that all statements other than statements of historical facts included in this report, including certain statements under “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” may constitute forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that our assumptions made in connection with the forward-looking statements are reasonable, we cannot assure that our assumptions and expectations are correct.

These forward-looking statements are subject to various risks, uncertainties and assumptions about us, including, among other things:

Economic and industry conditions

- prolonged unfavorable economic and industry conditions in the markets served by us, including North America, South America, Europe, Australia, Asia, and South Africa;
- decline in demand for freight cars, locomotives, passenger transit cars, buses and related products and services;
- reliance on major original equipment manufacturer customers;
- original equipment manufacturers’ program delays;
- demand for services in the freight and passenger rail industry;
- demand for our products and services;
- orders either being delayed, cancelled, not returning to historical levels, or reduced or any combination of the foregoing;
- consolidations in the rail industry;
- continued outsourcing by our customers; industry demand for faster and more efficient braking equipment;
- fluctuations in interest rates and foreign currency exchange rates; or
- availability of credit;

Operating factors

- supply disruptions;
- technical difficulties;
- changes in operating conditions and costs;
- increases in raw material costs;
- successful introduction of new products;

- performance under material long-term contracts;
- labor relations;
- completion and integration of acquisitions; or
- the development and use of new technology;

Competitive factors

- the actions of competitors;

Political/governmental factors

- political stability in relevant areas of the world;
- future regulation/deregulation of our customers and/or the rail industry;
- levels of governmental funding on transit projects, including for some of our customers;
- political developments and laws and regulations, including those related to Positive Train Control;
- federal and state income tax legislation; or
- the outcome of our existing or any future legal proceedings, including litigation involving our principal customers and any litigation with respect to environmental, asbestos-related matters and pension liabilities; and

Transaction or commercial factors

- the outcome of negotiations with partners, governments, suppliers, customers or others.

Statements in this 10-K apply only as of the date on which such statements are made, and we undertake no obligation to update any statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Critical Accounting Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires Management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include the accounting for allowance for doubtful accounts, inventories, the testing of goodwill and other intangibles for impairment, warranty reserves, pensions and other postretirement benefits, stock based compensation and tax matters. Management uses historical experience and all available information to make these judgments and estimates, and actual results will inevitably differ from those estimates and assumptions that are used to prepare the Company's financial statements at any given time. Despite these inherent limitations, Management believes that Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the financial statements and related footnotes provide a meaningful and fair perspective of the Company. A discussion of the judgments and uncertainties associated with accounting for derivatives and environmental matters can be found in Notes 2 and 18, respectively, in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

A summary of the Company's significant accounting policies is included in Note 2 in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report and is incorporated by reference herein. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

Accounts Receivable and Allowance for Doubtful Accounts:

Description The Company provides an allowance for doubtful accounts to cover anticipated losses on uncollectible accounts receivable.

Judgments and Uncertainties The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.

Effect if Actual Results Differ From Assumptions If our estimates regarding the collectability of troubled accounts, and/or our actual losses within our receivable portfolio exceed our historical experience, we may be exposed to the expense of increasing our allowance for doubtful accounts.

Inventories:

Description Inventories are stated at the lower of cost or market and are reviewed to ensure that an adequate provision is recognized for excess, slow moving and obsolete inventories.

Judgments and Uncertainties Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead. The Company compares inventory components to prior year sales history and current backlog and anticipated future requirements. To the extent that inventory parts exceed estimated usage and demand, a reserve is recognized to reduce the carrying value of inventory. Also, specific reserves are established for known inventory obsolescence.

Effect if Actual Results Differ From Assumptions If the market value of our products were to decrease due to changing market conditions, the Company could be at risk of incurring the cost of additional reserves to adjust inventory value to a market value lower than stated cost. If our estimates regarding sales and backlog requirements are inaccurate, we may be exposed to the expense of increasing our reserves for slow moving and obsolete inventory.

Goodwill and Indefinite-Lived Intangibles:

Description Goodwill and indefinite-lived intangibles are required to be tested for impairment at least annually. The Company performs its annual impairment test during the fourth quarter and more frequently when indicators of impairment are present. The Company reviews goodwill for impairment at the reporting unit level. The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill).

Judgments and Uncertainties A number of significant assumptions and estimates are involved in the application of the impairment test, including the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Wabtec specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such amount.

Effect if Actual Results Differ From Assumptions Management considers historical experience and all available information at the time the fair values of its reporting units are estimated. However, actual amounts realized may differ from those used to evaluate the impairment of goodwill. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to impairment losses that could be material to our results of operations. For example, based on the last quantitative analysis performed as of October 1, 2013, a decline in the terminal growth rate greater than 50 basis points would decrease fair market value by $175.2 million, or an increase in the weighted-average cost of capital by 100 basis points would result in a decrease in fair market value by $482.9 million. Even with such changes the fair value of the reporting units would be greater than their net book values, necessitating no Step 2 calculations. See Note 2 in the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report for additional discussion regarding impairment testing.

Warranty Reserves:

Description The Company provides warranty reserves to cover expected costs from repairing or replacing products with durability, quality or workmanship issues occurring during established warranty periods.

Judgments and Uncertainties In general, reserves are provided for as a percentage of sales, based on historical experience. In addition, specific reserves are established for known warranty issues and their estimable losses.

Effect if Actual Results Differ From Assumptions If actual results are not consistent with the assumptions and judgments used to calculate our warranty liability, the Company may be at risk of realizing material gains or losses.

Accounting for Pensions and Postretirement Benefits:

Description The Company provides pension and postretirement benefits for its employees. These amounts are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality).

Judgments and Uncertainties Significant judgments and estimates are used in determining the liabilities and expenses for pensions and other postretirement benefits. The rate used to discount future estimated liabilities is determined considering the rates available at year-end on debt instruments that could be used to settle the obligations of the plan. The long-term rate of return is estimated by considering historical returns and expected returns on current and projected asset allocations and is generally applied to a five-year average market value of assets. The differences between actual and expected asset returns are recognized in expense using the normal amortization of gains and losses per ASC 715.

Effect if Actual Results Differ From Assumptions If assumptions used in determining the pension and other postretirement benefits change significantly, these costs can fluctuate materially from period to period. The key assumptions in determining the pension and other postretirement expense and obligation include the discount rate, expected return on assets and health care cost trend rate. For example, a 1% decrease or increase in the discount rate used in determining the pension and postretirement expense would increase expense $2.9 million or decrease expense $2.3 million, respectively. A 1% decrease or increase in the discount rate used in determining the pension and postretirement obligation would increase the obligation $51.0 million or decrease the obligation $41.1 million, respectively. A 1% decrease or increase in the expected return on assets used in determining the pension expense would increase or decrease expense $2.2 million, respectively. If the actual asset values at December 31, 2014 had been 1% lower, the amortization of losses in the following year would decrease $0.1 million. A 1% decrease or increase in the health care cost trend rate used in determining the postretirement expense would decrease or increase expense $0.4 million. A 1% decrease or increase in the health care cost trend rate used in determining the postretirement obligation would decrease the obligation $4.6 million or increase the obligation $5.4 million, respectively.

Stock-based Compensation:

Description The Company has issued incentive stock awards to eligible employees that vest upon attainment of certain cumulative three-year performance goals. The program is structured as a rolling three-year plan; each year starts a new three-year performance cycle with the most recently commenced cycle being 2012-2014. No incentive stock awards will vest for performance below the three-year cumulative threshold. The Company utilizes an economic profit measure for this performance goal. Economic profit is a measure of the extent to which the Company produces financial results in excess of its cost of capital. Based on the Company’s achievement of the threshold and three-year cumulative performance, the stock awards vested can range from 0% to 200% of the shares granted.

Judgments and Uncertainties Significant judgments and estimates are used in determining the estimated three-year performance, which is then used to estimate the total shares expected to vest over the three year vesting cycle and corresponding expense based on the grant date fair value of the award. When determining the estimated three-year performance, the Company utilizes a combination of historical actual results, budgeted results and forecasts. In the initial grant year of a performance cycle, the Company estimates the three-year performance at 100%. As actual performance results for a cycle begin to accumulate and the Company completes its budgeting and forecasting cycles the performance estimates are updated. These judgments and estimates are reviewed and updated on a quarterly basis.

Effect if Actual Results Differ From Assumptions If assumptions used in determining the estimated three-year performance change significantly, stock-based compensation expense related to the unvested incentive stock awards can fluctuate materially from period to period. For example a 10% decrease or increase in the estimated vesting percentage for incentive stock awards would decrease or increase stock-based compensation expense by approximately $0.8 million and $0.8 million, respectively.

Income Taxes:

Description Wabtec records an estimated liability or benefit for income and other taxes based on what it determines will likely be paid in various tax jurisdictions in which it operates in accordance with ASC 740-10 Accounting for

Income Taxes and Accounting for Uncertainty in Income Taxes.

Judgments and Uncertainties The estimate of our tax obligations are uncertain because Management must use judgment to estimate the exposures associated with our various filing positions, as well as realization of our deferred tax assets. ASC 740-10 establishes a recognition and measurement threshold to determine the amount of tax benefit that should be recognized related to uncertain tax positions.

Effect if Actual Results Differ From Assumptions Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters including the resolution of the tax audits in the various affected tax jurisdictions and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the recorded amount. A deferred tax valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Revenue Recognition:

Description Revenue is recognized in accordance with ASC-605 “Revenue Recognition.” The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other input-based or output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined. Certain pre-production costs relating to long term production and supply contracts have been deferred and will be recognized over the life of the contracts.

Judgments and Uncertainties Revenue is recognized when products have been shipped to the respective customers, title has passed and the price for the product has been determined. Contract accounting involves a judgmental process of estimating the total sales and costs for each contract, which results in the development of estimated profit margin percentages. For each contract with revenue recognized using the percentage of completion method, the amount reported as revenues is determined by calculating cost incurred to date as a percentage of the total expected contract costs to determine the percentage of total contract revenue to be recognized in the current period. Due to the size, duration and nature of many of our contracts, the estimation of total sales and costs through completion is complicated and subject to many variables. Total contract sales estimates are based on negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, and price adjustment clauses (such as inflation or index-based clauses). Total contract cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, business base and other economic projections. Factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. For long-term contracts, revenues and cost estimates are reviewed and revised quarterly at a minimum and adjustments are reflected in the accounting period as such amounts are determined. Pre-production costs are recognized over the expected life of the contract usually based on the Company’s progress toward the estimated number of units expected to be delivered under the production or supply contract.

Effect if Actual Results Differ From Assumptions Should market conditions and customer demands dictate changes to our standard shipping terms, the Company may be impacted by longer than typical revenue recognition cycles. The development of expected contract costs and contract profit margin percentages involves procedures and personnel in all areas that provide financial or production information on the status of contracts. Due to the significance of judgment in the estimation process, it is likely that materially different revenue amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or circumstances may adversely or positively affect financial performance in future periods. If the combined profit margin for all contracts recognized on the percentage of completion method during 2014 had been estimated to be higher or lower by 1%, it would have increased or decreased revenue and gross profit for the year by approximately $8.3 million. A few of our contracts are expected to be completed in a loss position. Provisions are made currently for estimated losses on uncompleted contracts. A charge to expense for unrecognized portions of pre-production costs could be realized if the Company’s estimate of the number of units to be delivered changes or the underlying contract is cancelled.

## Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

In the ordinary course of business, Wabtec is exposed to risks that increases in interest rates may adversely affect funding costs associated with its variable-rate debt. The Company’s variable rate debt represents 23% and 11% of total long-term debt at December 31, 2014 and 2013, respectively. On an annual basis a 1% change in the interest rate for variable rate debt at December 31, 2014 would increase or decrease interest expense by about $1.2 million.

To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company entered into interest rate swap agreements which effectively converted a portion of the debt from a variable to a fixed-rate borrowing during the term of the swap contracts. Refer to “Financial Derivatives and Hedging Activities” in Note 2 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report for additional information regarding interest rate risk.

Foreign Currency Exchange Risk

The Company is subject to certain risks associated with changes in foreign currency exchange rates to the extent our operations are conducted in currencies other than the U.S. dollar. For the year ended December 31, 2014, approximately 50% of Wabtec’s net sales were to the United States, 12% to the United Kingdom, 6% to Canada, 6% to Mexico, 4% to Australia, 3% to Brazil, 3% to Germany, 3% to China, and 13% in other international locations. (See Note 19 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report). To reduce the impact of changes in currency exchange rates, the Company has periodically entered into foreign currency forward contracts. Refer to “Financial Derivatives and Hedging Activities” in Note 2 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report for more information regarding foreign currency exchange risk.

Our market risk exposure is not substantially different from our exposure at December 31, 2013.

## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data are set forth in Item 15, of Part IV hereof.

## Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements with our independent registered public accountants.

## Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Wabtec’s principal executive officer and its principal financial officer have evaluated the effectiveness of Wabtec’s “disclosure controls and procedures,” (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2014. Based upon their evaluation, the principal executive officer and principal financial officer concluded that Wabtec’s disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by Wabtec in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to provide reasonable assurance that information required to be disclosed by Wabtec in such reports is accumulated and communicated to Wabtec’s Management, including its principal executive officer and principal finance officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in Wabtec’s “internal control over financial reporting” (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect, Wabtec’s internal control over financial reporting. Management’s annual report on internal control over financial reporting and the attestation report of the registered public accounting firm are included in Part IV, Item 15 of this report.

Management’s Report on Internal Control over Financial Reporting

Management’s Report on Internal Control Over Financial Reporting appears on page 41 and is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

Ernst & Young LLP attestation report on internal control over financial reporting appears on page 44 and is incorporated herein by reference.

## Item 9B. OTHER INFORMATION

None.

PART III

Items 10 through 14.

In accordance with the provisions of General Instruction G(3) to Form 10-K, the information required by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accounting Fees and Services) is incorporated herein by reference from the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 13, 2015, except for the Equity Compensation Plan Information required by Item 12, which is set forth in the table below. The definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2014. Information relating to the executive officers of the Company is set forth in Part I.

Wabtec has adopted a Code of Ethics for Senior Officers which is applicable to all of our executive officers. As described in Item 1 of this report the Code of Ethics for Senior Officers is posted on our website at www.wabtec.com. In the event that we make any amendments to or waivers from this code, we will disclose the amendment or waiver and the reasons for such on our website.

This table provides aggregate information as of December 31, 2014 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 | 1,147,558 | $ 28.33 | 3,393,779 |
| Equity compensation plans not approved by shareholders | - | - | - |
| Total | 1,147,558 | $ 24.36 | 3,393,779 |

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The financial statements, financial statement schedules and exhibits listed below are filed as part of this annual report:

(a)



(b)

| | Exhibits | Filing Method |
|---|---|---|
| 3.1 | Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended December 31, 2003 | 9 |
| 3.2 | Certificate of Amendment of Restated Certificate of Incorporation dated May 14, 2013 | 11 |
| 3.3 | Amended and Restated By-Laws of the Company, effective February 15, 2011 | 8 |
| 4.1 | Indenture, dated August 8, 2013 by and between the Company and Wells Fargo, National Association, as Trustee | 12 |
| 4.2 | | 12 |

| | | |
|---|---|---|
| | First Supplemental Indenture, dated August 8, 2013, by and between the Company and Wells Fargo Bank, National Association, as Trustee | |
| 4.3 | Form of 4.375% Senior Note due 2023 (included in Exhibit 4.2) | 12 |
| 10.1 | Agreement of Sale and Purchase of the North American Operations of the Railway Products Group, an operating division of American Standard Inc. (now known as Trane), dated as of 1990 between Rail Acquisition Corp. and American Standard Inc. (only provisions on indemnification are reproduced) | 2 |
| 10.2 | Letter Agreement (undated) between the Company and American Standard Inc. (now known as Trane) on environmental costs and sharing | 2 |
| 10.3 | Purchase Agreement dated as of June 17, 1992 among the Company, Schuller International, Inc., Manville Corporation and European Overseas Corporation (only provisions on indemnification are reproduced) | 2 |
| 10.4 | Westinghouse Air Brake Company 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended * | 4 |
| 10.5 | Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan, as amended * | 4 |
| 10.6 | Employment Agreement with Albert J. Neupaver, dated February 1, 2006 * | 3 |

| | | |
|---|---|---|
| 10.7 | Form of Restricted Stock Agreement * | 10 |
| 10.8 | Westinghouse Air Brake Technologies Corporation 2011 Stock Incentive Plan * | 5 |
| 10.9 | Stock Purchase Agreement, by and among the Company, Standard Car Truck Company and Robclif, Inc., dated September 12, 2008 | 6 |
| 10.10 | First Amended and Restated Refinancing Credit Agreement, dated as of December 19, 2013, by and among the Company, Wabtec Cooperatief UA, certain subsidiaries as the guarantors, the lenders party thereto and, PNC Bank, National Association, as Administrative Agent, PNC Capital Markets LLC, J.P. Morgan Securities, Inc., as Joint Lead Arranges and Joint Book Runners, JP Morgan Chase Bank, N.A. as Syndication Agent, Bank of America, N.A., and Citizens Bank of Pennsylvania, Branch Banking and Trust Company and The Bank of Toyko-Mitsubish UFJ, Ltd., as Co-Documentation Agents | 13 |
| 10.11 | Form of Employment Continuation Agreement entered into by the Company with Albert J. Neupaver, Alvaro Garcia-Tunon, Raymond T. Betler, Charles F. Kovac, R. Mark Cox, David L. DeNinno, Patrick D. Dugan, Scott E. Wahlstrom and Timothy R. Wesley* | 7 |
| 10.12 | Wabtec Corporation Deferred Compensation Plan for Executive Officers and Directors as adopted December 10, 2009 * | 10 |
| 10.13 | Form of Agreement for Nonstatutory Stock Option under the 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended * | 10 |
| 10.14 | Form of Agreement for Nonstatutory Stock Options under 2000 Stock Incentive Plan, as amended * | 10 |
| 10.15 | Form of Agreement for Nonstatutory Stock Options under 2011 Stock Incentive Plan as amended * | 10 |
| 21 | List of subsidiaries of the Company | 1 |
| 23.1 | Consent of Ernst & Young LLP | 1 |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certifications | 1 |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certifications | 1 |
| 32.1 | Section 1350 Certifications | 1 |
| 101.INS | XBRL Instance Document. | 1 |
| 101.SCH | XBRL Taxonomy Extension Calculation Linkbase Document | 1 |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | 1 |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | 1 |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | 1 |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | 1 |

1 Filed herewith.
2 Filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 33-90866).
3 Filed as an exhibit to the Company's Quarterly Report on Form 10-Q (File No. 033-90866) for the period ended March 31, 2006.
4 Filed as an Annex to the Company's Schedule 14A Proxy Statement (File No. 1-13782) filed on April 13, 2006.
5 Filed as an Annex to the Company's Schedule 14A Proxy Statement (File No. 1-13782) filed on March 31, 2011.
6 Filed as an exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-13782) for the period ended September 30, 2008.
7 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782) dated July 2, 2009.
8 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782), dated February 22, 2011.
9 Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-13782), dated February 25, 2011.
10 Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-13782), dated February 22, 2013.
11 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782), dated May 15, 2013.
12 Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-13782), dated August 8, 2013.
13 Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-13782), dated February 21, 2014.
* Management contract or compensatory plan.

## MANAGEMENT'S REPORTS TO WABTEC SHAREHOLDERS

### Management's Report on Financial Statements and Practices

The accompanying consolidated financial statements of Westinghouse Air Brake Technologies Corporation and subsidiaries (the "Company") were prepared by Management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with U.S. generally accepted accounting principles and include amounts that are based on Management's best judgments and estimates. The other financial information included in the 10-K is consistent with that in the financial statements.

Management also recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of host countries in which the Company operates and potentially conflicting outside business interests of its employees. The Company maintains a systematic program to assess compliance with these policies.

### Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, Management has conducted an assessment, including testing, using the criteria in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO). The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting standards. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded C2CE Pty Ltd. ("C2CE"), Dia-Frag, and Fandstan Electric Group Ltd. ("Fandstan") from its assessment of internal controls over financial reporting as of December 31, 2014 because the Company acquired C2CE effective September 3, 2014, Dia-Frag effective August 19, 2014 and Fandstan effective June 6, 2014. C2CE, Dia-Frag, and Fandstan are wholly owned subsidiaries whose total assets represents 0.9%, 2.3% and 12.1%, respectively and whose total net assets represents 1.4%, 3.4% and 9.8%, respectively, and net income represents 0.3%, 0.4% and 1.8%, respectively and whose customer revenues represents 0.5%, 0.4% and 4.7%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014.

Based on its assessment, Management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2014, based on criteria in Internal Control-Integrated Framework issued by the COSO. The effectiveness of the Company's internal control over financial reporting as of December 31, 2014, has been audited by Ernst & Young LLP, independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Westinghouse Air Brake Technologies Corporation:

We have audited the accompanying consolidated balance sheets of Westinghouse Air Brake Technologies Corporation as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Westinghouse Air Brake Technologies Corporation as of December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Westinghouse Air Brake Technologies Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

February 20, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Westinghouse Air Brake Technologies Corporation:

We have audited Westinghouse Air Brake Technologies Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Westinghouse Air Brake Technologies Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of C2CE Pty Ltd. ("C2CE"), Dia-Frag, and Fandstan Electric Group Ltd. ("Fandstan"). which are included in the 2014 consolidated financial statements of Westinghouse Air Brake Technologies Corporation and constituted 0.9%, 2.3% and 12.1%, respectively, of total assets and 1.4%, 3.4% and 9.8%, respectively, of total net assets as of December 31, 2014, and 0.5%, 0.4% and 4.7%, respectively, of customer revenue and 0.3%, 0.4% and 1.8%, respectively, of net income for the year then ended. Our audit of internal control over financial reporting of Westinghouse Air Brake Technologies Corporation also did not include an evaluation of the internal control over financial reporting of Napier, Turbonetics, and Longwood.

In our opinion, Westinghouse Air Brake Technologies Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Westinghouse Air Brake Technologies Corporation as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

February 20, 2015

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|---|---|
| In thousands, except shares and par value | 2014 | 2013 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | $425,849 | $285,760 |
| Accounts receivable | 443,464 | 349,458 |
| Unbilled accounts receivable | 187,762 | 205,045 |
| Inventories | 510,949 | 403,229 |
| Deferred income taxes | 43,953 | 50,622 |
| Other | 25,887 | 38,933 |
| Total current assets | 1,637,864 | 1,333,047 |
| Property, plant and equipment | 683,034 | 597,740 |
| Accumulated depreciation | (343,923 ) | (321,662 ) |
| Property, plant and equipment, net | 339,111 | 276,078 |
| Other Assets | | |
| Goodwill | 862,338 | 786,433 |
| Other intangibles, net | 422,811 | 385,679 |
| Other noncurrent assets | 41,717 | 40,760 |
| Total other assets | 1,326,866 | 1,212,872 |
| Total Assets | $3,303,841 | $2,821,997 |
| | | |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | $399,845 | $326,666 |
| Customer deposits | 111,797 | 66,573 |
| Accrued compensation | 70,857 | 57,058 |
| Accrued warranty | 68,031 | 43,197 |
| Current portion of long-term debt | 792 | 421 |
| Commitment and contingencies | 762 | 485 |
| Other accrued liabilities | 86,718 | 85,000 |
| Total current liabilities | 738,802 | 579,400 |
| Long-term debt | 520,403 | 450,288 |
| Accrued postretirement and pension benefits | 81,908 | 50,003 |
| Deferred income taxes | 112,915 | 114,486 |
| Commitment and contingencies | 973 | 1,141 |
| Accrued warranty | 19,818 | 17,396 |
| Other long-term liabilities | 20,724 | 22,116 |
| Total liabilities | 1,495,543 | 1,234,830 |
| Shareholders' Equity | | |
| Preferred stock, 1,000,000 shares authorized, no shares issued | - | - |
| Common stock, $.01 par value; 200,000,000 shares authorized: 132,349,534 shares issued and 96,274,395 and 95,909,948 outstanding at December 31, 2014 and December 31, 2013, respectively | 1,323 | 1,323 |
| Additional paid-in capital | 448,531 | 415,059 |

| | | |
|---|---|---|
| Treasury stock, at cost, 36,075,139 and 36,439,586 shares, at December 31, 2014 and December 31, 2013, respectively | (392,262 ) | (372,969 ) |
| Retained earnings | 1,909,136 | 1,576,702 |
| Accumulated other comprehensive loss | (159,486 ) | (34,856 ) |
| Total Westinghouse Air Brake Technologies Corporation shareholders' equity | 1,807,242 | 1,585,259 |
| Non-controlling interest (minority interest) | 1,056 | 1,908 |
| Total shareholders’ equity | 1,808,298 | 1,587,167 |
| Total Liabilities and Shareholders’ Equity | $3,303,841 | $2,821,997 |

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| In thousands, except per share data | | | |
| Net sales | $3,044,454 | $2,566,392 | $2,391,122 |
| Cost of sales | (2,108,472) | (1,802,365) | (1,696,555) |
| Gross profit | 935,982 | 764,027 | 694,567 |
| Selling, general and administrative expenses | (324,539) | (262,718) | (245,709) |
| Engineering expenses | (61,886) | (46,289) | (41,307) |
| Amortization expense | (22,448) | (17,710) | (15,272) |
| Total operating expenses | (408,873) | (326,717) | (302,288) |
| Income from operations | 527,109 | 437,310 | 392,279 |
| Other income and expenses | | | |
| Interest expense, net | (17,574) | (15,341) | (14,251) |
| Other (expense) income , net | (1,680) | (882) | (670) |
| Income from operations before income taxes | 507,855 | 421,087 | 377,358 |
| Income tax expense | (156,175) | (128,852) | (125,626) |
| Net income attributable to Wabtec shareholders | $351,680 | $292,235 | $251,732 |
| | | | |
| Earnings Per Common Share | | | |
| Basic | | | |
| Net income attributable to Wabtec shareholders | $3.66 | $3.05 | $2.62 |
| Diluted | | | |
| Net income attributable to Wabtec shareholders | $3.62 | $3.01 | $2.60 |
| | | | |
| Weighted average shares outstanding | | | |
| Basic | 95,781 | 95,463 | 95,469 |
| Diluted | 96,885 | 96,832 | 96,742 |

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| In thousands, except per share data | | | |
| Net income attributable to Wabtec shareholders | $351,680 | $292,235 | $251,732 |
| Foreign currency translation (loss) gain | (111,776) | 5,345 | 14,428 |
| Unrealized (loss) gain on derivative contracts | (338) | 810 | (2,628) |
| Pension benefit plans and post-retirement benefit plans | (18,508) | 21,102 | (6,292) |
| Other comprehensive (loss) income before tax | (130,622) | 27,257 | 5,508 |
| Income tax benefit (expense) related to components of other comprehensive income (loss) | 5,992 | (8,549) | 1,825 |
| Other comprehensive (loss) income, net of tax | (124,630) | 18,708 | 7,333 |
| Comprehensive income attributable to Wabtec shareholders | $227,050 | $310,943 | $259,065 |

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| In thousands, except per share data | | | |
| Operating Activities | | | |
| Net income attributable to Wabtec shareholders | $351,680 | $292,235 | $251,732 |
| Adjustments to reconcile net income to cash provided by operations: | | | |
| Depreciation and amortization | 61,261 | 51,193 | 44,136 |
| Stock-based compensation expense | 26,134 | 24,107 | 19,848 |
| Deferred income taxes | (7,054) | 15,248 | 581 |
| Loss (gain) on disposal of property, plant and equipment | 812 | (15) | 1,112 |
| Excess income tax benefits from exercise of stock options | (3,020) | (4,266) | (3,125) |
| Changes in operating assets and liabilities, net of acquisitions | | | |
| Accounts receivable and unbilled accounts receivable | (17,413) | (149,699) | (22,976) |
| Inventories | (64,089) | 26,060 | (32,491) |
| Accounts payable | 55,378 | 60,976 | (12,483) |
| Accrued income taxes | 23,763 | (15,033) | (33,202) |
| Accrued liabilities and customer deposits | 68,729 | (48,831) | 13,323 |
| Other assets and liabilities | (23,796) | (16,322) | 10,983 |
| Net cash provided by operating activities | 472,385 | 235,653 | 237,438 |
| Investing Activities | | | |
| Purchase of property, plant and equipment | (47,662) | (41,238) | (36,001) |
| Proceeds from disposal of property, plant and equipment | 421 | 6,000 | 971 |
| Acquisitions of businesses, net of cash acquired | (300,437) | (223,454) | (149,914) |
| Net cash used for investing activities | (347,678) | (258,692) | (184,944) |
| Financing Activities | | | |
| Proceeds from debt | 563,400 | 959,067 | 233,400 |
| Payments of debt | (493,819) | (829,842) | (311,457) |
| Stock re-purchase | (26,757) | (32,998) | (46,556) |
| Proceeds from exercise of stock options and other benefit plans | 3,337 | 5,165 | 4,431 |
| Excess income tax benefits from exercise of stock options | 3,020 | 4,266 | 3,125 |
| Earn-out settlement | (4,429) | - | - |
| Cash dividends ($0.20, $0.13 and $0.08 per share for the years ended December 31, 2014, 2013 and 2012 | (19,246) | (12,644) | (7,666) |
| Net cash provided by (used for) financing activities | 25,506 | 93,014 | (124,723) |
| Effect of changes in currency exchange rates | (10,124) | 19 | 2,380 |
| Increase (decrease) in cash | 140,089 | 69,994 | (69,849) |
| Cash, beginning of year | 285,760 | 215,766 | 285,615 |
| Cash, end of year | $425,849 | $285,760 | $215,766 |

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| In thousands, except share and per share data | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Treasury Stock Shares | Treasury Stock Amount | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2011 | 132,349,534 | $1,323 | $360,914 | (36,275,980) | $(309,196) | $1,053,045 | $(60,897) | $1,045,189 |
| Cash dividends ($0.08 dividend per share) | - | - | - | - | - | (7,666) | - | (7,666) |
| Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax | - | - | 1,192 | 364,724 | 6,364 | - | - | 7,556 |
| Stock based compensation | - | - | 19,242 | - | - | - | - | 19,242 |
| Net income | - | - | - | - | - | 251,732 | - | 251,732 |
| Translation adjustment | - | - | - | - | - | - | 14,428 | 14,428 |
| Unrealized loss on interest rate swap contracts, net of $1,040 tax | - | - | - | - | - | - | (1,588) | (1,588) |
| Change in pension and post-retirement benefit plans, net of $785 tax | - | - | - | - | - | - | (5,507) | (5,507) |
| Stock re-purchase | - | - | - | (607,400) | (46,556) | - | - | (46,556) |
| Balance, December 31, 2012 | 132,349,534 | 1,323 | 381,348 | (36,518,656) | (349,388) | 1,297,111 | (53,564) | 1,276,830 |
| Cash dividends ($0.13 dividend | - | - | - | - | - | (12,644) | - | (12,644) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| per share) | | | | | | | | |
| Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax | - | - | 11,815 | 586,175 | 9,417 | - | - | 21,232 |
| Stock based compensation | - | - | 21,896 | - | - | - | - | 21,896 |
| Net income | - | - | - | - | - | 292,235 | - | 292,235 |
| Translation adjustment | - | - | - | - | - | - | 5,345 | 5,345 |
| Unrealized (loss) on foreign exchange contracts, net of $61 tax | - | - | - | - | - | - | (195) | (195) |
| Unrealized gain on interest rate swap contracts, net of $422 tax | - | - | - | - | - | - | 644 | 644 |
| Change in pension and post-retirement benefit plans, net of $8,188 tax | - | - | - | - | - | - | 12,914 | 12,914 |
| Stock re-purchase | - | - | - | (507,105) | (32,998) | - | - | (32,998) |
| Balance, December 31, 2013 | 132,349,534 | 1,323 | 415,059 | (36,439,586) | (372,969) | 1,576,702 | (34,856) | 1,585,259 |
| Cash dividends ($0.20 dividend per share) | - | - | - | - | - | (19,246) | - | (19,246) |
| Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax | - | - | 9,997 | 711,247 | 7,464 | - | - | 17,461 |
| Stock based compensation | - | - | 23,475 | - | - | - | - | 23,475 |
| Net income | - | - | - | - | - | 351,680 | - | 351,680 |
| Translation adjustment | - | - | - | - | - | - | (111,776) | (111,776) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Unrealized loss on foreign exchange contracts, net of $31 tax | - | - | - | - | - | - | (23 ) | (23 ) |
| Unrealized loss on interest rate swap contracts, net of $136 tax | - | - | - | - | - | - | (210 ) | (210 ) |
| Change in pension and post-retirement benefit plans, net of $5,887 tax | - | - | - | - | - | - | (12,621 ) | (12,621 ) |
| Stock re-purchase | - | - | - | (346,800 ) | (26,757 ) | - | - | (26,757 ) |
| Balance, December 31, 2014 | 132,349,534 | $1,323 | $448,531 | (36,075,139) | $(392,262) | $1,909,136 | $(159,486) | $1,807,242 |

The accompanying notes are an integral part of these statements

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in more than 100 countries throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 20 countries. In 2014, about 50% of the Company's revenues came from customers outside the U.S.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. Such statements have been prepared in accordance with U.S. generally accepted accounting principles. Sales between subsidiaries are billed at prices consistent with sales to third parties and are eliminated in consolidation.

Capital Structure On May 14, 2013, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock to 200.0 million shares. In addition, on May 14, 2013, our Board of Directors approved a two-for-one split of the Company's issued and outstanding common stock in the form of a 100% stock dividend. The increase in the authorized shares and the stock split became effective on May 14, 2013 and June 11, 2013, respectively.

The Company issued approximately 66.2 million shares of its common stock as a result of the two-for-one stock split. The par value of the Company's common stock remained unchanged at $0.01 per share.

Information regarding shares of common stock (except par value per share), retained earnings, and net income per common share attributable to Wabtec shareholders for all periods presented reflects the two-for-one split of the Company's common stock. The number of shares of the Company's common stock issuable upon exercise of outstanding stock options and vesting of other stock-based awards was proportionally increased, and the exercise price per share thereof was proportionally decreased, in accordance with the terms of the stock incentive plans.

Cash Equivalents Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Allowance for Doubtful Accounts The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The allowance for doubtful accounts was $6.3 million and $5.7 million as of December 31, 2014 and 2013, respectively.

Inventories Inventories are stated at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead.

Property, Plant and Equipment Property, plant and equipment additions are stated at cost. Expenditures for renewals and improvements are capitalized. Expenditures for ordinary maintenance and repairs are expensed as incurred. The Company provides for book depreciation principally on the straight-line method. Accelerated depreciation methods are utilized for income tax purposes.

Leasing Arrangements The Company conducts a portion of its operations from leased facilities and finances certain equipment purchases through lease agreements. In those cases in which the lease term approximates the useful life of the leased asset or the lease meets certain other prerequisites, the leasing arrangement is classified as a capital lease. The remaining arrangements are treated as operating leases.

Intangible Assets Goodwill and other intangible assets with indefinite lives are not amortized. Other intangibles (with definite lives) are amortized on a straight-line basis over their estimated economic lives. Amortizable intangible assets are reviewed for impairment when indicators of impairment are present. The Company tests goodwill and indefinite-lived intangible assets for impairment at least annually. The Company performs its annual impairment test during the fourth quarter after the annual forecasting process is completed, and also tests for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Periodically, Management of the Company assesses whether or not an indicator of impairment is present that would necessitate an impairment analysis be performed.

For 2014, the Company opted to perform a qualitative assessment and determined that step two was not necessary. In assessing the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we assess relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Wabtec specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

If our qualitative assessment concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company then performs a two-step impairment test. In the first step of the quantitative assessment, our assets and liabilities, including existing goodwill and other intangible assets, are assigned to the identified reporting units to determine the carrying value of the reporting units. The Company reviews goodwill for impairment at the reporting unit level. The Company prepares its goodwill impairment analysis by comparing the estimated fair value of each reporting unit, using an income approach (a discounted cash flow model) as well as a market approach, with its carrying value. The income approach and the market approach are equally weighted in arriving at fair value, which the Company has applied consistently. The discounted cash flow model requires several assumptions including future sales growth, EBIT (earnings before interest and taxes) margins and capital expenditures for the reporting units. The discounted cash flow model also requires the use of a discount rate and a terminal revenue growth rate (the revenue growth rate for the period beyond the three years forecasted by the reporting units), as well as projections of future operating margins. The market approach requires several assumptions including EBITDA (earnings before interest, taxes, depreciation and amortization) multiples for comparable companies that operate in the same markets as the Company's reporting units.

Warranty Costs Warranty costs are accrued based on Management's estimates of repair or upgrade costs per unit and historical experience. Warranty expense was $34.1 million, $23.1 million and $22.9 million for 2014, 2013 and 2012, respectively. Accrued warranty was $87.8 million and $60.6 million at December 31, 2014 and 2013, respectively.

Income Taxes Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws. The provision for income taxes includes federal, state and foreign income taxes.

Stock-Based Compensation The Company recognizes compensation expense for stock-based compensation based on the grant date fair value amortized ratably over the requisite service period following the date of grant.

Financial Derivatives and Hedging Activities The Company has entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Foreign currency forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date the Company can either take delivery of the currency or settle on a net basis. At December 31, 2014, the Company had no material foreign currency forward contracts.

To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company has entered into two forward starting interest rate swap agreement with a notional value of $150.0 million. As of December 31, 2014, the Company has recorded a current liability of $3.4 million and a corresponding offset in accumulated other comprehensive loss of $2.0 million, net of tax, related to this agreement. For further information regarding the forward starting interest rate swap agreements, see Footnote 8.

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Foreign Currency Translation Assets and liabilities of foreign subsidiaries, except for the Company's Mexican operations whose functional currency is the U.S. Dollar, are translated at the rate of exchange in effect on the balance sheet date while income and expenses are translated at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from transactions, and the translation of financial statements are recorded in the Company's consolidated financial statements based upon the provisions of Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters." The effects of currency exchange rate changes on intercompany transactions and balances of a long-term investment nature are accumulated and carried as a component of accumulated other comprehensive loss. The effects of currency exchange rate changes on intercompany transactions that are denominated in a currency other than an entity's functional currency are charged or credited to earnings. Foreign exchange transaction losses recognized in other (expense) income, net were $2.4 million, $3.5 million and $0.1 million for 2014, 2013 and 2012, respectively.

Noncontrolling Interests In accordance with ASC 810, the Company has classified noncontrolling interests as equity on our condensed consolidated balance sheets as of December 31, 2014 and 2013. Net income attributable to noncontrolling interests for the years ended December 31, 2014, 2013 and 2012 was not material.

Other Comprehensive Income (Loss) Comprehensive income (loss) is defined as net income and all other non-owner changes in shareholders' equity. The Company's accumulated other comprehensive income consists of foreign currency translation adjustments, foreign currency hedges, foreign exchange contracts, interest rate swaps, and pension and post retirement related adjustments.

Revenue Recognition Revenue is recognized in accordance with ASC 605 "Revenue Recognition," The Company recognized revenue when the following criteria are met: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred; 3) an established sales price has been set with the customer; 4) collection of the sale revenue from the customer is reasonably assured; and 5) no contingencies exist. Delivery is considered to have occurred when the customer assumes the risk and rewards of ownership. The Company estimates and records provisions for quantity rebates and sales returns and allowances as an offset to revenue in the same period the related revenue is recognized, based upon its experience. These items are included as a reduction in deriving net sales.

In general, the Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other input-based or output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised quarterly at a minimum and adjustments are reflected in the accounting period as such amounts are determined. Provisions are made currently for estimated losses on uncompleted contracts. Unbilled accounts receivables were $187.8 million and $205.0 million, customer deposits were $111.8 million and $66.6 million, and provisions for loss contracts were $7.1 million and $14.0 million at December 31, 2014 and 2013, respectively.

Certain pre-production costs relating to long-term production and supply contracts have been deferred and will be recognized over the life of the contracts. Deferred pre-production costs were $24.9 million and $19.2 million at December 31, 2014 and 2013, respectively.

Significant Customers and Concentrations of Credit Risk The Company's trade receivables are from rail and transit industry original equipment manufacturers, Class I railroads, railroad carriers and commercial companies that utilize rail cars in their operations, such as utility and chemical companies. No one customer accounted for more than 10% of the Company's consolidated net sales in 2014, 2013 and 2012.

Shipping and Handling Fees and Costs All fees billed to the customer for shipping and handling are classified as a component of net revenues. All costs associated with shipping and handling is classified as a component of cost of sales.

Research and Development Research and development costs are charged to expense as incurred. For the years ended December 31, 2014, 2013 and 2012, the Company incurred costs of approximately $61.9 million, $46.3 million and $41.3 million, respectively.

Employees As of December 31, 2014, approximately 28% of the Company's workforce was covered by collective bargaining agreements. These agreements are generally effective from 2015 through 2017. Agreements expiring in 2015 cover approximately 21% of the Company's workforce.

Earnings Per Share Basic and diluted earnings per common share is computed in accordance with ASC 260 “Earnings Per Share.” Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and included in the computation of earnings per share pursuant to the two-class method included in ASC 260-10-55. (See Note 11 “Earnings Per Share” included herein)

Reclassifications Certain prior year amounts have been reclassified, where necessary, to conform to the current year presentation.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates. On an ongoing basis, Management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Recent Accounting Pronouncements In May 2014, the FASB issued ASU no. 2014-09, “Revenue from Contract with Customers.” The ASU will supersede most of the existing revenue recognition requirements in U.S. GAAP and will require entities to recognize revenue at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The new standard also requires significantly expanded disclosures regarding the qualitative and quantitative information of an entity’s nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Pronouncement is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and is to be applied retrospectively, with early application not permitted. The Company is currently evaluating the impact the pronouncement will have on the consolidated financial statements and related disclosures.

3. ACQUISITIONS

The Company made the following acquisitions operating as a business unit or component of a business unit in the Freight Segment:

- On February 4, 2015, the Company acquired Railroad Controls L.P. (“RCL”), a U.S. based provider of railway signal construction services for a purchase price of approximately $63.7 million, net of cash acquired.
- On September 3, 2014, the Company acquired C2CE Pty Ltd. (“C2CE”), a leading provider of railway signal design services in Australia, for a purchase price of approximately $25.1 million, net of cash acquired, resulting in preliminary goodwill of $15.1 million, none of which will be deductible for tax purposes.
- On September 24, 2013, the Company acquired Longwood Industries, Inc (“Longwood”), a manufacturer of specialty rubber products for transportation, oil and gas, and industrial markets, for a purchase price of approximately $83.9 million, net of cash acquired, resulting in additional goodwill of $28.3 million, none of which will be deductible for tax purposes.
- On July 30, 2013, the Company acquired Turbonetics Holdings, Inc (“Turbonetics”), a manufacturer of turbochargers and related components for various industrial markets, for a purchase price of approximately $23.2 million, net of cash acquired, resulting in additional goodwill of $11.3 million, none of which will be deductible for tax purposes.
- On January 31, 2013, the Company acquired Napier Turbochargers Ltd. (“Napier”), a UK-based provider of turbochargers and related parts for the worldwide power generation and marine markets, for a purchase price of approximately $112.3 million, net of cash acquired, resulting in additional goodwill of $67.0 million, none of which will be deductible for tax purposes.

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For the C2CE acquisition, the following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition. For the Longwood, Turbonetics and Napier acquisitions, the following table summarizes the final fair values of assets acquired and liabilities assumed at the date of acquisition.

| In thousands | C2CE September 3, 2014 | Longwood September 24, 2013 | Turbonetics July 30, 2013 | Napier January 31, 2013 |
|---|---|---|---|---|
| Current assets | $ 9,812 | $ 17,444 | $ 5,532 | $ 13,441 |
| Property, plant & equipment | 1,890 | 19,363 | 992 | 8,837 |
| Goodwill | 15,114 | 28,272 | 11,309 | 67,045 |
| Other intangible assets | 3,654 | 39,440 | 11,140 | 40,583 |
| Other assets | - | 7 | - | - |
| Total assets acquired | 30,470 | 104,526 | 28,973 | 129,906 |
| Total liabilities assumed | (5,359 ) | (20,663 ) | (5,790 ) | (17,565 ) |
| Net assets acquired | $ 25,111 | $ 83,863 | $ 23,183 | $ 112,341 |

The Company made the following acquisitions operating as a business unit or component of a business unit in the Transit Segment:

- On August 19, 2014, the Company acquired Dia-Frag, a leading manufacturer of friction products in Brazil, for a purchase price of approximately $70.6 million, net of cash acquired, resulting in preliminary goodwill of $43.0 million, none of which will be deductible for tax purposes.
- On June 6, 2014, the Company acquired Fandstan Electric Group Ltd. (“Fandstan”), a leading rail and industrial equipment manufacturer for a variety of markets, including rail and tram transportation, industrial and energy, for a purchase price of approximately $199.4 million, net of cash acquired, resulting in preliminary goodwill of $60.1 million, none of which will be deductible for tax purposes.

For the Fandstan and Dia-Frag acquisitions, the following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition.

| In thousands | Dia-Frag August 19, 2014 | Fandstan June 6, 2014 |
|---|---|---|
| Current assets | $ 12,477 | $ 124,848 |
| Property, plant & equipment | 4,497 | 61,379 |
| Goodwill | 42,955 | 60,078 |
| Other intangible assets | 26,150 | 50,598 |
| Other assets | 66 | 216 |
| Total assets acquired | 86,145 | 297,119 |
| Total liabilities assumed | (15,504 ) | (97,715 ) |

| | | |
|---|---|---|
| Net assets acquired | $70,641 | $199,404 |

The 2014 acquisitions listed above include escrow deposits of $41.6 million, which may be released to the Company for indemnity and other claims in accordance with the purchase and escrow agreements.

The total goodwill and other intangible assets for acquisitions listed in the tables above was $396.3 million, of which $224.7 million and $171.4 million was related to goodwill and other intangible assets, respectively. Of the allocation of $171.4 million of acquired intangible assets for the companies listed in the above tables, $111.0 million was assigned to customer relationships, $45.9 million was assigned to trade names, $5.2 million was assigned to patents, $0.8 million was assigned to favorable leasehold interest, $2.1 million was assigned to non-compete agreements and $6.5 million was assigned to customer backlog. The trade names are considered to have an indefinite useful life while the customer relationships' useful life is 20 years, the patents' useful life is 12 years, the favorable leasehold useful life is five years and non-compete agreements useful life is four years.

The following unaudited pro forma financial information presents income statement results as if the acquisition of Napier, Turbonetics, Longwood, C2CE, Fandstan, and Dia-Frag had occurred January 1, 2013:

| | For the year ended December 31, | |
|---|---|---|
| In thousands | 2014 | 2013 |
| Net sales | $3,178,955 | $2,933,560 |
| Gross profit | 978,567 | 867,719 |
| Net income attributable to Wabtec shareholders | 363,122 | 318,381 |
| Diluted earnings per share | | |
| As Reported | $3.62 | $3.01 |
| Pro forma | $3.75 | $3.28 |

4. SUPPLEMENTAL CASH FLOW DISCLOSURES

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| In thousands | | | |
| Interest paid during the year | $18,445 | $15,601 | $16,309 |
| Income taxes paid during the year, net of amount refunded | 125,212 | 137,945 | 135,691 |
| Business acquisitions: | | | |
| Fair value of assets acquired | 454,596 | 267,306 | 198,066 |
| Liabilities assumed | 124,005 | 44,846 | 46,009 |
| Cash paid | 330,591 | 222,460 | 152,057 |
| Less cash acquired | 30,154 | 671 | 2,303 |
| Net cash paid | $300,437 | $221,789 | $149,754 |

On December 11, 2013, the Board of Directors amended its stock repurchase authorization to $200 million of the Company's outstanding shares. Through December 31, 2014, purchases have totaled $26.8 million leaving $173.2 million under the authorization.

The Company intends to purchase shares on the open market or in negotiated or block trades. No time limit was set for the completion of the programs which conform to the requirements under the 2013 Refinancing Credit Agreement, as well as the Notes currently outstanding.

During the first quarter of 2014, the Company repurchased 27,500 shares at an average price of $78.22 per share. During the second quarters of 2014, the Company repurchased 194,700 shares at an average price of $74.33 per share. During the third quarter of 2014, the Company repurchased 124,600 shares at an average price of $81.33 per share. During the fourth quarter of 2014, no shares were repurchased. All purchases were on the open market.

During the first and second quarters of 2013, no shares were repurchased. During the third quarter of 2013, the Company repurchased 93,205 shares at an average price of $58.86 per share. During the fourth quarter of 2013, the Company repurchased 413,900 shares at an average price of $66.47 per share. All purchases were on the open market.

5. INVENTORIES

The components of inventory, net of reserves, were:

| | December 31, | |
|---|---|---|
| In thousands | 2014 | 2013 |
| Raw materials | $222,059 | $165,906 |
| Work-in-progress | 154,094 | 137,449 |
| Finished goods | 134,796 | 99,874 |
| Total inventories | $510,949 | $403,229 |

6. PROPERTY, PLANT & EQUIPMENT

The major classes of depreciable assets are as follows:

| | December 31, | |
|---|---|---|
| In thousands | 2014 | 2013 |
| Machinery and equipment | $476,467 | $440,297 |
| Buildings and improvements | 180,227 | 138,469 |
| Land and improvements | 23,440 | 16,271 |
| Locomotive leased fleet | 2,900 | 2,703 |
| PP&E | 683,034 | 597,740 |
| Less: accumulated depreciation | (343,923) | (321,662) |
| Total | $339,111 | $276,078 |

The estimated useful lives of property, plant and equipment are as follows:

| | Years |
|---|---|
| Land improvements | 10 to 20 |
| Building and improvements | 20 to 40 |
| Machinery and equipment | 3 to 15 |

Depreciation expense was $38.8 million, $33.5 million, and $28.9 million for 2014, 2013 and 2012, respectively.

7. INTANGIBLES

Goodwill and other intangible assets with indefinite lives are not amortized. Other intangibles with definite lives are amortized on a straight-line basis over their estimated economic lives. Goodwill and indefinite lived intangible assets are reviewed annually during the fourth quarter for impairment (See Note 2 “Summary of Significant Accounting Policies” included herein). Goodwill and indefinite live intangible assets were not impaired at December 31, 2014 and 2013.

The change in the carrying amount of goodwill by segment for the year ended December 31, 2014 is as follows:

| In thousands | Freight Segment | Transit Segment | Total |
|---|---|---|---|
| Balance at December 31, 2013 | $509,664 | $276,769 | $786,433 |
| Adjustment to preliminary purchase allocation | (4,440) | (2,367) | (6,807) |
| Acquisitions | 19,211 | 103,347 | 122,558 |

| | | | |
|---|---|---|---|
| Foreign currency impact | (9,368 ) | (30,478 ) | (39,846 ) |
| Balance at December 31, 2014 | $515,067 | $347,271 | $862,338 |

As of December 31, 2014 and 2013, the Company's trademarks had a net carrying amount of $170.1 million and $156.8 million, respectively, and the Company believes these intangibles have an indefinite life. Intangible assets of the Company, other than goodwill and trademarks, consist of the following:

| | December 31, | |
|---|---|---|
| In thousands | 2014 | 2013 |
| Patents, non-compete and other intangibles, net of accumulated amortization of $39,780 and $37,824 | $14,722 | $15,561 |
| Customer relationships, net of accumulated amortization of $56,684 and $44,910 | 237,983 | 213,324 |
| Total | $252,705 | $228,885 |

The remaining weighted average useful lives of patents, customer relationships and intellectual property were 9 years, 16 years and 15 years respectively. Amortization expense for intangible assets was $22.5 million, $17.7 million, and $15.3 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Amortization expense for the five succeeding years is as follows (in thousands):

Amortization expense for the five succeedng years is as follows (in thousands):

| | |
|---|---|
| 2015 | $22,183 |
| 2016 | 19,054 |
| 2017 | 17,649 |
| 2018 | 16,670 |
| 2019 | 16,228 |

## 8. LONG-TERM DEBT

Long-term debt consisted of the following:

| | December 31, | |
|---|---|---|
| In thousands | 2014 | 2013 |
| 4.375% Senior Notes, due 2023 | $250,000 | $250,000 |
| Revolving Credit Facility | 270,000 | 200,000 |
| Capital Leases | 1,195 | 709 |
| Total | 521,195 | 450,709 |
| Less - current portion | 792 | 421 |
| Long-term portion | $520,403 | $450,288 |

2013 Refinancing Credit Agreement

On December 19, 2013, the Company amended its existing revolving credit facility with a consortium of commercial banks. This “2013 Refinancing Credit Agreement” provides the company with a $800 million, five-year revolving credit facility. The Company incurred approximately $1.0 million of deferred financing cost related to the 2013 Refinancing Credit Agreement. The facility expires on December 19, 2018. The 2013 Refinancing Credit Agreement borrowings bear variable interest rates indexed as described below. At December 31, 2014, the Company had available bank borrowing capacity, net of $29.1 million of letters of credit, of approximately $500.9 million, subject to certain financial covenant restrictions.

Under the 2013 Refinancing Credit Agreement, the Company may elect a Base Rate of interest for U.S. Dollar denominated loans or, for certain currencies, an interest rate based on the London Interbank Offered Rate (“LIBOR”) of interest, or other rates appropriate for such currencies (in any case, “the Alternate Rate”). The Base Rate adjusts on a daily basis and is the greater of the Federal Funds Effective Rate plus 0.5% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points, plus a margin that ranges from 0 to 75 basis points. The Alternate Rate is based on the quoted rates specific to the applicable currency, plus a margin that ranges from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins are dependent on the Company's consolidated total indebtedness to cash flow ratios. The initial Base Rate margin is 0 basis points and the Alternate Rate margin is 100 basis points.

At December 31, 2014 the weighted average interest rate on the Company's variable rate debt was 1.75%. On January 12, 2012, the Company entered into a forward starting interest rate swap agreement with a notional value of $150 million. The effective date of the interest rate swap agreement is July 31, 2013, and the termination date is November 7, 2016. The impact of the interest rate swap agreement converts a portion of the Company's outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value will be fixed at 1.415% plus the Alternate Rate margin. On June 5, 2014, the Company entered into a forward starting interest rate swap agreement with a notional value of $150.0 million. The effective date of the interest rate swap agreement is November 7, 2016, and the termination date is December 19, 2018. The impact of the interest rate swap agreement converts a portion of the Company's outstanding debt from a variable rate to a fixed-rate borrowing. During the term of the interest rate swap agreement the interest rate on the notional value will be fixed at 2.56% plus the Alternate Rate margin. As for these agreements, the Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions with an excellent credit rating and history of performance. The Company currently believes the risk of nonperformance is negligible.

The 2013 Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2013 Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations, sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; and imposes a minimum interest expense coverage ratio of 3.0 and a maximum debt to cash flow ratio of 3.25. The Company does not expect that these measurements will limit the Company in executing our operating activities. See Note 8 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

2011 Refinancing Credit Agreement

On November 7, 2011, the Company refinanced its existing revolving credit and term loan facility with a consortium of commercial banks. This "2011 Refinancing Credit Agreement" provided the company with a $600 million, five-year revolving credit facility. The Company incurred approximately $1.9 million of deferred financing cost related to the 2011 Refinancing Credit Agreement. The facility was set to expire on November 7, 2016.

Under the 2011 Refinancing Credit Agreement, the Company may have elected a Base Rate of interest or an interest rate based on the London Interbank Offered Rate ("LIBOR") of interest ("the Alternate Rate"). The Base Rate adjusted on a daily basis and was the greater of the Federal Funds Effective Rate plus 0.5% per annum, the PNC, N.A. prime rate or the Daily LIBOR Rate plus 100 basis points plus a margin that ranged from 0 to 75 basis points. The Alternate Rate was based on quoted LIBOR rates plus a margin that ranged from 75 to 175 basis points. Both the Base Rate and Alternate Rate margins were dependent on the Company's consolidated total indebtedness to cash flow ratios. The current Base Rate margin was 0 basis points and the Alternate Rate margin was 100 basis points.

4.375% Senior Notes Due August 2023

In August 2013, the Company issued $250.0 million of Senior Notes due in 2023 ("the 2013 Notes"). Interest on the 2013 Notes accrues at a rate of 4.375% per annum and is payable semi-annually on February 15 and August 15 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity. The Company incurred $2.6 million of deferred financing costs related to the issuance.

The 2013 Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all existing and future subordinated indebtedness of the Company. The indenture under which the 2013 Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The Company is in compliance with the restrictions and covenants in the indenture under which the 2013 Notes were issued and expects that these restrictions and covenants will not be any type of limiting factor in executing our operating activities.

6.875% Senior Notes Due August 2013

In August 2003, the Company issued $150.0 million of Senior Notes due in 2013 ("the 2003 Notes"). The 2003 Notes were issued at par. Interest on the 2003 Notes accrued at a rate of 6.875% per annum and was payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement and for general corporate purposes. The Company paid off the 2003 Notes, which matured on July 31, 2013 utilizing available capacity under the 2011 Refinancing Credit Agreement.

Debt and Capital Leases

Scheduled principal repayments of debt and capital lease balances as of December 31, 2014 are as follows:

| | |
|---|---|
| 2015 | $825 |
| 2016 | 141 |
| 2017 | 116 |
| 2018 | 270,068 |
| 2019 | 29 |
| Future years | 250,016 |
| Total | $521,195 |

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9.EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans

The Company sponsors defined benefit pension plans that cover certain U.S., Canadian, German, and United Kingdom employees and which provide benefits of stated amounts for each year of service of the employee. The Company uses a December 31 measurement date for the plans.

The following tables provide information regarding the Company's defined benefit pension plans summarized by U.S. and international components.

Obligations and Funded Status

| | U.S. | | International | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| Change in projected benefit obligation | | | | |
| Obligation at beginning of year | $(47,090) | $(52,226) | $(170,931) | $(163,507) |
| Service cost | (334) | (432) | (2,138) | (2,035) |
| Interest cost | (2,070) | (1,960) | (8,102) | (6,661) |
| Employee contributions | - | - | (385) | (442) |
| Plan curtailments and amendments | - | - | 473 | 34 |
| Benefits paid | 5,083 | 3,586 | 7,616 | 6,554 |
| Expenses and premiums paid | - | - | - | 360 |
| Acquisition | - | - | (39,381) | - |
| Actuarial (loss) gain | (5,743) | 3,942 | (23,335) | (7,860) |
| Effect of currency rate changes | - | - | 16,958 | 2,626 |
| Obligation at end of year | $(50,154) | $(47,090) | $(219,225) | $(170,931) |
| | | | | |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | $42,980 | $42,403 | $156,705 | $144,089 |
| Actual return on plan assets | 3,606 | 4,163 | 17,363 | 17,273 |
| Employer contributions | - | - | 6,036 | 4,810 |
| Employee contributions | - | - | 385 | 442 |
| Benefits paid | (5,083) | (3,586) | (7,616) | (6,554) |
| Expenses and premiums paid | - | - | - | (360) |
| Acquisition | - | - | 23,444 | - |
| Effect of currency rate changes | - | - | (14,063) | (2,995) |
| Fair value of plan assets at end of year | $41,503 | $42,980 | $182,254 | $156,705 |
| | | | | |
| Funded status | | | | |
| Fair value of plan assets | $41,503 | $42,980 | $182,254 | $156,705 |
| Benefit obligations | (50,154) | (47,090) | (219,225) | (170,931) |

| | | | | |
|---|---|---|---|---|
| Funded status | $(8,651 ) | $(4,110 ) | $(36,971 ) | $(14,226 ) |
| | | | | |
| Amounts recognized in the statement of financial position consist of: | | | | |
| Noncurrent assets | $- | $- | $2,424 | $3,554 |
| Current liabilities | | | (398 ) | (44 ) |
| Noncurrent liabilities | (8,651 ) | (4,110 ) | (38,997 ) | (17,736 ) |
| Net amount recognized | $(8,651 ) | $(4,110 ) | $(36,971 ) | $(14,226 ) |
| | | | | |
| Amounts recognized in accumulated other comprehensive income (loss) consist of: | | | | |
| Noncurrent assets | $- | $- | $(449 ) | $(647 ) |
| Current liabilities | (13 ) | (36 ) | (157 ) | (223 ) |
| Noncurrent liabilities | (24,665) | (22,249) | (49,180 ) | (40,359 ) |
| Net amount recognized | $(24,678) | $(22,285) | $(49,786 ) | $(41,229 ) |

The aggregate accumulated benefit obligation for the U.S. pension plans was $49.3 million and $46.3 million as of December 31, 2014 and 2013, respectively. The aggregate accumulated benefit obligation for the international pension plans was $138.4 million and $108.2 million as of December 31, 2014 and 2013, respectively.

| In thousands | U.S. 2014 | U.S. 2013 | International 2014 | International 2013 |
|---|---|---|---|---|
| Information for pension plans with accumulated benefit obligations in excess of Plan assets: | | | | |
| Projected benefit obligation | $(50,154) | $(47,090) | $(143,121) | $(117,717) |
| Accumulated benefit obligation | (49,303) | (46,316) | (138,443) | (108,182) |
| Fair value of plan assets | 41,503 | 42,980 | 104,232 | 100,798 |
| Information for pension plans with projected benefit obligations in excess of plan assets: | | | | |
| Projected benefit obligation | $(50,154) | $(47,090) | $(151,920) | $(126,998) |
| Fair value of plan assets | 41,503 | 42,980 | 112,526 | 109,219 |

Components of Net Periodic Benefit Costs

| In thousands | U.S. 2014 | U.S. 2013 | U.S. 2012 | International 2014 | International 2013 | International 2012 |
|---|---|---|---|---|---|---|
| Service cost | $334 | $432 | $379 | $2,138 | $2,035 | $2,006 |
| Interest cost | 2,070 | 1,960 | 2,113 | 8,102 | 6,661 | 7,114 |
| Expected return on plan assets | (2,476) | (2,977) | (3,095) | (9,646) | (8,418) | (8,132) |
| Amortization of initial net obligation and prior service cost | 23 | 62 | 62 | 248 | 270 | 322 |
| Amortization of net loss | 2,197 | 3,180 | 2,968 | 2,768 | 3,107 | 2,412 |
| Settlement and curtailment losses recognized | - | - | - | (390) | 168 | 1,149 |
| Net periodic benefit cost | $2,148 | $2,657 | $2,427 | $3,220 | $3,823 | $4,871 |

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income during 2014 are as follows:

| In thousands | U.S. | International |
|---|---|---|
| Net (loss) gain arising during the year | $(4,613) | $ (15,098) |
| Effect of exchange rates | - | 3,918 |
| Amortization, settlement, or curtailment recognition of net transition obligation | - | 168 |
| Amortization or curtailment recognition of prior service cost | 23 | (313) |
| Amortization or settlement recognition of net loss | 2,197 | 2,768 |
| Total recognized in other comprehensive (loss) income | $(2,393) | $ (8,557) |
| Total recognized in net periodic benefit cost and other comprehensive income (loss) | $(4,541) | $ (11,777) |

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also the net periodic benefit cost for the following year.

| | U.S. | | | International | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Discount rate | 3.95% | 4.70% | 3.90% | 3.48% | 4.43% | 4.30% |
| Expected return on plan assets | 5.70% | 6.20% | 7.50% | 5.79% | 6.07% | 6.09% |
| Rate of compensation increase | 3.00% | 3.00% | 3.00% | 3.10% | 3.59% | 3.10% |

The discount rate is based on settling the pension obligation with high grade, high yield corporate bonds, and the rate of compensation increase is based on actual experience. The expected return on plan assets is based on historical performance as well as expected future rates of return on plan assets considering the current investment portfolio mix and the long-term investment strategy.

As of December 31, 2014 the following table represents the amounts included in other comprehensive loss that are expected to be recognized as components of periodic benefit costs in 2015.

| In thousands | U.S. | International |
|---|---|---|
| Net transition obiligation | $- | $ 159 |
| Prior service cost | 3 | 61 |
| Net actuarial loss | 1,062 | 2,519 |
| | $1,065 | $ 2,739 |

Pension Plan Assets

The Company has established formal investment policies for the assets associated with our pension plans. Objectives include maximizing long-term return at acceptable risk levels and diversifying among asset classes. Asset allocation targets are based on periodic asset liability study results which help determine the appropriate investment strategies. The investment policies permit variances from the targets within certain parameters. The plan assets consist primarily of equity security funds, debt security funds, and temporary cash and cash equivalent investments. The assets held in these funds are generally passively managed and are valued at the net asset value per share multiplied by the number of shares held as of the measurement date. Generally, all plan assets are considered Level 2 based on the fair value valuation hierarchy (See Note 17 “Fair Value Measurement” included herein). Plan assets by asset category at December 31, 2014 and 2013 are as follows:

| | U.S. | | International | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| Pension Plan Assets | | | | |
| Equity security funds | $20,696 | $21,562 | $99,715 | $84,699 |
| Debt security funds and other | 20,034 | 20,749 | 78,510 | 66,238 |
| Cash and cash equivalents | 773 | 669 | 4,029 | 5,768 |
| Fair value of plan assets | $41,503 | $42,980 | $182,254 | $156,705 |

The U.S., Canadian and German pension plans have a target asset allocation of 50% equity securities and 50% debt securities.   The United Kingdom plan has a target asset allocation of 62.5% equity securities and 37.5% debt securities. Investment policies are determined by the respective Plan’s Pension Committee and set forth in its

Investment Policy. Rebalancing of the asset allocation occurs on a quarterly basis.

Cash Flows

The Company's funding methods are based on governmental requirements and differ from those methods used to recognize pension expense. The Company expects to contribute $6.1 million to the international plans and does not expect to make a contribution to the U.S. plans during 2015.

Benefit payments expected to be paid to plan participants are as follows:

| In thousands | U.S. | International |
|---|---|---|
| Year ended December 31, | | |
| 2015 | $3,382 | $ 7,825 |
| 2016 | 3,377 | 7,582 |
| 2017 | 3,457 | 8,028 |
| 2018 | 3,409 | 8,197 |
| 2019 | 3,460 | 8,451 |
| 2020 through 2024 | 16,602 | 45,604 |

Post Retirement Benefit Plans

In addition to providing pension benefits, the Company has provided certain unfunded postretirement health care and life insurance benefits for a portion of North American employees. The Company is not obligated to pay health care and life insurance benefits to individuals who had retired prior to 1990.

The Company uses a December 31 measurement date for all post retirement plans. The following tables provide information regarding the Company's post retirement benefit plans summarized by U.S. and international components.

Obligations and Funded Status

| | U.S. | | International | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| Change in projected benefit obligation | | | | |
| Obligation at beginning of year | $(25,860) | $(33,807) | $ | |