STONEMOR PARTNERS LP
Form 4
August 28, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
HELLMAN ROBERT B JR

(Last) (First) (Middle)

950 TOWER LANE, SUITE 800

(Street)

FOSTER CITY, CA 94404

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
STONEMOR PARTNERS LP [STON]

3. Date of Earliest Transaction (Month/Day/Year)
08/26/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Phantom Units	(1)	08/26/2014	A		195.2362		(2)	(3)	common units	195.2362 (4)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HELLMAN ROBERT B JR 950 TOWER LANE, SUITE 800 FOSTER CITY, CA 94404	X			

Signatures

/s/ Shirley Herman, by Power of Attorney	08/28/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each restricted phantom unit representing limited partner interests is the economic equivalent of one common unit representing limited partner interests. Restricted phantom units become payable, in cash or common units, at the election of the issuer, upon the separation of the reporting person from service as a director or upon the occurrence of certain other events specified in Section 409A of the Internal Revenue Code of 1986, as amended.

(2) See Footnote 1.

(3) See Footnote 1.

(4) The reporting person received these restricted phantom units pursuant to the StoneMor Partners L.P. Long-Term Incentive Plan, as amended, in lieu of payment to the reporting person of $5,000 which represents a portion of his annual director's retainer fee.

(5) Represents restricted phantom units allocated to the reporting person's deferred compensation account, including distribution equivalent rights credited to such person's deferred compensation account in the form of phantom units and accrued on all phantom units allocated or credited to such account.

Remarks:

The filing of this Statement shall not be construed as an admission (a) that the person filing this Statement is, for the purposes

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Total Current Assets

137,205 193,231 216,755 547,191

Net Property, Plant and Equipment

2,588 100,676 75,045 178,309

Goodwill

7,980 100,615 64,656 173,251

Investment in Subsidiaries

993,453 151,861 59,906 (1,205,220)

Intangibles

2,146 27,760 14,588 44,494

Other Long Term Assets

11,444 4,532 13,621 29,597

Total Assets

$1,154,816 $ 578,675 $444,571 $(1,205,220) $972,842

Current Liabilities

$5,166 $166,399 $72,226 $ $243,791

Intercompany

466,466 (493,650) 27,184

Long-Term Debt

150,000 150,000

Other Long Term Liabilities

63,295 15,575 30,292 109,162

Total Liabilities

684,927 (311,676) 129,702 502,953

Stockholders Equity

469,889 890,351 314,869 (1,205,220) 469,889

Total Liabilities and Stockholders Equity

$1,154,816 $578,675 $444,571 $(1,205,220) $972,842

Income Statement for the Three Months Ended September 30, 2007:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination(1)	Consolidated
Net Sales	$	$ 265,255	$ 115,821	$ (26,242)	$ 354,834
Cost of Sales	1,561	(182,326)	(95,619)	17,267	(259,117)
Gross Profit (Loss)	1,561	82,929	20,202	(8,975)	95,717
Operating Expenses	(11,431)	(26,501)	(12,141)		(50,073)
Operating (Loss) Profit	(9,870)	56,428	8,061	(8,975)	45,644
Interest (Expense) Income	(4,884)	2,776	819		(1,289)
Other (Expense) Income	(346)	1,091	(1,672)		(927)
Equity Earnings	51,240	6,727		(57,967)	
Income (Loss) From Continuing Operations Before Income Tax	36,140	67,022	7,208	(66,942)	43,428
Income Tax Expense	(9,538)	(3,342)	(3,788)		(16,668)
Income (Loss) From Continuing Operations	26,602	63,680	3,420	(66,942)	26,760
Income (loss) from discontinued operations (net of tax)	640	(215)	57		482
Net Income (Loss)	$ 27,242	$ 63,465	$ 3,477	$ (66,942)	$ 27,242

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.

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WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)

Income Statement for the Three Months Ended September 30, 2006:

In thousands	**Parent**	**Guarantors**	**Non-Guarantors**	**Elimination(1)**	**Consolidated**
Net Sales	$	$ 211,359	$ 81,591	$ (24,061)	$ 268,889
Cost of Sales	737	(158,348)	(64,365)	19,285	(202,691)
Gross Profit (Loss)	737	53,011	17,226	(4,776)	66,198
Operating Expenses	(9,618)	(22,506)	(8,592)		(40,716)
Operating (Loss) Profit	(8,881)	30,505	8,634	(4,776)	25,482
Interest (Expense) Income	(3,823)	3,429	590		196
Other (Expense) Income	(645)	1,108	(609)		(146)
Equity Earnings	32,675	3,664		(36,339)	
Income (Loss) From Continuing Operations Before Income Tax	19,326	38,706	8,615	(41,115)	25,532
Income Tax Expense	(1,641)	(3,272)	(2,878)		(7,791)
Income (Loss) From Continuing Operations	17,685	35,434	5,737	(41,115)	17,741
Discontinued Operations	(314)		(56)		(370)
Net Income (Loss)	$ 17,371	$ 35,434	$ 5,681	$ (41,115)	$ 17,371

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.
Income Statement for the Nine Months Ended September 30, 2007:

In thousands	**Parent**	**Guarantors**	**Non-Guarantors**	**Elimination(1)**	**Consolidated**
Net Sales	$	$ 752,997	$ 329,395	$ (87,572)	$ 994,820
Cost of Sales	1,978	(508,850)	(274,356)	59,541	(721,687)
Gross Profit (Loss)	1,978	244,147	55,039	(28,031)	273,133
Operating Expenses	(34,698)	(71,658)	(33,247)		(139,603)
Operating (Loss) Profit	(32,720)	172,489	21,792	(28,031)	133,530
Interest (Expense) Income	(13,004)	8,276	2,265		(2,463)
Other (Expense) Income	(1,242)	2,425	(4,556)		(3,373)
Equity Earnings	154,679	15,670		(170,349)	
Income (Loss) From Continuing Operations Before Income Tax	107,713	198,860	19,501	(198,380)	127,694

Income Tax Expense	(27,489)	(11,028)	(8,738)		(47,255)
Income (Loss) from Continuing Operations	80,224	187,832	10,763	(198,380)	80,439
Discontinued Operations	670	(215)			455
Net Income (Loss)	$ 80,894	$ 187,617	$ 10,763	$ (198,380)	$ 80,894

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.

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WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)

Income Statement for the Nine Months Ended September 30, 2006:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination(1)	Consolidated
Net Sales	$	$ 621,549	$ 263,076	$ (91,425)	$ 793,200
Cost of Sales	1,275	(439,388)	(209,899)	73,092	(574,920)
Gross Profit (Loss)	1,275	182,161	53,177	(18,333)	218,280
Operating Expenses	(35,489)	(63,847)	(25,777)		(125,113)
Operating (Loss) Profit	(34,214)	118,314	27,400	(18,333)	93,167
Interest (Expense) Income	(12,490)	9,551	1,591		(1,348)
Other (Expense) Income	(1,024)	2,230	(2,514)		(1,308)
Equity Earnings	116,243	7,402		(123,645)	
Income (Loss) From Continuing Operations Before Income Tax	68,515	137,497	26,477	(141,978)	90,511
Income Tax Expense	(9,915)	(11,284)	(9,721)		(30,920)
Income (Loss) From Continuing Operations	58,600	126,213	16,756	(141,978)	59,591
Discontinued Operations	(38)		(991)		(1,029)
Net Income (Loss)	$ 58,562	$ 126,213	$ 15,765	$ (141,978)	$ 58,562

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.

Condensed Statement of Cash Flows for the Nine Months Ended September 30, 2007:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Cash Provided by (Used in) Operating Activities	$ 4,720	$ 196,764	$ 41,432	$ (198,380)	$ 44,536
Net Cash (Used in) Provided by Investing Activities	(74,155)	(7,406)	(4,413)		(85,974)
Net Cash Provided by (Used in) Financing Activities	977	(187,617)	(10,763)	198,380	977
Effect of Changes in Currency Exchange Rates			10,508		10,508
(Decrease) Increase in Cash	(68,458)	1,741	36,764		(29,953)
Cash at Beginning of Period	106,233	(231)	81,977		187,979
Cash at End of Period	$ 37,775	$ 1,510	$ 118,741	$	$ 158,026

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WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)

Condensed Statement of Cash Flows for the Nine Months Ended September 30, 2006:

In thousands	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net Cash Provided by (Used in) Operating Activities	$ 76,656	$ 132,227	$ 43,003	$ (141,978)	$ 109,908
Net Cash (Used in) Provided by Investing Activities	(524)	(8,539)	(750)		(9,813)
Net Cash Provided by (Used in) Financing Activities	2,989	(126,213)	(15,765)	141,978	2,989
Effect of Changes in Currency Exchange Rates			3,136		3,136
Increase (Decrease) in Cash	79,121	(2,525)	29,624		106,220
Cash at Beginning of Period	87,899	(2,758)	56,224		141,365
Cash at End of Period	$ 167,020	$ (5,283)	$ 85,848	$	$ 247,585

16. OTHER EXPENSE, NET

The components of other expense, net are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands	2007	2006	2007	2006
Foreign currency loss	$ 519	$ 124	$ 2,614	$ 1,054
Other miscellaneous expense	408	22	759	254
Total other expense	$ 927	$ 146	$ 3,373	$ 1,308

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and Westinghouse Air Brake Technologies Corporation s Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in its 2006 Annual Report on Form 10-K, filed March 1, 2007.

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 11 countries. In the first nine months of 2007, about 38% of the Company s revenues came from outside the U.S.

Management Review and Future Outlook

Wabtec s long-term financial goals are to generate free cash flow 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 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 monitors the Company s short-term operational performance through measures such as quality and on-time delivery.

Demand for new freight cars has slowed in 2007. Deliveries of new freight cars were 48,323 and 57,016 for the first nine months of 2007 and 2006, respectively. Orders of new freight cars were 30,868 and 75,647 for the first nine months of 2007 and 2006, respectively. The backlog of cars ordered, however, remains at a relatively high level of 67,000 units.

The Company has been able to offset the slowing freight car market with other growth initiatives in the freight and transit markets. Following are quarterly freight car statistics for the past three years:

	Orders	Deliveries	Backlog
First quarter 2005	17,563	15,781	59,416
Second quarter 2005	19,132	17,914	60,544
Third quarter 2005	17,439	16,987	60,986
Fourth quarter 2005	26,569	17,975	69,408
	80,703	68,657	
First quarter 2006	35,991	18,542	86,857
Second quarter 2006	18,190	19,466	85,692
Third quarter 2006	21,466	19,008	88,116
Fourth quarter 2006	15,819	17,927	85,826
	91,466	74,943	
First quarter 2007	11,152	17,148	79,038
Second quarter 2007	11,595	16,143	73,911
Third quarter 2007	8,121	15,032	67,000

Source: Railway Supply Institute

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Carloadings and Intermodal Units Originated remained fairly constant over the past three years reflecting strong rail traffic and opportunities for maintenance and aftermarket sales for the Company. Compared to a record year in 2006, carloadings decreased and intermodal units stayed about the same in the third quarter of 2007:

Carloadings Originated (in thousands):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2005	4,403	4,366	4,309	4,135	17,213
2006	4,338	4,453	4,345	4,244	17,380
2007	4,126	4,306	4,276	n/a	n/a

Intermodal Units Originated (in thousands):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2005	2,781	2,885	2,992	3,036	11,694
2006	2,937	3,093	3,173	3,079	12,282
2007	2,939	3,013	3,073	n/a	n/a

Source: Association of American Railroads Weekly Rail Traffic

Deliveries of transit cars were 738 and 918 for the years ended December 31, 2006 and 2005, respectively. Deliveries of locomotives were 1,244 and 1,106 for the years ended December 31, 2006 and 2005, respectively.

In the future, we will continue to face many challenges, including increased costs for raw materials, higher costs for medical and insurance premiums, and foreign currency fluctuations. In addition, we face general economic risks, as well as the risk that our customers could curtail spending on new and existing equipment. Risks associated with our four-point growth strategy include 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.

On July 19, 2006, the Board of Directors approved a restructuring plan to improve the profitability and efficiency of certain business units. As part of the plan, Wabtec downsized two of its Canadian plants, in Stoney Creek and Wallaceburg, by moving certain products to lower-cost facilities and outsourcing. For the three months ended September 30, 2007, Wabtec recorded a curtailment gain of $361,000, and for the nine months ended September 30, 2007, Wabtec recorded charges of $3.6 million. In the third quarter of 2006, Wabtec recorded charges of $6.8 million. Total charges for restructuring and other expenses recorded to date as a result of the approval of this plan has been $10.4 million. These expenses were comprised of the following components: $2.9 million for employee severance costs associated with approximately 330 salaried and hourly employees located at our Wallaceburg and Stoney Creek locations; $4.1 million of pension and postretirement benefit curtailment for those employees; $2.9 million related to asset impairments for structures, machinery, and equipment; and $541,000 for goodwill impairment specific to the Wallaceburg facility. Severance costs are contractual liabilities and payment is dependent on the waiver by or expiration of certain seniority rights of those employees. As of September 30, 2007, $931,000 of this amount had been paid.

Additional severance, pension, and asset impairment charges of $1.1 million were recorded in the first quarter of 2007 related to other Canadian operations. As of September 30, 2007, none of these expenses have been paid.

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RESULTS OF OPERATIONS

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

In millions	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Net sales	$ 354.8	$ 268.9	$ 994.8	$ 793.2
Cost of sales	(259.1)	(202.7)	(721.7)	(574.9)
Gross profit	95.7	66.2	273.1	218.3
Selling, general and administrative expenses	(39.7)	(31.3)	(109.5)	(97.8)
Engineering expenses	(9.2)	(8.1)	(27.1)	(24.2)
Amortization expense	(1.2)	(1.3)	(3.0)	(3.1)
Total operating expenses	(50.1)	(40.7)	(139.6)	(125.1)
Income from operations	45.6	25.5	133.5	93.2
Interest income (expense), net	(1.3)	0.1	(2.4)	(1.4)
Other expense, net	(0.9)	(0.1)	(3.4)	(1.3)
Income from continuing operations before income taxes	43.4	25.5	127.7	90.5
Income tax expense	(16.6)	(7.8)	(47.3)	(30.9)
Income from continuing operations	26.8	17.7	80.4	59.6
Discontinued operations	0.4	(0.3)	0.5	(1.0)
Net income	$ 27.2	$ 17.4	$ 80.9	$ 58.6

THIRD QUARTER 2007 COMPARED TO THIRD QUARTER 2006

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

In thousands	Three months ended September 30, 2007	2006	Percent Change
Net sales	$ 354,834	$ 268,889	32.0%
Income from operations	45,644	25,482	79.1%
Net income	27,242	17,371	56.8%

Net sales increased by $85.9 million to $354.8 million from $268.9 million for the three months ended September 30, 2007 and 2006, respectively. The increase is primarily due to internal growth from increased sales from contracts to build locomotives of about $19.4 million, sales for refurbishing transit cars of $11.1 million, sales from heat exchangers in the power generation market of $9.8 million, and contracts related to transit authorities of $8.1 million. Acquisitions completed in the fourth quarter of 2006 and second quarter of 2007 increased sales by $35.5 million. Offsetting those increases were decreases of $4.7 million related to a 2006 international train control contract and $1.3 million in our Freight segment primarily related to lower industry deliveries of freight cars. The Company did realize a net sales improvement of about $5.4 million due to foreign exchange but net earnings are mostly not impacted. Net income for the three months ended September 30, 2007 was $27.2 million or $0.55 per diluted share. Net income for the three months ended September 30, 2006 was $17.4 million or $0.35 per diluted share. Net income improved primarily due to sales increases and consistent operating costs.

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Net sales by Segment The following table shows the Company s net sales by business segment:

In thousands	Three months ended September 30, 2007	2006
Freight Group	$ 182,698	$ 173,874
Transit Group	172,136	95,015
Net sales	$ 354,834	$ 268,889

Sales increased in the Freight Group from $173.9 million to $182.7 million. This increase of $8.8 million or 5.1% is due to increased sales from heat exchangers in the power generation market of $9.8 million, and sales of $5.9 million from an acquisition completed in the fourth quarter of 2006. Offsetting these increases were decreases of $4.7 million related to a 2006 international train control contract and $1.3 million primarily related to lower industry deliveries of freight cars. Transit Group sales increased from $95.0 million to $172.1 million or 81.2% due to increased commuter locomotive sales of $19.0 million, increased sales of $11.1 million related to refurbishment of transit cars, contracts related to transit authorities of $8.1 million, and sales of $29.6 million from acquisitions completed in the fourth quarter of 2006 and second quarter of 2007.

Gross profit Gross profit increased to $95.7 million in the third quarter of 2007 compared to $66.2 million in the same period of 2006. Gross profit is dependent on a number of factors including pricing, sales volume and product mix. In the third quarter of 2007, gross profit, as a percentage of sales, was 27.0% compared to 24.6% in 2006. In the third quarter of 2006, restructuring plan expenses of $6.3 million were recorded in cost of sales. 2006 gross profit, as a percentage of sales, excluding these charges, would have been 28.3%. This adjusted decrease is due to the changing mix of revenues from Freight to Transit, as Transit OEM contracts typically realize a lower gross margin. Ongoing improvements and cost savings are being realized from sourcing raw materials from lower cost suppliers, reduced labor costs, and continuing improvements in our manufacturing processes.

The provision for warranty expense was $828,000 lower for the third quarter of 2007 compared to the same period of 2006, which had a positive impact on gross profit. The most significant reason for the decrease is due to specific reserves related to certain transit door components of $1.4 million that were recognized during the third quarter 2006. The warranty reserve increased at September 30, 2007 compared to September 30, 2006 by $615,000 due to $1.9 million from acquisitions completed in the fourth quarter of 2006 and the second quarter of 2007 offset by $1.3 million in claims in excess of provisions recognized.

Operating expenses The following table shows our operating expenses:

In thousands	Three months ended September 30, 2007	2006	Percent Change
Selling, general and administrative expenses	$ 39,679	$ 31,294	26.8%
Engineering expenses	9,237	8,068	14.5%
Amortization expense	1,157	1,354	-14.5%
Total operating expenses	$ 50,073	$ 40,716	23.0%

Operating expenses increased $9.4 million in the third quarter of 2007 compared to the same period of 2006 mostly because of the acquisitions that were completed in the fourth quarter of 2006 and second quarter of 2007. These expenses were 14.1% and 15.1% of sales for the quarters ended September 30, 2007 and 2006, respectively. In addition, during the third quarter of 2007, the Company recorded a provision of $1.9 million for the pending settlement with Bombardier (see Note 13 of Notes to Condensed Consolidated Financial Statements).

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Income from operations Income from operations totaled $45.6 million (or 12.9% of sales) in the third quarter of 2007 compared with $25.5 million (or 9.5% of sales) in the same period of 2006. Income from operations improved primarily due to sales increases, restructuring charges recorded in the third quarter of 2006, and lower operating costs as a percentage of sales.

Interest expense, net Interest expense, net increased $1.5 million in the third quarter of 2007 compared to the same period of 2006 primarily due to the Company s overall lower cash balances, resulting in lower interest income.

Other expense, net The Company recorded foreign exchange expense of $519,000 and $124,000 in the third quarter of 2007 and 2006, respectively, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts and charged or credited to earnings.

Income taxes The effective income tax rate was 38.4% and 30.5% for the third quarter of 2007 and 2006, respectively. The increase in effective tax rate is primarily the result of a tax benefit of approximately $1.4 million that was recognized during the third quarter of 2006. This tax benefit related to the release of tax contingency reserves as the result of the closure of open tax years as well as settlements reached with taxing authorities. In addition, the 2007 effective tax rate is higher due to the Company s adoption of FIN48.

Net income Net income for the third quarter of 2007 increased $9.9 million, compared with the same period of 2006. Net income improved primarily due to sales increases and consistent operating costs.

FIRST NINE MONTHS OF 2007 COMPARED TO FIRST NINE MONTHS OF 2006

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

	Nine months ended September 30,		
In thousands	**2007**	**2006**	**Percent Change**
Net sales	$ 994,820	$ 793,200	25.4%
Income from operations	133,530	93,167	43.3%
Net income	80,894	58,562	38.1%

Net sales increased by $201.6 million to $994.8 million from $793.2 million for the nine months ended September 30, 2007 and 2006, respectively. The increase is primarily due to internal growth from increased sales from contracts to build locomotives of about $53.6 million, sales for refurbishing transit cars of $27.8 million, sales from heat exchangers in the power generation market of $29.6 million, contracts related to transit authorities of $13.8 million, and sales of $75.8 million from acquisitions completed in the fourth quarter of 2006 and second quarter of 2007. Offsetting those increases was a decrease of $21.1 million in our Freight segment primarily related to lower industry deliveries of freight cars. The Company did realize a net sales improvement of about $15.8 million due to foreign exchange but net earnings are mostly not impacted. Net income for the nine months ended September 30, 2007 was $80.9 million or $1.65 per diluted share. Net income for the nine months ended September 30, 2006 was $58.6 million or $1.20 per diluted share. Net income improved primarily due to sales increases and consistent operating costs.

Net sales by Segment The following table shows the Company s net sales by business segment:

	Nine months ended September 30,	
In thousands	**2007**	**2006**
Freight Group	$ 548,351	$ 534,859
Transit Group	446,469	258,341
Net sales	$ 994,820	$ 793,200

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Sales increased in the Freight Group from $534.9 million to $548.4 million. This increase of $13.5 million or 2.5% is due to increased sales from heat exchangers in the power generation market of $29.6 million, and sales of $19.7 million from an acquisition completed in the fourth quarter of 2006. Offsetting these increases were decreases of $13.0 million in locomotive component, repair and refurbishment services, and decreases of $21.1 million primarily related to lower industry deliveries of freight cars. Transit Group sales increased by $188.1 million or 72.8% due to increased commuter locomotive sales of $66.6 million, increased sales of $27.8 million related to refurbishment of transit cars, contracts related to transit authorities of $13.8 million, and sales of $56.1 million from acquisitions completed in the fourth quarter of 2006 and second quarter of 2007.

Gross profit Gross profit increased to $273.1 million for the first nine months of 2007 compared to $218.3 million in the same period of 2006. Gross profit is dependent on a number of factors including pricing, sales volume and product mix. For the first nine months of 2007, gross profit, as a percentage of sales, was 27.5% compared to 27.5% in 2006. The percentage is flat as the decrease due to the changing mix of revenues from Freight to Transit is being offset by ongoing improvements and cost savings. During 2007, restructuring plan expenses of $4.7 million were recorded in cost of sales. 2007 gross profit, as a percentage of sales, excluding these charges, would have been 27.0%. In the third quarter of 2006, restructuring plan expenses of $6.3 million were recorded in cost of sales. 2006 gross profit, as a percentage of sales, excluding these charges, would have been 26.7%.

The provision for warranty expense was $875,000 less for the first nine months of 2007 compared to the same period of 2006. The most significant reason for the decrease is due to specific reserves related to certain transit door components of $1.4 million that were recognized during the third quarter 2006. The warranty reserve increased at September 30, 2007 compared to September 30, 2006 by $615,000 due to $1.9 million from acquisitions completed in the fourth quarter of 2006 and the second quarter of 2007 offset by $1.3 million in claims in excess of provisions recognized.

Operating expenses The following table shows our operating expenses:

	Nine months ended September 30,		
			Percent
In thousands	**2007**	**2006**	**Change**
Selling, general and administrative expenses	$ 109,539	$ 97,842	12.0%
Engineering expenses	27,079	24,206	11.9%
Amortization expense	2,985	3,065	-2.6%
Total operating expenses	$ 139,603	$ 125,113	11.6%

Operating expenses increased $14.5 million for the first nine months of 2007 compared to the same period of 2006 mostly because of the acquisitions that were completed during the fourth quarter of 2006 and second quarter of 2007. These expenses were 14.0% and 15.8% of sales for the nine months ended September 30, 2007 and 2006, respectively. In addition, during 2007, the Company recorded a provision of $4.4 million for the pending settlement with Bombardier (see Note 13 of Notes to Condensed Consolidated Financial Statements).

Income from operations Income from operations totaled $133.5 million (or 13.4% of sales) for the first nine months of 2007 compared with $93.2 million (or 11.7% of sales) in the same period of 2006. Income from operations improved primarily due to sales increases and consistent operating costs.

Interest expense, net Interest expense, net increased $1.0 million for the first nine months of 2007 compared to the same period of 2006 primarily due to the Company s overall lower cash balances, resulting in lower interest income.

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Other expense, net The Company recorded foreign exchange expense of $2.6 million and $1.1 million respectively, during the first nine months of 2007 and 2006, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts and charged or credited to earnings.

Income taxes The effective income tax rate was 37.0% and 34.2% for the first nine months of 2007 and 2006, respectively. The increase in effective tax rate is primarily the result of the Company s adoption of FIN48. Approximately $1.3 million of a tax benefit was recognized during the second quarter of 2007 related to the reversal of a state deferred tax valuation allowance. During the third quarter of 2006, approximately $1.4 million of tax benefit was recognized related to the release of tax contingency reserves as the result of the closure of open tax years as well as settlements reached with taxing authorities.

Net income Net income for the first nine months of 2007 increased $22.3 million, compared with the same period of 2006. Net income improved primarily due to sales increases and consistent operating costs.

Liquidity and Capital Resources

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

	Nine months ended September 30,	
In thousands	**2007**	**2006**
Cash provided (used) by:		
Operating activities	$ 44,536	$ 109,908
Investing activities	(85,974)	(9,813)
Financing activities	977	2,989
Net Change in Cash	$ (29,953)	$ 106,220

Operating activities Cash provided by operations in the first nine months of 2007 was $44.5 million as compared to $109.9 million in the same period of 2006. This $65.4 million decrease was the result of increased earnings offset by certain changes in operating assets and liabilities. Net income for the Company increased $22.3 million primarily as a result of increased sales and consistent operating costs. Cash provided by (used by) accounts receivable decreased operating cash flows by $77.4 million due to large customer receivables collected for certain locomotive contracts in 2006. Accounts payable and accrued liabilities used cash of $11.9 million as the result of applying customer deposits against customer contract revenue in 2007. Other assets and liabilities used cash of $1.6 million.

Investing activities In the first nine months of 2007 and 2006, cash used in investing activities was $86.0 million and $9.8 million, respectively. On June 11, 2007, Wabtec acquired Ricon Corporation, a manufacturer of wheelchair lifts and ramps, for $73.5 million. Capital expenditures were $12.9 million and $13.5 million in the first nine months of 2007 and 2006, respectively. In 2006, the Company sold a non-core division for $3.0 million.

Financing activities In the first nine months of 2007 and 2006, cash provided by financing activities was $977,000 and $3.0 million, respectively. The cash provided in 2007 included $7.3 million of proceeds from the exercise of stock options and other benefit plans, offset by $1.5 million of dividend payments and $4.8 million for the repurchase of 131,200 shares of stock. The cash provided in 2006 included $18.0 million of proceeds from the exercise of stock options and other benefit plans, offset by $1.5 million of dividend payments and $13.5 million for the repurchase of 502,400 shares of stock.

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The following table shows our outstanding indebtedness at September 30, 2007 and December 31, 2006. The other term loan interest rates are variable and dependent on market conditions.

In thousands	September 30, 2007	December 31, 2006
6.875% Senior Notes due 2013	$ 150,000	$ 150,000
Total	$ 150,000	$ 150,000
Less-current portion		
Long-term portion	$ 150,000	$ 150,000

Cash balances at September 30, 2007 and December 31, 2006 were $158.0 million and $188.0 million, respectively.

Refinancing Credit Agreement

In January 2004, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This Refinancing Credit Agreement provided a $175 million five-year revolving credit facility expiring in January 2009. In November 2005, the Company entered into an amendment to the Refinancing Credit Agreement which, among other things, extended the expiration of the agreement until December 2010. The Company entered into an amendment to its Refinancing Credit Agreement in February 2007 which permits the Company to complete any acquisitions without prior approval of the bank consortium as long as certain financial parameters and ratios are met. At September 30, 2007, the Company had available bank borrowing capacity, net of $23.0 million of letters of credit, of approximately $152.0 million, subject to certain financial covenant restrictions.

Refinancing Credit Agreement borrowings bear variable interest rates indexed to the indices described below. The Company did not borrow under the Refinancing Credit Agreement during the nine months ended September 30, 2007 or during the year ended December 31, 2006.

Under the Refinancing Credit Agreement, the Company may elect a base interest rate or an interest rate based on the London Interbank Offered Rates of Interest (LIBOR). The base interest rate is the greater of LaSalle Bank National Association s prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is based on LIBOR plus a margin that ranges from 62.5 to 175 basis points depending on the Company s consolidated total indebtedness to cash flow ratios. The current margin is 62.5 basis points.

The 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 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 Refinancing Credit Agreement contains customary events of default, including payment defaults, failure of representations or warranties to be true in any material respect, covenant defaults, defaults with respect to other indebtedness of the Company, bankruptcy, certain judgments against the Company, ERISA defaults and change of control of the Company. The Refinancing Credit Agreement includes the following covenants: a minimum interest coverage ratio of three, maximum debt to cash flow ratio of 3.25 and a minimum net worth of $180 million plus 50% of consolidated net income since September 30, 2003. The Company is in compliance with these measurements and covenants.

6 $^{7}/8$% Senior Notes Due August 2013

In August 2003, the Company issued $150 million of Senior Notes due in 2013 (the Notes). The Notes were issued at par. Interest on the notes accrues at a rate of 6.875% per annum and is payable semi-annually on

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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 believes, based on current levels of operations and forecasted earnings, cash flow and liquidity will be sufficient to fund its working capital and capital equipment needs as well as to meet its debt service requirements. If the Company s sources of funds were to fail to satisfy the Company s cash requirements, the Company may need to refinance its existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place.

On July 31, 2006, the Board of Directors authorized the repurchase of up to $50 million of the Company s outstanding shares. The Company intends to purchase these shares on the open market or in negotiated or block trades. No time limit was set for the completion of the program which qualifies under the Refinancing Credit Agreement, as well as the 6 ^{7}/8% Senior Notes currently outstanding.

No shares were purchased during the first quarter of 2007. During the second quarter 2007, the Company repurchased 92,700 shares of Wabtec stock at an average price of $36.87 per share. During the third quarter 2007, the Company repurchased 38,500 shares of Wabtec stock at an average price of $36.22 per share.

Contractual Obligations and Off-Balance Sheet Arrangements

After the adoption of FIN 48, the Company has recognized a liability of $16.6 million for unrecognized tax benefits. The Company estimates that $2.6 million to $3.6 million of the total unrecognized tax benefits relate to uncertain tax positions in various taxing jurisdictions that may be resolved within the next 12 months. At this time, the Company is unable to make a reasonably reliable estimate of the timing of cash settlement for the remaining balances due to the uncertainty of the timing and outcome of its audits and other factors.

Since December 31, 2006, there have been no other significant changes in the total amount of the Company s contractual obligations or the timing of cash flows in accordance with those obligations, as reported in the Company s Annual Report on Form 10-K for the year ended December 31, 2006.

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 you 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

- materially adverse changes in economic or industry conditions generally or in the markets served by us, including North America, South America, Europe, Australia and Asia;

- 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;

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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; or

fluctuations in interest rates and foreign currency exchange rates;

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;

the development and use of new technology; or

the integration of recently completed or future acquisitions.

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; 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-Q 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 Policies

A summary of critical accounting policies is included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006. In particular, judgment is used in areas such as accounts receivable and the

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allowance for doubtful accounts, inventories, goodwill and indefinite-lived intangibles, warranty reserves, pensions and postretirement benefits, income taxes and revenue recognition. There have been no significant changes in accounting policies since December 31, 2006 except for the adoption on January 1, 2007 of FIN 48 as it relates to the accounting for income taxes. See Note 10 of Notes to Condensed Consolidated Financial Statements included herein for the impact of adoption.

Recent Accounting Pronouncements

See Note 2 of Notes to Condensed Consolidated Financial Statements included elsewhere in this report.

Item 3. 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. There was no outstanding variable-rate debt at September 30, 2007.

Foreign Currency Exchange Risk

The Company has entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. 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 September 30, 2007, the Company had forward contracts for the sale of U.S. Dollars (USD) and the purchase of Canadian Dollars (CAD) with a notional value of $12.0 million CAD (or $10.7 million U.S.), with an average exchange rate of $0.89 USD per $1 CAD. The Company has determined that these foreign currency contracts qualify for cash flow hedge accounting which permits the recording of the fair value of the forward contract and corresponding adjustment to other comprehensive income (loss), net of tax on the balance sheet. The adjustment resulted in the recording of a current asset and an increase in comprehensive income of $823,000, net of tax.

At September 30, 2007, the Company had forward contracts for the sale of USD and the purchase of Euro with a notional value of 2.3 million Euro (or $3.1 million USD), with an average exchange rate of $1.32 USD per 1 Euro. These forward contracts are used to mitigate the variability in cash flows from the payment of liabilities denominated in currencies other than the USD. Since the Company does not treat these derivatives as hedges, the change in fair value of both the forward contracts and the related liabilities are recorded in the income statement. For the three and nine months ended September 30, 2007, the Company recorded a fair value gain in the amount of $154,000 and $251,000, respectively.

We are also 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 nine months of 2007, approximately 62% of Wabtec s net sales were in the United States, 11% in Canada, 2% in Mexico, 3% in Australia, 2% in Germany, 11% in the United Kingdom, and 9% in other international locations.

Item 4. 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 September 30, 2007. 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,

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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 financial officer, as appropriate to allow timely decisions regarding required disclosure.

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 September 30, 2007, that has materially affected, or is reasonably likely to materially affect, Wabtec s internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Except as disclosed in Note 13 of the Company s Notes to Condensed Consolidated Financial Statements for the Quarterly Period Ended September 30, 2007, there have been no other material changes to report regarding the Company s commitments and contingencies as described in Note 18 of the Company s Annual Report on Form 10-K for the Year Ended December 31, 2006.

Item 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our 2006 Annual Report on Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 31, 2006, the Board of Directors authorized the repurchase of up to $50 million of the Company s outstanding shares. The Company intends to purchase these shares on the open market or in negotiated or block trades. No time limit was set for the completion of the program which qualifies under the Refinancing Credit Agreement, as well as the 6 $^{7}/8$% Senior Notes currently outstanding.

During the third quarter 2006, 502,400 shares were repurchased at an average price of $26.90 per share. During the fourth quarter 2006, 171,500 shares were repurchased at an average price of $31.13 per share. No shares were purchased during the first quarter of 2007. During the second quarter 2007, the Company repurchased 92,700 shares of Wabtec stock at an average price of $36.87 per share. During the third quarter 2007, the Company repurchased 38,500 shares of Wabtec stock at an average price of $36.22 per share. All purchases were open market.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased for Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased
July 1, 2007 to July 28, 2007	38,500	$ 36.22	38,500	$ 26,309,778
July 29, 2007 to August 25, 2007				26,309,778
August 26, 2007 to September 29, 2007				26,309,778
Total	38,500	$ 36.22	38,500	$ 26,309,778

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Item 6. EXHIBITS

The following exhibits are being filed with this report:

3.1	Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995.
3.2	Amended and Restated By-Laws of the Company, dated as of January 6, 2006.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTINGHOUSE AIR BRAKE

TECHNOLOGIES CORPORATION

By: /s/ ALVARO GARCIA-TUNON

Alvaro Garcia-Tunon,

Senior Vice President,

Chief Financial Officer and Secretary

DATE: November 9, 2007

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EXHIBIT INDEX

Exhibit Number	Description and Method of Filing
3.1	Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995, filed as an exhibit to the Company s Registration Statement on Form S-1 (No. 33-90866), and incorporated herein by reference.
3.2	Amended and Restated By-Laws of the Company, dated as of January 6, 2006, filed as an exhibit to Form 8-K filed on January 9, 2006, and incorporated herein by reference.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer, filed herewith.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer, filed herewith.
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer, filed herewith.