



U.S. Department of Justice

Criminal Division

February 8, 2008

Eric A. Dubelier, Esq.
Reed Smith LLP
1301 K Street, NW
Suite 1100 - East Tower
Washington, DC 20005-3373

Re: Westinghouse Air Brake Technologies Corporation ("Wabtec")

Dear Mr. Dubelier:

On the understandings specified below, the United States Department of Justice, Criminal Division, Fraud Section ("this Office") will not criminally prosecute Westinghouse Air Brake Technologies Corporation and its subsidiaries and affiliates, including Pioneer Friction Limited (collectively referred to herein as "WABTEC") for any crimes (except for criminal tax violations, as to which this Office cannot and does not make any agreement) related to the making of and agreement to make improper payments, by employees and agents of Pioneer Friction Limited ("Pioneer") to employees and agents of the government of India in connection with Pioneer's efforts to obtain and retain business from the Indian national railway system from 2001 through 2005, and the accounting and record-keeping associated with these improper payments, all as described in Appendix A hereto, which is incorporated by reference herein.

It is understood that WABTEC admits, accepts, and acknowledges responsibility for the conduct of Pioneer set forth in Appendix A and agrees not to make any public statement contradicting Appendix A.

If WABTEC fully complies with the understandings specified in this agreement, including all Appendices hereto (collectively referred to herein as the "Agreement"), no information given by or on behalf of WABTEC at the request of this Office (or any other information directly or indirectly derived therefrom) will be used against WABTEC in any criminal prosecution. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to WABTEC and not to any other entities or any individuals except as set forth herein. WABTEC expressly understands that the protections provided to WABTEC under this Agreement shall not apply to any successor entities, whether the successor's interest arises through a merger or plan of reorganization, unless and until such successor formally adopts and executes this Agreement. The protections arising from this Agreement will not apply to any purchasers of all or substantially all of the assets of WABTEC, unless such purchaser enters into a written agreement, on terms acceptable to this Office, agreeing in substance to undertake all obligations set forth in this Agreement.

This Agreement shall have a term of three (3) years from the date of this Agreement, except as specifically provided in the following paragraph. It is understood that for the three (3) year term of the Agreement, WABTEC shall: (a) commit no additional crimes which would constitute a felony under federal law; (b) truthfully and completely disclose information with respect to the activities of WABTEC, its officers and employees, and others concerning all matters about which this Office inquires of it, which information can be used for any purpose, except as otherwise limited in this Agreement; and (c) bring to this Office's attention all criminal conduct by, or criminal investigations of, WABTEC or any of its senior managerial employees, that comes to the attention of WABTEC or its senior management.

Until the date upon which all investigations and prosecutions arising out of the conduct described in this Agreement are concluded, whether or not they are concluded within the three (3) year term specified in the preceding paragraph, WABTEC shall: (a) cooperate fully with this Office, the Federal Bureau of Investigation, the Securities and Exchange Commission, and any other law enforcement agency designated by this Office, in connection with any investigation related to the matters described in Appendix A; (b) assist this Office in any investigation or prosecution arising out of the conduct described in this Agreement by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (c) use its best efforts to secure the attendance and truthful statements or testimony of any officer, employee or agent at any meeting or interview or before the grand jury or at any trial or other court proceeding; and (d) provide this Office, upon request, all non-privileged information, documents, records, or other tangible evidence regarding corrupt payments in connection with WABTEC's operations, related false books and records and inadequate internal controls about which this Office or any designated law enforcement agency inquires.¹

It is understood that any assistance WABTEC may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators.

WABTEC's obligations under this Agreement shall continue until the date upon which all prosecutions listed in, or arising out of the conduct described in, the opening paragraph of this Agreement are final, and in any case for a minimum of three years.

It is understood that WABTEC agrees to pay a monetary penalty of \$300,000. WABTEC must pay this sum to the United States Treasury within ten (10) days of executing this Agreement. WABTEC acknowledges that no tax deduction may be sought in connection with this \$300,000 monetary penalty.

It is understood that WABTEC will strengthen its compliance, bookkeeping and internal controls standards and procedures, as set forth in Appendix B.

¹ The Department reserves the right to request information, documents, records or other tangible evidence that may be subject to a claim of attorney client and/or attorney work product privilege. Similarly, WABTEC reserves the right to refuse to provide such information, documents, records or other tangible evidence based upon the assertion of a valid claim of privilege.

It is understood that, should this Office determine that WABTEC has committed any crime which would constitute a felony under federal law during the term of this Agreement, has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, WABTEC shall thereafter be subject to prosecution for any federal crime of which this Office has knowledge, including perjury and obstruction of justice. Any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against WABTEC notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the expiration of the term of the Agreement plus one year. Thus, by signing this Agreement, WABTEC agrees that the statute of limitations with respect to any prosecution that is not time-barred on the date of this Agreement shall be tolled for the term of this Agreement plus one year.

It is further understood that, should this Office determine that WABTEC has committed any crime which would constitute a felony under federal law during the term of this Agreement, has given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement: (a) all statements made by WABTEC to this Office or other designated law enforcement agents, including Appendix A hereto, and any testimony given by WABTEC before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads from such statements or testimony, shall be admissible in evidence in any criminal proceeding brought against WABTEC; and (b) WABTEC shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. By this Agreement, WABTEC waives all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state or local prosecuting authority other than this Office. This Office will, however, bring the cooperation of WABTEC to the attention of other prosecuting and investigative offices, if requested by WABTEC.

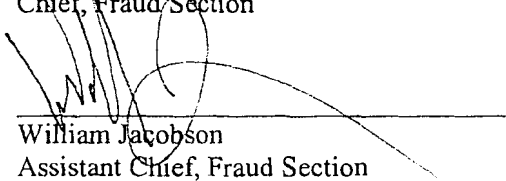
It is further understood that WABTEC and this Office may disclose this Agreement to the public. However, WABTEC will not release any statement to the press without seeking this Office's approval of that statement.

With respect to this matter, from the date of execution of this Agreement forward, this Agreement supersedes all prior, if any, understandings, promises and conditions between this Office and WABTEC. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and signed by all parties.

Very truly yours,

STEVEN A. TYRRELL
Chief, Fraud Section

By:

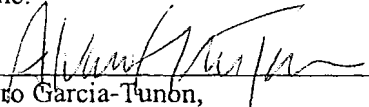


William Jacobson
Assistant Chief, Fraud Section

AGREED AND CONSENTED TO:

WABTEC Inc.

By:



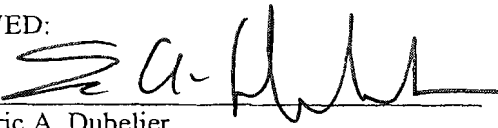
Alvaro Garcia-Tunon,
Senior Vice President, Chief Financial Officer
and Secretary

Date

3/12/08

APPROVED:

By:



Eric A. Dubelier
Reed Smith LLP
Attorney for WABTEC, Inc.

Date

2/12/08

APPENDIX A
STATEMENT OF FACTS

This Statement of Facts is incorporated by reference as part of the Agreement, dated February 8, 2008, between the United States Department of Justice, Criminal Division, Fraud Section (“the Department”) and Westinghouse Air Brake Technologies Corporation and its wholly-owned subsidiary Pioneer Friction Limited. At all times relevant to the facts described herein (unless otherwise specified):

I. Background

1. Westinghouse Air Brake Technologies Corporation (“WABTEC”), a Delaware corporation headquartered in Wilmerding, Pennsylvania, was registered pursuant to Section 12(g) of the Securities Exchange Act of 1934 (“Exchange Act”) and was listed on the New York Stock Exchange under the ticker symbol “WAB.” WABTEC filed reports with the Securities and Exchange Commission (“SEC”) pursuant to Section 13 of the Exchange Act. As such, WABTEC was an “issuer” within the meaning of the Foreign Corrupt Practices Act (“FCPA”), 15 U.S.C. §§ 78m(b)(2) and 78dd-1(a). WABTEC manufactured brake subsystems and related products for locomotives, freight cars and passenger transit vehicles, among other things.

2. Pioneer Friction Limited (“Pioneer”), a fourth-tier, wholly-owned subsidiary of WABTEC, was incorporated and headquartered in India. Pioneer manufactured low and high friction brake blocks for rail operations in India. The Indian government was Pioneer’s largest customer.

3. Pioneer sold brake blocks in India to both Original Equipment Manufacturers (“OEMs”) and aftermarket customers. The OEM market included train car manufacturers owned and controlled by the Indian government, as well as privately-owned train car manufacturers. Pioneer’s aftermarket customers in India included various components of the Indian Railway Board (“IRB”), the operating arm of the Indian national railways under the Ministry of Railroads (“MOR”). The IRB included sixteen “Zonal Railways.”

II. The Improper Payments

4. From at least 2001 through 2005, Pioneer employees and agents routinely made unlawful payments to various agents of the Indian government in connection with Pioneer’s business dealings with the IRB. Pioneer employees made these payments in four different circumstances: (1) to assist Pioneer in obtaining business during the IRB and Zonal Railway contract tender process; (2) to schedule pre-shipping product inspections; (3) to have certificates of product delivery issued; and (4) to curb excise tax audits.

IRB and Zonal Railway Ordering Payments

5. IRB and the Zonal Railways typically issued tenders for sealed bids. Upon opening the sealed bids, the IRB or the Zonal Railway made a tentative award to the bidder that submitted the lowest price, but notified bidders with higher prices of the lowest bid and then engaged in a round of counter-offers or secondary negotiations with the higher bidders. In most cases, the IRB awarded the higher bidders some business at the low bidder’s price.

6. From at least 2001 through 2005, employees of the IRB and Zonal Railways solicited from Pioneer two types of cash payments in connection with the tender process. First, during the period in which the IRB was evaluating various bids received from Pioneer and

others, employees of the IRB and Zonal Railways solicited cash payments from Pioneer so that IRB would approve Pioneer's contract price. From 2001 through 2005, Pioneer paid approximately \$100,000 in cash to employees of the IRB to obtain business from the IRB in this fashion.

7. In addition, employees of the IRB and Zonal Railways solicited payments from Pioneer so that the IRB and Zonal Railways would consider Pioneer's bids in the tender process and so that Pioneer would be given the opportunity to sell additional products at the awarded price without going through a new tender process (hereinafter referred to as the "Ordering Payments"). From 2001 through 2005, Pioneer paid approximately \$30,000 in Ordering Payments to employees of the IRB and Zonal Railways for consideration of its bids and to obtain other business.

8. In 2005, the IRB awarded Pioneer a contract to supply low-friction brake blocks and other related contracts. As a result of being awarded this contract in 2005, Pioneer realized profits of approximately \$259,000.

Product Inspection Payments

9. The Research Designs and Standards Organization ("RSDO") was a design, standards, and certification agency within the MOR. The RSDO tested products and designs for certified general use by various Indian railways. RSDO inspectors also conducted inspections of finished products prior to shipping.

10. Pre-shipping inspection of Pioneer's products took place at Pioneer's facility in Kolkata, India. Employees and agents of Pioneer made payments to RSDO personnel to insure

that the RDSO would schedule and perform inspections. In 2005, payments to RDSO personnel totaled approximately \$33,603.

11. Rail India Technical and Economic Services, Ltd. ("RITES") also performed certain product inspections. RITES was responsible for the pre-shipping "dimensional and destructive" inspection of high-friction products. The RITES inspectors solicited for their personal benefit, and Pioneer employees and agents paid, a fee to the inspectors in connection with each inspection. In 2005, the payments to RITES inspectors totaled approximately \$2,175 and ranged from \$67 to \$358 per inspection.

Clerical Payments to Receive Delivery Receipts

12. As part of its contract performance, Pioneer was required to obtain a "receipted challan," a certificate issued upon delivery of conforming products. During 2005, Pioneer paid government employees approximately \$4,386 to obtain these certificates.

Central Board of Excise and Customs Payments

13. Pioneer was responsible for paying a value-added excise tax on all products sold in India. The Central Board of Excise and Customs ("CBEC") collected the excise taxes. In approximately 1999, CBEC personnel began visiting Pioneer to conduct audits with what Pioneer considered to be excessive frequency. Pioneer's management determined that the only way to stop the frequent audits was to pay the CBEC personnel \$31.50 per month. In 2005, Pioneer paid CBEC personnel a total of approximately \$378.

Generation of Cash to make Payments

14. In order to generate the cash necessary to make the payments described above, Pioneer engaged the services of so-called "marketing agents." The marketing agents sent invoices to Pioneer falsely stating that services had been rendered to Pioneer in connection with particular IRB and Zonal Railway contracts. Pioneer then issued checks for the amount of the invoice, less a withholding for taxes and the marketing agents returned the cash to Pioneer, less a service commission. Pioneer then used this cash to pay Indian officials.

Books and Records

15. The records Pioneer maintained to document each of the payments described above were maintained separately from Pioneer's other books and records and were not subject to review during annual audits. Further, Pioneer recorded the marketing agents' invoices as "consulting" expenses and "supplies," concealing the fact that the true purpose for the invoices was to generate cash to make the unlawful payments.

16. As an "issuer," WABTEC was and is required to, among other things, make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets. As described above, Pioneer, a WABTEC subsidiary, failed to properly account for various payments in its books, records and accounts. Those books, records and accounts were, at the end of each fiscal year, consolidated into the books, records and accounts of WABTEC. Therefore, WABTEC's books, records and accounts also failed to reflect the unlawful payments.

APPENDIX B

In order to address deficiencies in WABTEC's internal controls, policies and procedures regarding compliance with the Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§ 78dd-1, *et seq.*, and other applicable anti-corruption laws, WABTEC and its subsidiaries and affiliates (collectively referred to herein as "WABTEC") agree to conduct, in a manner consistent with all of its obligations under this Agreement, a review of its existing internal controls, policies and procedures.

Where necessary and appropriate, WABTEC agrees to adopt new or modify existing internal controls, policies and procedures in order to ensure that it maintains: (a) a system of internal accounting controls designed to ensure that WABTEC makes and keeps fair and accurate books, records and accounts; and (b) a rigorous anti-corruption compliance code, standards and procedures designed to detect and deter violations of the FCPA and other applicable anti-corruption laws. At a minimum, this should include, but ought not be limited to, the following elements:

1. A clearly articulated corporate policy against violations of the FCPA and other applicable anti-corruption laws;
2. A system of financial and accounting procedures, including a system of internal accounting controls, designed to ensure the maintenance of fair and accurate books, records and accounts;
3. Promulgation of a compliance code, standards and procedures designed to reduce the prospect of violations of the FCPA, other applicable anti-corruption laws, and WABTEC's compliance code, standards and procedures. These standards and procedures should apply to all

directors, officers, and employees and, where necessary and appropriate, outside parties acting on behalf of WABTEC in a foreign jurisdiction, including agents, consultants, representatives, distributors, teaming partners, and joint venture partners (collectively referred to herein as "agents and business partners").

4. The assignment of one or more senior corporate officials of WABTEC to the implementation and oversight of compliance with policies, standards and procedures regarding the FCPA and other applicable anti-corruption laws. Such corporate official(s) shall have the authority to report matters directly to WABTEC's Audit Committee of the Board of Directors.

5. Mechanisms designed to ensure that WABTEC's policies, standards and procedures regarding the FCPA and other applicable anti-corruption laws are effectively communicated to all directors, officers, employees and, where necessary and appropriate, agents and business partners. This should include: (1) periodic training for all directors and officers, and, where necessary and appropriate, employees, agents and business partners; and (2) annual certifications by all directors and officers, and, where necessary and appropriate, employees, agents and business partners, certifying compliance therewith.

6. An effective system for reporting suspected criminal conduct and/or violations of the compliance policies, standards, and procedures regarding the FCPA and other applicable anticorruption laws for directors, officers, employees, agents and business partners.

7. Appropriate disciplinary procedures to address, among other things, violations of the FCPA, other applicable anti-corruption laws, and WABTEC's compliance code, standards and procedures by WABTEC's directors, officers, and employees.

8. Appropriate due diligence requirements pertaining to the retention and oversight of agents and business partners.

9. Standard provisions in agreements, contracts, and renewals thereof with all agents and business partners that are reasonably calculated to prevent violations of the FCPA and other applicable anti-corruption laws, which may, depending upon the circumstances, include: (1) anticorruption representations and undertakings relating to compliance with the FCPA and other applicable anti-corruption laws; (2) rights to conduct audits of the books and records of the agent or business partner to ensure compliance with the foregoing; and (3) rights to terminate an agent or business partner as a result of any breach of anti-corruption laws or representations and undertakings related to such matters.