UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q
Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended June 30, 2001

Commission File Number 0-10436

L. B. Foster Company
(Exact name of Registrant as specified in its charter)

Pennsylvania	25-13247733
(State of Incorporation)	(I. R. S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania	15220
(Address of principal executive offices)	(Zip Code)

(412) 928-3417
(Registrant's telephone number, including area code)

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 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 the number of shares of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at August 3, 2001
Common Stock, Par Value $.01	9,467,856 Shares

L.B. FOSTER COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

	June 30, 2001	December 31, 2000
ASSETS	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$45	$ -
Accounts and notes receivable:		
Trade - net	62,183	56,472
Other	81	1,134
	62,264	57,606
Inventories - net	48,112	59,811
Current deferred tax assets	2,055	2,055
Other current assets	844	373
Property held for resale	1,333	1,333
Total Current Assets	114,653	121,178
Property, Plant & Equipment - At Cost	62,920	58,499
Less Accumulated Depreciation	(29,713)	(25,476)
	33,207	33,023
Property Held for Resale		1,089
Other Assets:		
Goodwill and other intangibles - net	6,447	6,772
Investments	10,664	9,423
Deferred tax assets	1,242	1,242
Other assets	3,160	4,420
Total Other Assets	21,513	21,857
TOTAL ASSETS	$169,373	$177,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$976	$926
Short-term borrowings	5,500	6,500
Accounts payable - trade	29,185	33,008
Accrued payroll and employee benefits	3,241	3,503
Current deferred tax liabilities	1,947	1,947
Other accrued liabilities	2,490	3,817
Total Current Liabilities	43,339	49,701
Long-Term Borrowings	40,000	40,000
Other Long-Term Debt	3,058	3,484
Deferred Tax Liabilities	5,413	5,413
Other Long-Term Liabilites	1,163	1,190
STOCKHOLDERS' EQUITY:		
Common stock	102	102
Paid-in capital	35,238	35,306
Retained earnings	45,121	45,995
Treasury stock	(3,938)	(4,009)
Accumulated other comprehensive loss	(123)	(35)
Total Stockholders' Equity	76,400	77,359
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$169,373	$177,147

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(Unaudited)		(Unaudited)	
Net Sales	$80,274	$71,692	$136,364	$131,181
Cost of Goods Sold	70,139	61,452	120,889	112,630
Gross Profit	10,135	10,240	15,475	18,551
Selling and Administrative Expenses	7,721	7,950	15,476	15,358
Interest Expense	935	997	1,896	1,935
Other Income - Net	(203)	(293)	(417)	(874)
	8,453	8,654	16,955	16,419
Income (Loss) From Continuing Operations, Before Income Taxes	1,682	1,586	(1,480)	2,132
Income Tax (Benefit) Expense	691	636	(606)	854
Income (Loss) From Continuing Operations	991	950	(874)	1,278
Loss From Discontinued Operations, Net of Taxes	0	(189)	0	(365)
Net Income (Loss)	$991	$761	($874)	$913
Basic Earnings (Loss) Per Common Share From:				
Continuing Operations	$0.11	$0.10	($0.09)	$0.13
Discontinued Operations	0.00	(0.02)	0.00	(0.04)
Basic Earnings (Loss) Per Common Share	$0.11	$0.08	($0.09)	$0.09
Diluted Earnings (Loss) Per Common Share From:				
Continuing Operations	$0.10	$0.10	($0.09)	$0.13
Discontinued Operations	0.00	(0.02)	0.00	(0.04)
Diluted Earnings (Loss) Per Common Share	$0.10	$0.08	($0.09)	$0.09

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Six Months Ended June 30, 2001	2000
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) income from continuing operations	($ 874)	$1,278
Adjustments to reconcile net income (loss) to net cash provided by continuing operations:		
Depreciation and amortization	2,873	2,492
Loss on sale of property, plant and equipment	14	3
Change in operating assets and liabilities:		
Accounts receivable	(4,647)	(9,617)
Inventories	11,699	(5,238)
Other current assets	(471)	51
Other noncurrent assets	747	2,054
Accounts payable - trade	(3,823)	10,310
Accrued payroll and employee benefits	(262)	(507)
Other current liabilities	(1,411)	(1,073)
Other liabilities	(27)	281
Net Cash Provided by Continuing Operations	3,818	34
Net Cash Used by Discontinued Operations		(608)
Net Cash Provided (Used) by Operating Activities	3,818	(574)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	215	1,654
Capital expenditures on property, plant and equipment	(1,704)	(2,569)
Purchase of DM&E stock	(800)	
Net Cash Used by Investing Activities	(2,289)	(915)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Repayments) proceeds of revolving credit agreement borrowings	(1,000)	3,270
Exercise of stock options, awards & forfeitures	78	191
Treasury stock acquisitions	(75)	(796)
Repayment of long-term debt	(474)	(538)
Net Cash (Used) Provided by Financing Activities	(1,471)	2,127
Effect of exchange rate on cash	(13)	(7)
Net Increase in Cash and Cash Equivalents	45	631
Cash and Cash Equivalents at Beginning of Period	-	1,558
Cash and Cash Equivalents at End of Period	$ 45	$2,189
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$2,210	$2,011
Income Taxes Paid	$ 419	$1,758

During the first six months of 2001 and 2000, the Company financed certain capital expenditures totaling $98,000 and $119,000, respectively, through the execution of capital leases.

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included, however, actual results could differ from those estimates. The results of operations for these interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

2. ACCOUNTING PRINCIPLES

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes accounting and reporting standards for derivative financial instruments and hedging activities and requires the transition adjustment from adoption to be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle. In accordance with the transition provisions of SFAS No. 133, the Company recorded a cumulative transition adjustment to decrease other comprehensive income by approximately $48,000, net of related tax effects, to recognize the fair value of its derivative instruments as of the date of adoption. During the three months and six months ended June 30, 2001, unrealized net gains (losses) on derivative instruments of approximately $75,000 and ($37,000), respectively, net of related tax effects, were recorded in other comprehensive income. See Note 12 Comprehensive income (loss) in the Notes to Condensed Consolidated Financial Statements.

The Company uses derivative financial instruments to manage interest rate exposure on variable-rate debt, primarily by using interest rate collars and variable interest rate swaps. The Company has a LIBOR-based interest rate collar agreement, which expires in March 2006, with a notional value of $15.0 million, a maximum annual interest rate of 5.60%, and a minimum annual interest rate of 5.00%. The counter-party to the collar agreement has the option, on March 6, 2005, to convert the $15.0 million note to a one-year fixed-rate instrument with interest payable at an annual rate of 5.49%. The fair value of the collar at June 30, 2001, which is designated as a cash flow hedge instrument, is less than a $0.1 million liability and is classified within other current liabilities on the Condensed Consolidated Balance Sheets. The Company also has a LIBOR-based interest rate collar agreement, which became effective in April 2001 and expires in April 2006, with a notional value of $10.0 million, a maximum annual interest rate of 5.14%, and a minimum annual interest rate of 4.97%. The counter-party to the collar agreement has the option, on April 18, 2004, to convert the $10.0 million note to a two-year fixed-rate instrument with interest payable at an annual rate of 5.48%. The fair value of the collar at June 30, 2001, which is designated as a cash flow hedge instrument, is less than a $0.1 million asset and is netted in other current liabilities on the Condensed Consolidated Balance Sheets. The Company also has an interest rate swap agreement, which expires in December 2004, with a notional value of $3.4 million at June 30, 2001 that is designed to fix the total interest rate at 7.42%. The Company is obligated to pay additional interest on the swap if LIBOR exceeds 7.249%. The fair value of the swap at June 30, 2001 is a $0.1 million liability and is classified within other current liabilities on the Condensed Consolidated Balance Sheets. At the current fair value based on prevailing interest rates as of June 30, 2001, the $0.1 million of other comprehensive loss related to these derivatives will be reclassified into earnings, as the underlying hedged items affect earnings, over the term of the agreements.

The Company is not subject to significant exposure to change in foreign currency exchange rates. The Company does, however, hedge the cash flows of operations of its Canadian subsidiary. The Company manages its exposures to changes in foreign

currency exchange rates on firm sales and purchase commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on sales revenue over the duration of the transaction. At June 30, 2001, the Company had outstanding foreign currency forward contracts to purchase $0.243 million Canadian for approximately $0.163 million US.

The Company recognizes all derivative instruments on the balance sheet at fair value at the end of each quarter. Fluctuations in the fair values of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income, and reclassified into earnings as the underlying hedged items affect earnings. The amount of accumulated other comprehensive income that is expected to be reclassified into earnings over the next twelve months is not material. To the extent that a change in an interest rate derivative does not perfectly offset the change in value of the interest rate being hedged, the ineffective portion is recognized in earnings immediately. For the quarter ended June 30, 2001, hedge ineffectiveness was not material.

New Accounting Pronouncements
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In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). These statements change the accounting for business combinations, goodwill, and intangible assets.

SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. SFAS 141 supersedes Accounting Principles Board Opinion No. 16 (APB 16): however, certain purchase accounting guidance in APB 16, as well as certain of its amendments and interpretations, have been carried forward to SFAS 141. SFAS 141 changes the criteria to recognize intangible assets separately from goodwill. The requirements of SFAS 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001.

Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually, or more frequently, if impairment indicators arise, for impairment. Separable intangible assets that have finite lives will continue to be amortized over their useful lives, with no maximum life. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, companies are required to adopt SFAS 142 in their fiscal year beginning after December 15, 2001. Because of the different transition dates for goodwill and intangible assets acquired on or before June 30, 2001, and those acquired after that date, pre-existing goodwill and intangibles will be amortized during this transition period until adoption, whereas new goodwill and indefinite lived intangible assets acquired after June 30, 2001 will not.

The Company is currently evaluating adoption of SFAS 142 and has not yet determined the impact on the overall financial condition of the Company, if any, that may result. Amortization of existing goodwill is $0.8 million, annually.

3. ACCOUNTS RECEIVABLE

Credit is extended on an evaluation of the customer's financial condition and, generally, collateral is not required. Credit terms are consistent with industry standards and practices. Trade accounts receivable at June 30, 2001 and December 31, 2000 have been reduced by an allowance for doubtful accounts of $(1,370,000) and $(1,564,000), respectively. Bad debt expense was $165,000 and $(24,000) for the six- month periods ended June 30, 2001 and 2000, respectively.

4. INVENTORIES

Inventories of the Company at June 30, 2001 and December 31, 2000 are summarized as follows in thousands:

	June 30, 2001	December 31, 2000
Finished goods	$32,976	$41,618
Work-in-process	10,141	13,519
Raw materials	7,285	6,964
Total inventories at current costs	50,402	62,101
(Less):		
Current costs over LIFO stated values	(1,690)	(1,690)
Inventory valuation reserve	(600)	(600)
	$48,112	$59,811

Inventories of the Company are generally valued at the lower of last-in, first-out (LIFO) cost or market. Other inventories of the Company are valued at average cost or market, whichever is lower. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end levels and costs.

5. DISCONTINUED OPERATIONS

In the fourth quarter of 1999, the Company made the decision to discontinue the operations of the Monitor Group, a developer of portable mass spectrometers, pending its sale. During the first six months of 2000, net losses from the Monitor Group were $365,000. In September of 2000, the Company sold the assets of the Monitor Group for $1,500,000 cash.

6. BORROWINGS

In accordance with the original terms and conditions of the Company's revolving credit agreement, the line of credit was reduced to $64,025,000 due to asset sales. The interest rate is, at the Company's option, based on the Euro-bank rate (LIBOR), the domestic certificate of deposit rate (CD rate) or the prime rate. The interest rates are established quarterly based upon cash flow and the level of outstanding borrowings to debt as defined in the agreement. Interest rates range from the LIBOR rate plus 0.575% to 1.8%, the CD rate plus 0.575% to 1.8%, to the prime rate to prime plus 0.25%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company-held DM&E Preferred Stock.

The agreement includes financial covenants requiring a minimum net worth, a minimum level for the fixed charge coverage ratio, and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

7. EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(in thousands, except earnings per share)	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Numerator for basic and diluted earnings per common share - net income available to common stockholders:				
Income (Loss) from continuing operations	$991	$950	($874)	$1,278
Loss from discontinued operations		(189)		(365)
Net Income (Loss)	$991	$761	($874)	$913
Denominator:				
Weighted average shares	9,431	9,491	9,424	9,526
Denominator for basic earnings per common share	9,431	9,491	9,424	9,526
Effect of dilutive securities:				
Contingent issuable shares pursuant to the Company's Incentive Compensation Plans	32	64	14	58
Employee stock options	37	13	36	39
Dilutive potential common shares	69	77	50	97
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	9,500	9,568	9,474	9,623
Basic earnings (loss) per common share:				
Continuing operations	$0.11	$0.10	($0.09)	$0.13
Discontinued operations	0.00	(0.02)	0.00	(0.04)
Basic earnings (loss) per common share	$0.11	$0.08	($0.09)	$0.09
Diluted earnings (loss) per common share:				
Continuing operations	$0.10	$0.10	($0.09)	$0.13
Discontinued operations	0.00	(0.02)	0.00	(0.04)
Diluted earnings (loss) per common share	$0.10	$0.08	($0.09)	$0.09

8. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is subject to laws and regulations relating to the protection of the environment and the Company's efforts to comply with environmental regulations may have an adverse effect on the Company's future earnings. In the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, results of operations, cash flows, competitive position, or capital expenditures of the Company.

The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

The Miami-Dade Transit Agency has asserted a claim of approximately $1,100,000 in alleged liquidated damages against the Company due to the late delivery of trackwork and related items. The Company does not believe that it is liable for these damages and is vigorously contesting them.

At June 30, 2001, the Company had outstanding letters of credit and bankers acceptance of approximately $4,037,000.

9. BUSINESS SEGMENTS

The Company is organized and evaluated by product group, which is the basis for identifying reportable segments. The Company is engaged in the manufacture, fabrication and distribution of rail, construction and tubular products. The following tables illustrate revenues and profits/(losses) of the Company by segment:

	Three Months Ended June 30, 2001		Six Months Ended June 30, 2001	
(in thousands)	Net Sales	Segment Profit	Net Sales	Segment Profit/(Loss)
Rail products	$44,275	$299	$71,184	($2,701)
Construction products	30,719	814	54,723	207
Tubular products	5,280	764	10,457	1,278
Total	$80,274	$1,877	$136,364	($1,216)

	Three Months Ended June 30, 2000		Six Months Ended June 30, 2000	
(in thousands)	Net Sales	Segment Profit/(Loss)	Net Sales	Segment Profit/(Loss)
Rail products	$35,901	($147)	$68,558	($698)
Construction products	31,221	2,006	52,948	2,362
Tubular products	4,544	315	9,534	721
Total	$71,666	$2,174	$131,040	$2,385

Segment profits, as shown above, include internal cost of capital charges for assets used in the segment at a rate of, generally, 1% per month. The following table provides a reconciliation of reportable net profit/(loss) to the Company's consolidated total:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2001	2000	2001	2000
Net Profit/(Loss)				
Total for reportable segments	$1,877	$2,174	($1,216)	$2,385
Cost of capital for reportable segments	3,369	2,947	6,596	5,899
Interest expense	(935)	(997)	(1,896)	(1,935)
Other income	203	293	417	874
Corporate expense and other unallocated charges	(2,832)	(2,831)	(5,381)	(5,091)
Income (loss) from continuing operations, before income taxes	$1,682	$1,586	($1,480)	$2,132

There has been no change in the measurement of segment profit/(loss) from December 31, 2000. There has been no significant change in segment assets from December 31, 2000.

10. RESTRUCTURING, IMPAIRMENT, AND OTHER SPECIAL CHARGES

Results for the second quarter of 2001 include pretax restructuring charges of $140,000 related to the Company's previously announced plan to improve its financial performance by consolidating sales and administrative functions, and plant operations. Results for the first six months of 2001 include pretax charges, related to the plan, of $1,496,000 and consist of the following: restructuring costs of $462,000; asset impairments of $606,000, and other related costs of $428,000.

The prior year's second quarter results include pretax restructuring charges of $608,000. Results for the first six months of 2000 include the following pretax charges: restructuring costs of $886,000, asset impairments of $60,000 and other personnel related costs of $165,000. The total pretax charges recorded to date associated with the shutdown and relocation of Company operations are approximately $2,845,000, with a current planned estimate of $3,200,000 by its fiscal 2001 year-end. The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time that the accrual was established. Substantially all components of the restructuring charges were paid in the period incurred.

11. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) represents net income (loss) plus certain stockholders' equity changes not reflected in the Condensed Consolidated Statements of Income. The components of comprehensive income (loss), net of tax, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2001	2000	2001	2000
Net Income/(Loss)	$991	$761	($874)	$913
Cumulative transition adjustment of a change in accounting principle (SFAS No. 133)	0	0	(48)	0
Unrealized derivative gains (losses) on cash flow hedges (SFAS No. 133)	75	0	(37)	0
Foreign currency translation gains (losses)	26	(10)	(3)	(10)
Comprehensive income (loss)	$1,092	$751	($962)	$903

Management's Discussion and Analysis of Financial Condition
and Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(Dollars in thousands)			
Net Sales:				
Rail Products	$44,275	$35,901	$71,184	$68,558
Construction Products	30,719	31,221	54,723	52,948
Tubular Products	5,280	4,544	10,457	9,534
Other	0	26	0	141
Total Net Sales	$80,274	$71,692	$136,364	$131,181
Gross Profit:				
Rail Products	$4,668	$4,413	$6,018	$8,599
Construction Products	4,442	5,326	7,524	8,861
Tubular Products	1,236	763	2,471	1,633
Other	(211)	(262)	(538)	(542)
Total Gross Profit	10,135	10,240	15,475	18,551
Expenses:				
Selling and admin-istrative expenses	7,721	7,950	15,476	15,358
Interest expense	935	997	1,896	1,935
Other income - net	(203)	(293)	(417)	(874)
Total Expenses	8,453	8,654	16,955	16,419
Income (Loss) From Continuing Operations Before Income Taxes	1,682	1,586	(1,480)	2,132
Income Tax (Benefit) Expense	691	636	(606)	854
Income (Loss) From Continuing Operations	991	950	(874)	1,278
Loss From Discontinued Operations, Net of Taxes	0	(189)	0	(365)
Net Income (Loss)	$991	$761	($874)	$913
Gross Profit %:				
Rail Products	10.5%	12.3%	8.5%	12.5%
Construction Products	14.5%	17.1%	13.7%	16.7%
Tubular Products	23.4%	16.8%	23.6%	17.1%
Total Gross Profit	12.6%	14.3%	11.3%	14.1%

Second Quarter 2001 Results of Operations

Income from continuing operations for the second quarters of 2001 and 2000 was $1.0 million or $0.10 per diluted share. For the three months ended June 30, 2001, revenues were $80.3 million versus $71.7 million for the same period last year. The Monitor Group, classified as a discontinued operation on December 31, 1999 and sold in the third quarter of 2000, had net losses of $0.2 million in the second quarter of 2000.

Results for the second quarter of 2001 include a pretax restructuring charge of $0.1 million, related to the Company's previously announced plan to improve its financial performance by consolidating sales and administrative functions and plant operations. The prior-year second quarter results included pretax restructuring charges of $0.6 million related to the plan.

Rail products' 2001 second quarter net sales rose to $44.3 million, an increase of 23.3% over the same period last year, as a result of increased sales to the transit industry. Construction products' net sales remained relatively the same as in the year earlier quarter. Tubular products' sales increased 16.2% from the same quarter of 2000 due to an improved pipe coating market, as demand for oil and gas pipelines has begun to increase. Changes in net sales are generally the result of changes in volume rather than changes in prices.

The gross profit margin for the total Company was 12.6% in the second quarter of 2001 and 14.3% in the 2000 second quarter. The pretax charges discussed above reduced the second quarter gross profit margin percentage by 0.1 percentage points in 2001 and had no effect on gross profit margins in 2000. Rail products' profit margin declined 1.8 percentage points due to the competitive environment created by the spending cutbacks of the Class I railroads. Construction products' margins declined 2.6 percentage points, resulting from price deterioration in the H-bearing pile market caused by increased and unfairly traded imported beams. Tubular products' 6.6 percentage point increase in gross margin resulted from more efficient operations at the Birmingham, AL facility, as well as increased volume.

Selling and administrative expenses declined 2.9% from the second quarter of 2000. Other income in the second quarter of 2001 includes $0.2 million accrued dividend income on the DM&E Preferred Stock. Other income in the same period of 2000 includes $0.1 million accrued interest on DM&E notes that were subsequently paid in full, as well as $0.2 million accrued income on the DM&E Preferred Stock. The provision for income taxes was recorded at 41% and 40% in the second quarters of 2001 and 2000, respectively.

First Six Months of 2001 Results of Operations

The Company recorded a loss from continuing operations for the first six months of 2001 of $0.9 million or $0.09 per share on net sales of $136.4 million. This compares to income from continuing operations in the first six months of 2000 of $1.3 million or $0.13 per share on net sales of $131.2 million. Net losses from the Monitor Group were $0.4 million during the first six months of 2000.

The current year results include the following pretax charges: restructuring costs of $0.5 million, asset impairments of $0.6 million, and other related costs of $0.4 million. These charges, totaling $1.5 million ($0.09 per share, net of tax) are related to the Company's previously announced plan to improve its financial performance. This compares to pretax charges of $1.1 million ($0.07 per share, net of tax) related to the plan through June 2000 which consist of restructuring costs of $0.9 million, asset impairments of $0.06 million and other charges of $0.2 million. The total pretax charges associated with the shutdown and relocation of Company operations recorded to date were $2.8 million of the $3.2 million planned estimate.

The gross margin percentage for the total Company was 11.3% in the first six months of 2001 and 14.1% in the same period of 2000. The pretax charges discussed above reduced the gross margin percentages by 0.7 and 0.1 percentage points in 2001 and 2000, respectively. Rail products' gross margin percentage declined in the first half of 2001 to 8.5% from 12.5% in the year earlier quarter. Excluding the pretax charges discussed above, the gross margin

percentage for rail products in the 2001 first half was 9.4%. The competitive environment created by Class I railroad spending cutbacks continues to have a negative impact on margins. In addition, pricing weakness in the used rail market combined with a Company effort to reduce inventory, particularly used rail, adversely impacted gross margins. The gross margin percentage for construction products declined 3.0 percentage points to 13.7% from a year ago primarily due to pricing weakness in the bearing pile market. Tubular products' gross margin percentage in the first six months of 2001 increased 6.5 percentage points to 23.6% from the same period last year. This increase in margin is a result of greater efficiencies at the Birmingham, AL coated pipe facility.

Selling and administrative expenses remained consistent with last year. Other income in 2001 includes $0.4 million accrued dividend income on the DM&E Preferred Stock. Other income in 2000 includes an estimated gain of $0.1 million on the sale of property in Langfield, TX, accrued interest of $0.2 million on DM&E notes that were subsequently paid in full, and accrued dividend income of $0.4 million on the DM&E Preferred Stock. The provision for income taxes was recorded at 41% and 40% in 2001 and 2000, respectively.

Liquidity and Capital Resources

The Company generates internal cash flow from the sale of inventory and the collection of accounts receivable. During the first six months of 2001, the average turnover rate for accounts receivable was higher than during the same period in 2000. The average inventory turnover rate for the first six months of 2001 was lower than the same period in 2000 particularly for piling products and new rail projects. Working capital at June 30, 2001 was $71.3 million compared to $71.5 million at December 31, 2000.

During the first quarter of 1999, the Company announced a program to purchase up to 1,000,000 shares of its common stock. During 2001, the Company purchased 25,000 shares at a cost of $75,000. Purchases under this program total 473,398 shares at a cost of $2.3 million.

The Company had capital expenditures of approximately $1.7 million in 2001. Capital expenditures in 2001 are expected to be at similar levels as during the previous year and are anticipated to be funded by cash flow from operations and available external financing sources.

Total revolving credit agreement borrowings at June 30, 2001 were $45.5 million, a decrease of $1.0 million from December 31, 2000. At June 30, 2001 the Company had $16.3 million in unused borrowing commitment. Outstanding letters of credit and bankers acceptance at June 30, 2001 were $4.0 million. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

The Company's revolving credit agreement includes financial covenants requiring a minimum net worth, a minimum level for the fixed charge coverage ratio, and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

Dakota, Minnesota & Eastern Railroad

The Company maintains a significant investment in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately held, regional railroad, which operates over 1,100 miles of track in five states.

At June 30, 2001, the Company's investment was comprised of, $0.2 million of DM&E common stock, $1.5 million of the Series B Preferred Stock and warrants, $6.0 million of the Series C Preferred Stock and warrants, and $0.8 million of DM&E Preferred Series C-1 Stock and warrants. In addition, the Company has a receivable for accrued dividend income on Preferred Stock of $2.2 million. On a fully diluted basis, the Company owns approximately 16% of the DM&E's common stock.

The DM&E announced in June 1997 that it plans to build an extension from the DM&E's existing line into the low sulfur coal market of the Powder River Basin in Wyoming and to rebuild approximately 600 miles of its existing track (the Project). The estimated cost of this project is expected to be in excess of $1.5 billion.

The Project is subject to approval by the Surface Transportation Board (STB). In December 1998, the STB made a finding that the DM&E had satisfied the transportation aspects of applicable regulations. The STB issued a draft environmental impact statement for the Project in September 2000, with a comment period ending March 6, 2001. The STB will issue a final environmental impact statement upon completion of its review of the comments. The STB has stated that its decision on environmental issues should be made by year-end. New construction on this project may not begin until the STB reaches a final decision.

The DM&E has stated that it could repay project debt and cover its operating costs if it captures a 5% market share in the Powder River Basin. If the Project proves to be viable, management believes that the value of the Company's investment in the DM&E could increase dramatically. Although the market value of the DM&E is not readily determinable, management believes that this investment, regardless of the DM&E's Powder River Basin project, is worth more than its historical cost.

Other Matters

The contemplated sale of the Company's 65-acre property in Houston, TX did not materialize as expected in the second quarter of 2001. Although discussions with the potential buyer have not terminated, the outcome is uncertain. Management will continue to evaluate the use of this property.

During the first quarter of 2001, the Company decided to expand its concrete products operations, primarily the fabrication of precast buildings. In order to better serve the southwest and southern markets, the Company entered into agreements to lease land, a building and production equipment in Hillsboro, TX. The Company expects production to commence in the fourth quarter of 2001.

In August 1998, the Company purchased assets primarily comprised of intellectual properties related to the business of supplying rail signaling and communication devices for approximately $1.7 million. The Company began shipping limited product in the second quarter of 2001. Although product development continues in order to expand the divisions' available product lines, management continues to evaluate the performance of this operation.

The rail segment of the business depends on one source, in which the Company currently maintains a 30% ownership position, for fulfilling certain trackwork contracts. At June 30, 2001, the Company had inventory progress payments of $6.9 million committed to this supplier. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings.

The Company's CXT subsidiary and Allegheny Rail Products division are dependent on one Class I railroad customer for a significant portion of their business. In addition, much of the Company's business depends on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company's operating results may also be affected by adverse weather conditions.

Management continues to evaluate the overall performance of its operations. A decision to terminate an existing operation could have a material adverse effect on near-term earnings but would not be expected to have a material adverse effect on the financial condition of the Company.

Outlook

The Company is TXI Chaparral's exclusive North American distributor of steel sheet piling and H-bearing pile. Shipments of H-bearing pile began in the third quarter of 1999 from Chaparral's Petersburg, VA facility. The long awaited startup of sheet piling production at TXI Chaparral's Virginia mill commenced in late March of 2001. Unfortunately, TXI Chaparral thus far has failed to produce production quantities of steel sheet piling. Although TXI Chaparral is confident that these problems will be resolved shortly, most of the construction season will have passed and the Company's sheet piling sales for the balance of 2001 will continue to be disappointing.

Although backlog is not necessarily indicative of future operating results, total Company backlog at June 30, 2001, was approximately $150.7 million. The following table provides the backlog by business segment:

Backlog			
(In thousands)	June 30, 2001	December 31, 2000	June 30, 2000
Rail Products	$88,319	$86,351	$115,183
Construction Products	59,598	52,779	58,281
Tubular Products	2,790	2,219	2,236
Total	$150,707	$141,349	$175,700

The reduction in rail segment backlog from a year ago reflects the effect of CXT long-term production contracts. Total shipments under these contracts were $15.8 million since July 1, 2000.

Market Risk and Risk Management Policies

On January 1, 2001 the Company adopted the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement established accounting and reporting standards for derivative financial instruments and hedging activities.

The Company uses derivative financial instruments to manage interest rate expense on variable-rate debt, primarily by using interest rate collars, as well as, variable interest rate swaps. One interest rate collar agreement, which expires in March 2006, has a notional value of $15.0 million with a maximum annual interest rate of 5.60%, and a minimum annual interest rate of 5.00%, and is based on LIBOR. The counter-party to the collar agreement has the option, on March 6, 2005, to convert the $15.0 million note to a one-year fixed-rate instrument with interest payable at an annual rate of 5.49%. A second interest rate collar agreement, which expires in April 2006, has a notional value of $10.0 million with a maximum annual interest rate of 5.14%, and a minimum annual interest rate of 4.97%, and is based on LIBOR. The counter-party to the collar agreement has the option, on April 18, 2004, to convert the $10.0 million note to a two-year fixed-rate instrument with the interest payable at an annual rate of 5.48%. The interest rate swap agreement, which expires in December 2004, has a notional value of $3.4 million at June 30, 2001 and is designed to fix the total interest rate at 7.42%. The Company is obligated to pay additional interest on the swap if LIBOR exceeds 7.249%.

The Company is not subject to significant exposure to change in foreign currency exchange rates. The Company does, however, hedge the cash flows of operations of its Canadian subsidiary. The Company manages its exposures to changes in foreign currency exchange rates on firm sales and purchase commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on sales revenue over the duration of the transaction. At June 30, 2001, the Company had outstanding foreign currency forward contracts to purchase $0.243 million Canadian for approximately $0.163 million US.

During the three months and six months ended June 30, 2001, unrealized net gains (losses) on derivative instruments of approximately $75,000 and ($37,000), respectively, net of related tax effects, were recorded in other comprehensive income.

The Company may enter into additional swaps or other financial instruments to set all or a portion of its borrowings at fixed rates.

Forward-Looking Statements
- --------------------------

Statements relating to the potential value or viability of the DM&E or the Project, or management's belief as to such matters, are forward-looking statements and are subject to numerous contingencies and risk factors. The Company has based its assessment on information provided by the DM&E and has not independently verified such information. In addition to matters mentioned above, factors which can adversely affect the value of the DM&E, its ability to complete the Project or the viability of the Project include the following: labor disputes, any inability to obtain necessary environmental and government approvals for the Project in a timely fashion, the DM&E's ability to continue to obtain interim funding to finance the project through the approval process, the expense of environmental mitigation measures required by the Surface Transportation Board, an inability to obtain financing for the Project, competitor's response to the Project, market demand for coal or electricity and changes in environmental laws and regulations.

The Company wishes to caution readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management's Discussion and Analysis), as well as oral statements made from time to time by representatives of the Company. Additional delays in Chaparral's production of steel sheet piling would, for example, have an adverse effect on the Company's performance. The nonrecurring charges through 2001 are estimates and are subject to change as the Company further develops its plans. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the availability of material from major suppliers, the impact of competition, the seasonality of the Company's business, taxes, inflation and governmental regulations. Sentences containing words such as "anticipates", "expects", or "will" generally should be considered forward-looking statements.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 8, "Commitments and Contingent Liabilities", to the Condensed Consolidated Financial Statements.

Item 4. RESULTS OF VOTES OF SECURITY HOLDERS

At the Company's annual meeting on May 9, 2001, the following individuals were elected to the Board of Directors:

Name	For Election	Withheld Authority
Lee B. Foster II	7,877,329	1,062,879
Henry J. Massman IV	7,877,515	1,062,693
John W. Puth	7,877,370	1,062,838
William H. Rackoff	7,877,515	1,062,693
Richard L. Shaw	7,877,320	1,062,888

The stockholders voted to approve the 1998 Long Term Incentive Plan, as amended and restated. The following table sets forth the results of the vote:

For Approval	Against Approval	Abstained
3,561,195	2,516,599	621,756

The stockholders also voted to approve Ernst & Young, LLP as the Company's independent auditors for the fiscal year ended December 31, 2001. The following table sets forth the results of the vote for independent auditors:

For Approval	Against Approval	Abstained
8,664,329	201,203	74,676

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS

Unless marked by an asterisk, all exhibits are incorporated by reference:

3.1 Restated Certificate of Incorporation as amended to date, filed as

Appendix B to the Company's April 17, 1998 Proxy Statement.

3.2 Bylaws of the Registrant, as amended to date, filed as Exhibit 3B to Form 8-K on May 21, 1997.

4.0 Rights Amendment, dated as of May 14, 1998 between L. B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4B to Form 8-A dated May 23, 1997.

4.0.1 Amended Rights Agreement dated as of May 14, 1998 between L. B. Foster Company and American Stock Transfer & Trust Company, filed as Exhibit 4.0.1 to Form 10-Q for the quarter ended June 30, 1998.

4.1 Third Amended and Restated Loan Agreement by and among the Registrant and Mellon Bank, N. A., PNC Bank, National Association and First Union National Bank, Dated as of June 30, 1999 and filed as Exhibit 4.1 to Form 10-Q for the quarter ended June 30, 1999.

10.12 Lease between CXT Incorporated and Pentzer Development Corporation, dated April 1, 1993, filed as Exhibit 10.12 to Form 10-K for the year ended December 31, 1999.

10.12.1 Amendment dated March 12, 1996 to lease between CXT Incorporated and Pentzer Corporation, filed as Exhibit 10.12.1 to Form 10-K for the year ended December 31, 1999.

10.13 Lease between CXT Incorporated and Crown West Realty, L. L. C., dated December 20, 1996, filed as Exhibit 10.13 to Form 10-K for the year ended December 31, 1999.

10.14 Lease between CXT Incorporated and Pentzer Development Corporation, dated November 1, 1991 and filed as Exhibit 10.14 to Form 10-K for the year ended December 31, 1999.

10.15 Lease between CXT Incorporated and Union Pacific Railroad Company, dated February 13, 1998, and filed as Exhibit 10.15 to Form 10-K for the year ended December 31, 1999.

10.16 Lease between Registrant and Greentree Buildings Associates for Head-quarters office, dated as of June 9, 1986, as amended to date, filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 1988.

10.16.1 Amendment dated June 19, 1990 to lease between Registrant and Green-tree Buildings Associates, filed as Exhibit 10.16.1 to Form 10-Q for the quarter ended June 30, 1990.

10.16.2 Amendment dated May 29, 1997 to lease between Registrant and Green-tree Buildings Associates, filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.

10.17 Lease between Registrant and Hillsboro Loan Investors, L. P. for property located in Hill County, TX, dated February 14, 2001, filed as Exhibit 10.17 to Form 10-K for the year ended December 31, 2000.

10.19 Lease between Registrant and American Cast Iron Pipe Company for pipe-coating facility in Birmingham, AL dated December 11, 1991, filed as Exhibit 10.19 to form 10-K for the year ended December 31, 1991.

10.19.1 Amendment to Lease between Registrant and American Cast Iron Pipe Company for pipe coating facility in Birmingham, AL, dated November 15, 2000.

10.20 Asset Purchase Agreement, dated June 5, 1998 by and among the Registrant and Northwest Pipe Company, filed as Exhibit 10.20 to Form 8-K on June 18, 1998.

10.21 Stock Purchase Agreement, dated June 3, 1999, by and among the Registrant and the shareholders of CXT Incorporated, filed as Exhibit 10.0 to Form 8-K on July 14, 1999.

10.33.2 Amended and Restated 1985 Long-Term Incentive Plan, as amended and restated February 26, 1997, filed as Exhibit 10.33.2 to Form 10-Q for the quarter ended June 30, 1997. **

10.34 Amended and Restated 1998 Long-Term Incentive Plan, as amended and restated February 2, 2001, filed as Exhibit 10.34 to Form 10-K for the year ended December 31, 2000. **

10.45 Medical Reimbursement Plan, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 1992. **

10.46 Leased Vehicle Plan, as amended and restated, filed as Exhibit 10.46 to form 10-K for the year ended December 31, 2000. **

10.50 L.B. Foster Company 2001 Incentive Compensation Plan, filed as Exhibit 10.50 to Form 10-K for the year ended December 31, 2000. **

10.51 Supplemental Executive Retirement Plan, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 1994. **

19 Exhibits marked with an asterisk are filed herewith.

** Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

b) Reports on Form 8-K

No reports on Form 8-K were filed by the Registrant during the six-month period ended June 30, 2001.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

L.B. FOSTER COMPANY
(Registrant)

Date: August 14, 2001

By:/s/Lee B. Foster
Lee B. Foster II
Chairman of the Board
and Chief Executive Officer
(Duly Authorized Officer of
Registrant)