UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

(Mark One)

[x] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITES EXCHANGE ACT OF 1934 (No Fee Required)

For the Fiscal Year Ended December 31, 1998

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the Transition Period from __________ to __________

Commission File Number 0-10436

L. B. FOSTER COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania	25-1324733
(State of Incorporation)	(I.R.S. Employer Identification No.)

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

Registrant's telephone number, including area code: (412) 928-3400

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

Title of Each Class	Name of Each Exchange On Which Registered
None	

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value $.01

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The aggregate market value on March 18, 1998 of the voting stock held by nonaffiliates of the Company was $45,422,431.

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

Class	Outstanding at March 18, 1999
Common Stock, Par Value $.01	9,839,404 Shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 1998 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12 and 13 of Part III.

Part I

ITEM 1. BUSINESS

Summary Description of Businesses

L. B. Foster Company is engaged in the manufacture, fabrication and distribution of rail and trackwork, piling, highway products, earth wall systems, tubular products, and portable mass spectrometers. As used herein, "Foster" or the "Company" means L. B. Foster Company and its divisions and subsidiaries, unless the context otherwise requires.

For rail markets, Foster provides a full line of new and used rail, trackwork, and accessories to railroads, mines and industry. The Company also designs and produces insulated rail joints, power rail, track fasteners, catenary systems, coverboards, signaling and communication devices, and special accessories for mass transit and other rail systems, worldwide.

For the construction industry, the Company sells and rents steel sheet piling and H-bearing pile for foundation and earth retention requirements. In addition, Foster supplies bridge decking, expansion joints, overhead sign structures, mechanically stabilized earth wall systems and other products for highway construction and repair.

For tubular markets, the Company supplies pipe and pipe coatings for pipelines and utilities. The Company produces pipe-related products for special markets, including water wells and irrigation.

The Company classifies its activities into four business segments: rail products, construction products, tubular products, the Monitor Group, and other. Financial information concerning the segments is set forth in Note 19 to the financial statements included in the Company's Annual Report to Stockholders for 1998. The following table shows for the last three fiscal years the net sales generated by each of the current business segments as a percentage of total net sales.

	Percentage of Net Sales		
	1998	1997	1996
Rail Products	55%	51%	46%
Construction Products	24%	25%	32%
Tubular Products	21%	24%	22%
Monitor Group	0%	0%	0%
Other	0%	0%	0%
	100%	100%	100%

RAIL PRODUCTS

L. B. Foster Company's rail products include heavy and light rail, relay rail, insulated rail joints, rail accessories, transit products and signaling and communication devices. The Company is a major rail products supplier to industrial plants, contractors, railroads, mines and mass transit systems.

The Company sells heavy rail mainly to transit authorities, industrial companies, and rail contractors for railroad sidings, plant trackage, and other carrier and material handling applications. Additionally, the Company makes some sales of heavy rail to railroad companies and to foreign buyers. The Company sells light rail for mining and material handling applications.

Rail accessories include trackwork, ties, track spikes, bolts, angle bars and other products required to install or maintain rail lines. These products are sold to railroads, rail contractors and industrial customers and are manufactured within the company or purchased from other manufacturers.

The Company's Allegheny Rail Products (ARP) division engineers and markets insulated rail joints and related accessories for the railroad and mass transit industries, worldwide. Insulated joints are made in-house and subcontracted.

The Company's Transit Products division supplies power rail, direct fixation fastener, coverboards and special accessories primarily for mass transit systems. Most of these products are manufactured by subcontractors and are usually sold by sealed bid to transit authorities or to rail contractors, worldwide.

The Company's Mining division sells new and used rail, rail accessories, trackwork from the Pomeroy, Ohio plant and iron clad ties from the Watson-Haas Lumber Division in St. Mary's, West Virginia. The Pomeroy, Ohio plant also produces trackwork for industrial and export markets.

The Company's Rail Technologies subsidiary supplies rail signaling and communication devices to North American railroads.

CONSTRUCTION PRODUCTS

L. B. Foster Company's construction products consist of sheet and bearing piling and fabricated highway products.

Sheet piling products are interlocking structural steel sections that are generally used to provide lateral support at construction sites. Bearing piling products are steel H-beam sections which, in their principal use, are driven into the ground for support of structures such as bridge piers and high-rise buildings. Sheet piling is sold or leased and bearing piling is sold principally to contractors and construction companies.

Other construction products consist of fabricated highway products. Fabricated highway products consist principally of bridge decking, aluminum bridge rail, overhead sign structures and other bridge products, which are fabricated by the Company, as well as mechanically stabilized earth wall systems. The major purchasers of these products are contractors for state, municipal and other governmental projects.

Sales of the Company's construction products are partly dependent upon the level of activity in the construction industry. Accordingly, sales of these products have traditionally been somewhat higher during the second and third quarters than during the first and fourth quarters of each year.

TUBULAR PRODUCTS

The Company adds value to purchased tubular products by preparing them to meet customer specifications using various fabricating processes, including the finishing of oil country tubular goods and the welding, coating, wrapping and lining of other pipe products.

The Company provides fusion bond and other coatings for corrosion protection on oil, gas and other pipelines.

The Company also supplies special pipe products such as water well casing, column pipe, couplings, and related products for agricultural, municipal and industrial water wells.

MONITOR GROUP

The Company's Monitor Group designs, develops, assembles and sells portable mass spectrometers. Mass spectrometers are used to measure gas compositions and concentrations for various applications, including monitoring air quality for the mining industry and serving as a process monitor and diagnostic tool in chemical manufacturing industries.

MARKETING AND COMPETITION

L. B. Foster Company generally markets its rail, construction and tubular products directly in all major industrial areas of the United States through a national sales force of 46 salespeople. The Company maintains 15 sales offices and 15 plants or warehouses nationwide. During 1998, approximately 4% of the Company's total sales were for export.

The major markets for the Company's products are highly competitive. Product availability, quality, service and price are principal factors of competition within each of these markets. No other company provides the same product mix to the various markets the Company serves. There are one or more companies that compete with the Company in each product line. Therefore, the Company faces significant competition from different groups of companies.

RAW MATERIALS AND SUPPLIES

Most of the Company's inventory is purchased in the form of finished or semifinished product. With the exception of relay rail which is purchased from railroads or rail take-up contractors, the Company purchases most of its inventory from domestic and foreign steel producers. There are few domestic suppliers of new rail products and the Company could be adversely affected if a domestic supplier ceased making such material available to the Company. Additionally, the Company has not had a domestic sheet piling supplier since March 1997. See Note 17 to the consolidated financial statements for additional information on this matter.

The Company's purchases from foreign suppliers are subject to the usual risks associated with changes in international conditions and to United States laws which could impose import restrictions on selected classes of products and antidumping duties if products are sold in the United States below certain prices.

BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 1998 and 1997 by segment follows:

(in thousands)	December 31, 1998	December 31, 1997
Rail Products	$ 62,481	$ 51,584
Construction Products	42,542	23,284
Tubular Products excluding Fosterweld	3,541	1,660
Fosterweld		2,295
Monitor Group		
	$ 108,564	$ 78,823

Approximately 95% of the December 31, 1998 backlog is expected to be shipped in 1999.

RESEARCH AND DEVELOPMENT

The Company's expenditures for research and development are negligible.

ENVIRONMENTAL DISCLOSURES

While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly for future remediation and other compliance efforts, in the opinion of management compliance with environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company. However, the Company's efforts to comply with increasingly stringent environmental regulations may have an adverse effect on the Company's future earnings.

EMPLOYEES AND EMPLOYEE RELATIONS

The Company has 529 employees, of whom 262 are hourly production workers and 267 are salaried employees. Approximately 80 of the hourly paid employees are represented by unions. The Company has not suffered any major work stoppages during the past five years and considers its relations with its employees to be satisfactory.

Substantially all of the Company's hourly paid employees are covered by one of the Company's noncontributory, defined benefit plans and a defined contribution plan. Substantially all of the Company's salaried employees are covered by a defined contribution plan established by the Company.

ITEM 2. PROPERTIES

The location and general description of the principal properties which are owned or leased by L. B. Foster Company, together with the segment of the Company's business using the properties, are set forth in the following table:

Location	Function	Acres	Business Segment	Lease Expires
Birmingham, Alabama	Pipe coating.	32	Tubular	2002
Doraville, Georgia	Fabrication of components for highways. Yard storage.	28	Tubular, Rail and Construction	Owned
Newport, Kentucky	Pipe coating.	20	Tubular	1999
Niles, Ohio	Rail fabrication. Yard storage.	35	Rail	Owned
Pomeroy, Ohio	Trackwork manufacturing.	5	Rail	Owned
Houston, Texas	Casing, upset tubing, threading, heat treating and painting. Yard storage.	127	Tubular, Rail and Construction	Owned
Bedford, Pennsylvania	Bridge component fabricating plant.	10	Construction	Owned
Pittsburgh, Pennsylvania	Corporate Headquarters.	-	Corporate	2007
Georgetown, Massachusetts	Bridge component fabricating plant	11	Construction	Owned

Including the properties listed above, the Company has 15 sales offices and 15 warehouse, plant and yard facilities located throughout the country. The Company's facilities are in good condition and the Company believes that its production facilities are adequate for its present and foreseeable requirements.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED MATTERS

STOCK MARKET INFORMATION
The Company had 882 common shareholders of record on January 29, 1999. Common stock prices are quoted daily through the National Association of Security Dealers, Inc. in its over-the-counter NASDAQ quotation service (Symbol FSTR). The quarterly high and low bid price quotations for common shares (which represent prices between broker-dealers and do not include markup, markdown or commission and may not necessarily represent actual transactions) follow:

	1998		1997	
Quarter	High	Low	High	Low
First	$ 5 5/8	$ 4 3/8	$ 4 1/8	$ 3 11/16
Second	5 9/16	5	5	3 1/4
Third	5 7/8	4 3/8	5 7/8	4 1/2
Fourth	6 5/8	3 3/4	6	4 7/8

Dividends

No cash dividends were paid on the Company's Common stock during 1998 and 1997.

ITEM 6. SELECTED FINANCIAL DATA
(All amounts are in thousands except per share data)

	Year Ended December 31,				
INCOME STATEMENT DATA	1998 (1)	1997	1996	1995 (2)	1994
Net sales	$219,475	$220,343	$243,071	$264,985	$234,262
Operating profit	7,313	7,164	8,195	6,769	6,184
Income before cumulative effect of change in accounting principle	4,377	3,287	3,858	5,043	5,440
Net income	4,377	3,287	3,858	4,824	5,440
Basic earnings per common share before cumulative effect of change in accounting principle	0.44	0.32	0.39	0.51	0.55
Basic earnings per common share	0.44	0.32	0.39	0.49	0.55
Diluted earnings per common share before cumulative effect of change in accounting principle	0.43	0.32	0.38	0.50	0.55
Diluted earnings per common share	0.43	0.32	0.38	0.48	0.55

	December 31,				
BALANCE SHEET DATA	1998	1997	1996	1995	1994
Total assets	$119,434	$126,969	$123,004	$124,423	$122,585
Working capital	54,891	60,096	62,675	57,859	52,519
Long-term debt	13,829	17,530	21,816	25,034	22,377
Stockholders' equity	73,494	70,527	67,181	63,173	58,319

(1) In 1998, the Company recognized a gain on the sale of the Fosterweld division of the tubular segment of approximately $1,700,000, a write down of approximately $900,000 on a property subject to a sale negotiation, and a provision for losses of approximately $900,000 relating to certain sign structure contracts in the construction segment.

(2) Effective January 1, 1995, the Company adopted FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The effect of the adoption was to decrease net income by $219,000 or $0.02 per share.

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

RESULTS OF OPERATIONS
(Dollars in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,		
	1998	1997	1998	1997	1996
Net Sales:					
Rail Products	$ 38,322	$ 32,882	$121,271	$112,712	$111,750
Construction Products	13,697	10,745	51,870	55,923	77,933
Tubular Products	8,850	11,570	46,044	51,762	53,323
Monitor Group			26		
Other	21	1	264	(54)	65
Total Net Sales	$ 60,890	$ 55,198	$219,475	$220,343	$243,071
Gross Profit:					
Rail Products	$ 5,913	$ 4,450	$ 18,675	$ 15,025	$ 15,551
Construction Products	2,384	2,132	9,440	9,608	10,234
Tubular Products	1,009	1,156	5,675	5,661	5,069
Monitor Group	(297)	(288)	(958)	(565)	
Other	14	(366)	(579)	(652)	106
Total Gross Profit	9,023	7,084	32,253	29,077	30,960
Expenses:					
Selling and Administrative Expenses	7,157	5,431	24,940	21,913	22,765
Interest Expense	254	650	1,631	2,495	2,365
Other (Income) Expense	(198)	(161)	(1,731)	(475)	(600)
Total Expenses	7,213	5,920	24,840	23,933	24,530
Income Before Income Taxes	1,810	1,164	7,413	5,144	6,430
Income Tax Expense	793	367	3,036	1,857	2,572
Net Income	$ 1,017	$ 797	$ 4,377	$ 3,287	$ 3,858
Gross Profit %:					
Rail Products	15.4%	13.5%	15.4%	13.3%	13.9%
Construction Products	17.4%	19.8%	18.2%	17.2%	13.1%
Tubular Products	11.4%	10.0%	12.3%	10.9%	9.5%
Monitor Group	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A
Total Gross Profit %	14.8%	12.8%	14.7%	13.2%	12.7%

FOURTH QUARTER OF 1998 VS. FOURTH QUARTER OF 1997

The net income for the current quarter was $1.0 million or $0.11 basic earnings per share. This compares to a 1997 fourth quarter net income of $0.8 million or $0.08 basic earnings per share. Net sales in 1998 were $60.9 million or 10% higher than the comparable quarter last year.

Rail products' net sales of $38.3 million increased 17% from the 1997 fourth quarter, primarily due to higher sales volume in project sales primarily to transit systems. Construction products' net sales in the 1998 fourth quarter increased 27% from the year earlier quarter. This increase was the result of sales generated by the Foster Geotechnical Division acquired in August of 1998 and the sale of piling products other than sheet piling. Tubular products' net sales declined 24% over last year's fourth quarter which reflects the June 1998 sale of the Company's Fosterweld division. Changes in net sales are primarily the result of changes in volume rather than changes in pricing.

The gross margin percentage for the total Company increased to 15% in the 1998 fourth quarter compared to 13% from the same period last year. The gross margin percentage for the rail products segment increased to 15% from 14% primarily due to a shift to higher margin products. Construction products' gross margin percentage declined to 17% from 20% due to a shift in mix resulting from the diminishing supply of sheet piling and an increase in the sale of other piling products. The gross margin percentage for tubular products increased to 11% from 10% in the fourth quarter of 1998 which reflects the suspension of production of lower margin coating operations at the Newport facility.

The Monitor Group had costs and expenses totaling $0.3 million in the fourth quarter of 1998 compared to $0.4 million in the same period of 1997 and no revenues in the fourth quarter of 1998 or 1997.

Selling and administrative expenses increased 32% from the same period last year principally due to expenses associated with recent acquisitions. Interest expense decreased 61% over the year earlier quarter due to a reduction in outstanding borrowings, principally resulting from the receipt of Fosterweld sale proceeds. The income tax provision for the fourth quarter of 1998 was recorded at 44% compared to 32% in the same period last year due primarily to the effect of adjustments to prior year tax liabilities. See Note 12 for more information regarding income taxes.

The Year 1998 Compared to the Year 1997

Net income for 1998 was $4.4 million or $0.44 basic earnings per share on net sales of $219.5 million. This compares to a net income of $3.3 million or $0.32 basic earnings per share for 1997 on net sales of $220.3 million.

Rail products' 1998 net sales were $121.3 million compared to $112.7 million in 1997. This 8% increase resulted primarily from higher sales volume of project sales primarily to transit systems. Construction products' net sales declined 7% to $51.9 million compared to $55.9 million in 1997, as the loss of sheet piling sales more than offset increased volume brought about by an entire years' sales of the Precise fabricating division. Net sales of tubular products declined 11% in 1998 as a result of the sale of the Company's Fosterweld division.

The gross margin percentage for the Company in 1998 increased to 15% from 13% in 1997. Rail products' gross margin percentage increased to 15% from 13% primarily due to higher gross margin on certain relay rail and transit projects. The gross profit percentage for construction products increased to 18% from 17% last year as a result of high demand for a limited supply of sheet piling products and the addition of the Foster Geotechnical division which offset losses associated with certain catenary fabrication contracts. Tubular products' gross margin percentage increased to 12% in 1998 from 11% in 1997 primarily due to higher margins on coated pipe products and the effect of the suspension of operations of the Newport facility.

The Monitor Group had costs and expenses totaling $1.2 million in 1998 and $0.7 million in 1997 including $0.2 million in both 1998 and 1997 for the amortization of intangible assets. Revenues for 1998 were negligible and below management expectations and there were no revenues in 1997.

Selling and administrative expenses for 1998 were 14% higher than in 1997. The increase was primarily due to added expenses associated with the operation of the Company's recently acquired Precise and Geotechnical divisions and increased incentive related compensation associated with increased corporate profits. Interest expense decreased 35% due to a reduction in outstanding borrowings, principally resulting from the receipt of Fosterweld sale proceeds. Other income in 1998 included the $1.7 million gain on the sale of the Fosterweld division, the $0.9 million write down of the recorded land value at the Langfield, Texas facility, and gains on sales of other assets totaling $0.6 million. The provision for income taxes in 1998 is recorded at 41% versus 36% in 1997. The increase in the effective tax rate from 1997 is due primarily to the effect of adjustments to prior year tax liabilities. See Note 12 to the consolidated financial statements for more information regarding income taxes.

The Year 1997 Compared to the Year 1996

The net income for 1997 was $3.3 million or $0.32 basic earnings per share. This compares to 1996 net income of $3.9 million or $0.39 basic earnings per share.

Rail products' 1997 sales were unchanged from 1996. Construction products' net sales decreased 28% in 1997 due primarily to the loss of the Company's sheet piling supplier. Sales of tubular products declined 3% as a result of lower coated pipe and Fosterweld spiralweld pipe sales. Changes in net sales are primarily the result of changes in volume rather than changes in pricing.

The gross profit margin percentage for the Company remained at 13% in 1997. Rail products' gross margin percentage in 1997 declined slightly to 13% from 14% in 1996. This decline was the result of increased competition in industrial and mining trackwork and transit products. The gross margin percentage for construction products in 1997 increased to 17% from 13% in 1996 as a result of a limited supply of sheet piling due to the Company's primary supplier ceasing operations in March of 1997. Tubular products' gross margin percentage increased to 11% in 1997 as a result of increased prices and improved productivity for coating products.

The Monitor Group, acquired in May 1997, had costs and expenses totaling $0.7 million and no revenues in 1997.

In 1997, selling and administrative expense declined 4% principally because of a decline in incentive related compensation expenses. Interest expense increased 5% due to higher borrowings related to the acquisitions of the assets of the Monitor Group, Precise Fabricating Corporation, and Watson-Haas Lumber Company. The effective income tax rate declined to 36% from 40% due primarily to the effect of favorable adjustments to prior year tax liabilities.

Liquidity and Capital Resources

The Company generates internal cash flow from the sale of inventory and the collection of accounts receivable. During 1998, the average turnover rate for accounts receivable was higher than in 1997 due to an increase in collection rate for piling and certain rail products. The average turnover rate for inventory was higher in 1998 than in 1997 primarily in new and relay rail. Working capital at December 31, 1998 was $54.9 million compared to $60.1 million in 1997.

During 1998, the Company had capital expenditures of $2.8 million. In addition, the Company repurchased $1.8 million of its common stock in accordance with the Company's previously announced program to repurchase up to 500,000 shares. Since inception of this program, through December 31, 1998, the Company repurchased 436,489 shares at $2.3 million. During the first quarter of 1999, the Company completed this program for a total of $2.8 million. The Company has announced another program to purchase an additional 1.0 million shares. Capital expenditures in 1999, excluding acquisitions, are expected to increase approximately $1.5 million over 1998 due to the planned creation of a piling storage yard near the Chaparral plant currently being built in Virginia. Capital expenditures are anticipated to be funded by cash flows from operations.

Total revolving credit agreement borrowings at December 31, 1998, were $12.3 million or a decrease of $20.8 million from the end of the prior year. At December 31, 1998, the Company had $30.0 million in unused borrowing commitment. The Company borrowed $2.0 million through an industrial revenue bond to finance part of the Precise Fabricating Corporation acquisition. Outstanding letters of credit at December 31, 1998, were $2.7 million. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

On August 13, 1998, the Company amended its $45,000,000 senior secured revolving credit agreement. The amended agreement replaced the November 1995 revolving credit agreement that had a maturity date of July 1999. This amended agreement expires August 13, 2002 and can be extended at the mutual consent of the Company and its lenders. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate. The interest rates are adjusted quarterly based on the ratio of total indebtedness to earnings before income taxes, depreciation and amortization ("EBITDA") as defined in the agreement. The ranges are prime to prime plus 0.125%, the CD rate plus 0.35% to the CD rate plus 1.375%, and the Euro-bank rate plus 0.35% to the Euro-bank rate plus 1.375%. Borrowings under the agreement are secured by accounts receivable and inventory.The agreement includes financial convenants requiring a minimum net worth, a fixed charge coverage ratio, and a maximum ratio of total indebtedness to EBITDA.

Dakota, Minnesota and 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 December 31, 1998, the Company's investment in the stock was recorded in the Company's accounts at its historical cost of $1.7 million, comprised of, $0.2 million of common stock and $1.5 million of the DM&E's Series B Preferred Stock and warrants. On January 13, 1999, the Company increased its investment in the DM&E by acquiring $6.0 million of DM&E Series C Preferred Stock and warrants. On a fully diluted basis, the Company owns approximately 16% of the DM&E's common stock. 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 significantly more than its historical cost.

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 DM&E also has announced that the estimated cost of this project is $1.4 billion. The Project is subject to approval by the Surface Transportation Board ("STB"). Morgan Stanley & Co., Inc. has been retained by the DM&E to assist in identifying strategic partners or potential acquirers of all or a portion of the equity of the DM&E.

In December 1998, the STB made a finding that the DM&E had satisfied the transportation aspects of applicable regulations. The STB still must address the extent and nature of the project's environmental impact and whether such impact can be adequately mitigated. New construction on this project may not begin until the STB reaches a final decision.

The DM&E has stated that the DM&E 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.

Other Matters

In May 1997, the Company acquired the assets of the Monitor Group for $2.5 million, of which $2.2 million was allocated to intangible assets. In addition, the Company has funded operating and development expenses totaling $1.9 million at December 31, 1998 including $0.4 million for amortization of intangibles. Results to date have been well below management expectations. A comprehensive review of Monitor Group's progress is currently underway. Management believes that the ultimate outcome of the review will not materially affect the financial position or cash flows of the Company although the outcome could be material to the reported results of operations for the period in which it occurs.

In May 1998, with the approval of its shareholders, the Company reincorporated from Delaware to Pennsylvania. The principal reason for reincorporating the Company in Pennsylvania was to eliminate the Company's liability for Delaware franchise tax. Pennsylvania corporations that have a class of stock registered under the Securities Exchange Act of 1934 are automatically subject to certain anti-takeover provisions of the Pennsylvania Business Corporation Law of 1988, as amended, unless the articles of incorporation provide that those provisions shall not apply to the corporation. The Company has opted out of those anti-takeover provisions by having its articles of incorporation expressly state that they shall not apply to the corporation.

In June 1998, the Company sold to Northwest Pipe Company of Portland, Oregon, the plant, equipment, inventory, leasehold and contract rights and miscellaneous assets related to its Fosterweld division for a gain of $1.7 million. The purchase price for the plant, buildings, equipment, leasehold and contract rights and miscellaneous assets was $5.3 million and inventory net of payables of approximately $2.0 million.

Also in June 1998, the Company agreed, subject to certain contingencies, to sell certain Houston, Texas property for approximately $3.8 million. In anticipation of this sale, the Company accrued $0.9 million for the loss. Although the original sales agreement has terminated, negotiations are continuing for sale of a portion of this 127 acre site.

In July 1998, the Company purchased, for approximately $1.7 million, assets primarily comprised of intellectual property related to the business of supplying rail signaling and communication devices.

In August 1998, the Company purchased $2.0 million of assets and $0.1 million of intangibles of the Geotechnical Division of VSL Corporation. The Geotechnical Division is a leading designer and supplier of mechanically-stabilized earth wall systems.

In September 1998, the Company suspended production at its Newport, Kentucky pipe coating facility due to unfavorable market conditions. Management is currently evaluating the long term viability of this operation. Management options include resumption of operations, relocation, or sale of the assets. The net book value of the Newport facility coating assets at December 31, 1998 was $1.5 million. 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.

Year 2000 Impact On Computer Systems

Because many existing computer programs have been programmed to use a two digit number to represent the year (e.g., "98" for "1998"), the Company has analyzed its computer software systems to ensure that they are capable of correctly identifying the year "2000" and beyond in all computer transactions. The Company understands the seriousness of this issue and its Board of Directors has requested an update of the Company's year 2000 compliance at each Board meeting.

The Company installed integrated accounting and distribution software licensed from a national vendor in 1992 and has periodically installed updated releases of the software to take advantage of technological advances and improvements over prior releases in the ordinary course of business. The current releases of this vendor's software are year 2000 compliant. The Company installed the year 2000 compliant release including modifications unrelated to the year 2000 issue to suit the Company's business in May 1998. The Company completed the testing of these modifications and placed these systems in production in January 1999. Management does not anticipate any adverse impact on becoming year 2000 compliant. The costs associated with the installation of the year 2000 compliant release are considered by management to be in the ordinary course of business and are not material to its financial results.

In addition, the Company has conducted a review of its production equipment and has determined that it is year 2000 compliant. The Company has also surveyed key vendors and suppliers to determine the extent of their year 2000 compliance readiness and planned action to become year 2000 compliant.

The Company has minimal direct or indirect computer data transfer with outside customers, vendors and suppliers other than major banks, whose year 2000 compliance efforts are well underway. Based on this fact, as well as internal assessments, and formal and informal communications with customers, vendors and suppliers, the Company presently believes that the year 2000 compliance issue should not have an adverse impact on the Company's financial position, results of operation or cash flow. A failure of third party vendors or suppliers to be year 2000 compliant could affect these beliefs and is not quantifiable.

The most reasonably likely worse case scenario of failure by the Company or its suppliers or customers to resolve year 2000 problems would be a temporary inability on the part of the Company to timely process orders and to deliver finished products to customers. Delays in meeting customers' orders would affect the timing of billings to and payments received from customers in respect of orders and could result in other liabilities. Customers' year 2000 problems could also delay the timing of payments to the Company for orders.

Outlook

The Company has not had a domestic sheet piling supplier since March, 1997. Revenues from piling products have declined and will continue to be at reduced levels as the Company's remaining piling inventory is liquidated. The Company, however, will become Chaparral Steel's exclusive North American distributor of steel sheet piling and "H" bearing pile when Chaparral's new Richmond, Virginia facility begins operations. This mill will produce structural shape beams, sheet piling, "H" pile sections and other structural shapes and beams. It is anticipated that this new facility will commence operations in May 1999, with piling production anticipated during the second half of 1999.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. The Company has provided $9.5 million of working capital to this supplier in the form of loans and progress payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings.

The Company is also dependent on the availability of specially designed weld trains to ship certain products. The Company has experienced delays in certain projects due to the lack of availability of weld trains. The Company can provide no assurances that a solution to the problem will occur in the near-term.

A substantial portion of the Company's operations are heavily dependent 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.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 1998, was approximately $108.6 million. The following table provides the backlog by business segment.

(Dollars in thousands)	December 31, 1998	1997	1996
Backlog:			
Rail Products	$ 62,481	$ 51,584	$ 36,100
Construction Products	42,542	23,284	28,080
Tubular Products excluding Fosterweld	3,541	1,660	6,426
Fosterweld		2,295	4,902
Monitor Group	0	0	-
Total Backlog	$108,564	$ 78,823	$ 75,508

Market Risk and Risk Management Policies

The Company is not subject to significant exposure to change in foreign currency exchange rates. The Company does not hedge the cash flows of the operations of its foreign subsidiary. The Company manages its exposures to changes in foreign currency exchange rates on firm sales 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 year end, no foreign currency forward contracts were outstanding.

The Company is also exposed to changes in interest rates primarily from its long-term debt arrangements. The Company uses interest rate derivative instruments to manage exposure to interest rate changes.

The Company has entered into interest rate swap agreements as the fixed rate payor to reduce the impact of changes in interest rates on a portion of its revolving borrowings. At December 31, 1998, these swap agreements had a notional value of $18,000,000, consisting of $8,000,000 at 5.48%, expiring in January 2001, and $10,000,000, at 6.14%, expiring in June 1999. The swap agreements' floating rates are based on LIBOR. Any amounts paid or received under the agreements are recognized as adjustments to interest expense. Neither the fair market value of the agreements nor the interest expense adjustments associated with the agreements has been material.

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 assessments 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 governmental approvals for the Project in a timely fashion, an inability to obtain financing for the Project, competitors' responses to the Project, market demand for coal or electricity and changes in environmental and other 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. 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.

/s/Roger F. Nejes
Roger F. Nejes
Senior Vice President
Finance and Administration
Chief Financial Officer

/s/Linda K. Patterson
Linda K. Patterson
Controller

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

ASSETS (In thousands)	1998	1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 874	$ 1,156
Accounts receivable	47,311	47,586
Inventories	36,418	43,365
Current deferred tax assets		123
Other current assets	614	557
Property held for resale		3,461
Total Current Assets	85,217	96,248
PROPERTY, PLANT AND EQUIPMENT - at cost	20,445	20,775
PROPERTY HELD FOR RESALE	615	615
OTHER ASSETS :		
Goodwill and intangibles	5,666	4,484
Investments	1,693	1,693
Other assets	5,798	3,154
Total Other Assets	13,157	9,331
TOTAL ASSETS	$ 119,434	$ 126,969

LIABILITIES AND STOCKHOLDERS' EQUITY (In thousands, except share data)	1998	1997
CURRENT LIABILITIES:		
Short-term borrowings	$ 2,275	$ 18,111
Current maturities of long-term debt	1,098	1,309
Accounts payable - trade	19,667	12,524
Accrued payroll and employee benefits	4,498	3,008
Current deferred tax liabilities	334	
Other accrued liabilities	2,454	1,200
Total Current Liabilities	30,326	36,152
LONG-TERM DEBT	13,829	17,530
DEFERRED TAX LIABILITIES	678	554
OTHER LONG-TERM LIABILITIES	1,107	2,206
COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)		
STOCKHOLDERS' EQUITY:		
Common stock, issued 10,228,739 shares in 1998 and in 1997	102	102
Paid-in capital	35,431	35,434
Retained earnings	40,002	35,625
Treasury stock - at cost, Common stock, 378,233 shares in 1998 and 161,501 shares in 1997	(2,046)	(653)
Accumulated other comprehensive income	5	19
Total Stockholders' Equity	73,494	70,527
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 119,434	$ 126,969

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE YEARS ENDED
DECEMBER 31, 1998

(In thousands, except per share data)	1998	1997	1996
NET SALES	$ 219,475	$ 220,343	$ 243,071
COSTS AND EXPENSES:			
Cost of goods sold	187,222	191,266	212,111
Selling and admin-istrative expenses	24,940	21,913	22,765
Interest expense	1,631	2,495	2,365
Other income	(1,731)	(475)	(600)
	212,062	215,199	236,641
INCOME BEFORE INCOME TAXES	7,413	5,144	6,430
INCOME TAX EXPENSE	3,036	1,857	2,572
NET INCOME	$ 4,377	$ 3,287	$ 3,858
BASIC EARNINGS PER COMMON SHARE	$ 0.44	$ 0.32	$ 0.39
DILUTED EARNINGS PER COMMON SHARE	$ 0.43	$ 0.32	$ 0.38

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
CASH FLOWS FOR THE THREE YEARS
ENDED DECEMBER 31, 1998

(In thousands)	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 4,377	$ 3,287	$ 3,858
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Deferred income taxes	581	1,251	2,203
Depreciation and amortization	3,051	2,687	3,169
Gain on sale of property, plant and equipment	(1,360)	(112)	(540)
Change in operating assets and liabilities:			
Accounts receivable	1,738	3,471	(1,641)
Inventory	3,261	770	(2,621)
Property held for resale	261	(54)	1,508
Other current assets	(46)	(159)	433
Other noncurrent assets	(2,673)	(340)	(1,020)
Accounts payable - trade	8,394	(8,742)	995
Accrued payroll and employee benefits	1,490	(537)	861
Other current liabilities	1,254	(941)	(945)
Other liabilites	(1,099)	328	530
Net Cash Provided by Operating Activities	19,229	909	6,790
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	1,269	1,578	2,277
Proceeds from the sale of Fosterweld division	7,258		
Capital expenditures on property, plant and equipment	(2,784)	(2,068)	(2,336)
Purchase of DM&E stock		(1,500)	
Acquisition of businesses	(3,774)	(6,739)	
Net Cash Provided (Used) by Investing Activities	1,969	(8,729)	(59)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayments) proceeds of revolving credit agreement borrowings	(20,836)	9,111	(5,750)
Proceeds from industrial revenue bond	2,045		
Exercise of stock options and stock awards	412	571	150
Treasury share transactions	(1,808)	(531)	
Repayments of long-term debt	(1,293)	(1,376)	(1,255)
Net Cash (Used) Provided by Financing Activities	(21,480)	7,775	(6,855)
Net Decrease in Cash and Cash Equivalents	(282)	(45)	(124)
Cash and Cash Equivalents at Beginning of Year	1,156	1,201	1,325
Cash and Cash Equivalents at End of Year	$ 874	$ 1,156	$ 1,201
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest Paid	$ 1,839	$ 2,493	$ 2,376
Income Taxes Paid	$ 2,136	$ 627	$ 410

During 1998, 1997, and 1996, the Company financed certain capital expenditures and related maintenance agreements totaling $336,000, $33,500 and $137,000, respectively, through the issuance of capital leases.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE THREE YEARS ENDED DECEMBER 31, 1998

(In thousands)	Class A Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance, January 1, 1996	$102	$35,148	$28,480	$ (557)		$63,173
Net Income			3,858			3,858
Comprehensive income			3,858			3,858
Exercise of option to purchase 50,000 shares of Class A Common stock		128		22		150
Balance, December 31, 1996	102	35,276	32,338	(535)		67,181
Net Income			3,287			3,287
Other comprehensive income net of tax:						
Minimum pension liability adjustment					$19	19
Comprehensive income			3,287		19	3,306
Exercise of options to purchase 190,000 shares of Class A Common stock		158		413		571
Treasury stock purchases of 105,500 shares				(531)		(531)
Balance, December 31, 1997	102	35,434	35,625	(653)	19	70,527
Net Income			4,377			4,377
Other comprehensive income net of tax:						
Foreign currency translation losses					(14)	(14)
Comprehensive income			4,377		(14)	4,363
Exercise of options to purchase 93,200 shares of Common stock and stock awards of 21,057 shares		(3)		415		412
Treasury stock purchases of 330,989 shares				(1,808)		(1,808)
Balance, December 31, 1998	$102	$35,431	$40,002	$(2,046)	$ 5	$73,494

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated. The term "Company" refers to L. B. Foster Company and its subsidiaries, as the context requires.

CASH EQUIVALENTS - The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

INVENTORIES - Inventories are generally valued at the lower of the last-in, first-out (LIFO) cost or market. Other inventories of the Company, approximately 5% in 1998 and 9% in 1997, are valued at average cost or market, whichever is lower.

PROPERTY, PLANT AND EQUIPMENT - Maintenance, repairs and minor renewals are charged to operations as incurred. Major renewals and betterments which substantially extend the useful life of the property are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of 30 to 40 years for buildings and 5 to 10 years for machinery and equipment. Leasehold improvements are amortized over 2 to 7 years which represent the lives of the respective leases or the lives of the improvements, whichever is shorter.

GOODWILL - Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis over periods of ten years. When factors indicate that goodwill should be evaluated for impairment, the excess of the unamortized goodwill over the fair value determined using a multiple of cash flows from operations will be charged to operations. Goodwill amortization expense was $521,000, $178,000 and $9,000 in 1998, 1997 and 1996, respectively.

INTEREST RATE AGREEMENTS - To offset exposures to changes in interest rates on variable rate debt, the Company enters into interest rate swap agreements. The effects of movements in interest rates on these instruments are recognized as they occur.

ENVIRONMENTAL REMEDIATION AND COMPLIANCE - Environmental remediation costs are accrued when the liability is probable and costs are estimable. Environmental compliance costs, which principally include the disposal of waste generated by routine operations, are expensed as incurred. Capitalized environmental costs are depreciated, when appropriate, over their useful life.

EARNINGS PER SHARE - Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average of common shares outstanding during the year. Diluted earnings per share is calculated by using the weighted average of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options.

REVENUE RECOGNITION - Customers are invoiced and income is recognized when material is shipped from stock or when the Company is billed for material shipped directly from the vendor. Gross sales are reduced by sales taxes, discounts and freight to determine net sales.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

STOCK-BASED COMPENSATION - The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company follows the requirements of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock-based compensation, and, accordingly, recognizes no compensation expense for stock option grants.

NEW ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments and hedging activities. This statement will be adopted by the Company in 2000 and is not expected to have a material effect on the consolidated financial statements.

FOREIGN CURRENCY TRANSLATION - To avoid foreign exchange exposure whenever possible, where it is necessary to deal in foreign currency, the Company will not take a speculative position. Hedging techniques are used to protect transaction costs and profits.

NOTE 2.
ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 1998 and 1997 are summarized as follows:

(in thousands)	1998	1997
Trade	$47,948	$46,490
Allowance for doubtful accounts	(1,438)	(1,468)
Other	801	2,564
	$47,311	$47,586

The Company's customers are principally in the rail, construction and tubular segments of the economy. As of December 31, 1998 and 1997, trade receivables, net of allowance for doubtful accounts, from customers in these markets were as follows:

(in thousands)	1998	1997
Rail	$30,676	$26,258
Construction	12,478	11,177
Tubular	3,329	7,587
Monitor Group	27	
	$46,510	$45,022

Credit is extended on an evaluation of the customer's financial condition and generally collateral is not required.

NOTE 3.
INVENTORIES

Inventories at December 31, 1998 and 1997 are summarized as follows:

(in thousands)	1998	1997
Finished goods	$26,877	$30,380
Work-in-process	7,779	7,826
Raw materials	4,546	8,369
Total inventories at current costs	39,202	46,575
Less:		
Current cost over LIFO stated values	(2,184)	(2,610)
Reserve for decline in market value of inventories	(600)	(600)
	$36,418	$43,365

At December 31, 1998 and 1997, the LIFO carrying value of inventories for book purposes exceeded the LIFO carrying value for tax purposes by approximately $4,345,000 and $4,843,000, respectively. During 1998 and 1997 inventory quantities were reduced resulting in a liquidation of certain LIFO inventory layers. The majority of these quantities were carried at costs which were higher than current purchases. The net effect of these reductions in 1998 and 1997 was to increase cost of goods sold by $146,000 and $21,000, respectively.

NOTE 4.
PROPERTY HELD FOR RESALE

Property held for resale at December 31, 1998 and 1997 consists of the following:

(in thousands)	1998	1997
Location		
Parkersburg, WV		$3,200
Marrero, LA	$ 615	615
Houston, TX		261
Property held for resale	615	4,076

Less current portion		3,461
	$ 615	$ 615

The Parkersburg, West Virginia location consisting of machinery and equipment, buildings and leasehold improvements which comprised the Company's Fosterweld spiralweld pipe division of the tubular segment, was sold in May, 1998 at a gain of approximately $1,700,000, which is included in Other Income in the Consolidated Statements of Income. The Fosterweld division had sales and operating profit of $5,200,000 and $800,000 and $12,200,000 and $1,600,000 for the years ended December 31, 1998 amd 1997, respectively. The Company had previously determined that this product line did not meet the Company's long-range strategic goals.

The Marrero, Louisiana location was formerly used for yard storage. Assets of the location consist of land no longer used in the Company's business. The land is currently being leased to a third party.

The Houston, Texas location was formerly a pipe coal tar coating facility. The Company disposed of the assets in 1998 and recorded a gain on the sale of the facility of approximately $200,000.

NOTE 5.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1998 and 1997 consists of the following:

(in thousands)	1998	1997
Land	$ 6,038	$ 6,930
Improvements to land and leaseholds	4,458	4,186
Buildings	3,879	3,760
Machinery and equipment, including equipment under capitalized leases of $6,867 in 1998 and $7,295 in 1997	28,572	25,905
Rental pile driving equipment		1,178
Construction in progress	626	175
	43,573	42,134
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases of $3,291 in 1998 and $3,162 in 1997	23,128	21,359
	$20,445	$20,775

In the second quarter of 1998, the Company recorded an impairment write down to the recorded value of land at the Langfield, Texas facility of approximately $900,000, which was classified within Other income on the Consolidated Statements of Income. The impairment was determined based upon management's estimate of fair value arising from ongoing negotiations to sell the facility. The negotiations were not consummated; however, management considers the estimate to continue to be an appropriate measure of fair value. The Langfield facility is utilized in the Company's rail, construction and tubular operating segments.

Property, plant and equipment include certain capitalized leases. The following is a schedule, by year, of the future minimum payments under these leases, together with the present value of the net minimum payments as of December 31, 1998:

(In thousands)	Amount
Year ending December 31,	
1999	$1,284
2000	933
2001	553
2002	355
2003 and thereafter	140
Total minimum lease payments	3,265
Less amount representing interest	383
Total present value of minimum payments (Note 8)	2,882
Less current portion of such obligations	1,098
Long-term obligations with interest rates ranging from 7.25% to 8.86%	$1,784

NOTE 6.
OTHER ASSETS AND INVESTMENTS

At December 31, 1998 and 1997, other assets include notes receivable and accrued interest totaling $2,445,000 and $2,258,000, respectively, from investors in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E). The Company also holds investments in the stock of the DM&E, which is recorded at its historical cost of $1,693,000, comprised of, $193,000 of DM&E Common Stock and $1,500,000 of DM&E's Series B Preferred Stock and Common Stock warrants. In January 1999, the Company invested an additional $6,000,000 in DM&E Series C Preferred Stock (see Note 21, Other Subsequent Events). Although the market value of the investments in DM&E stock are not readily determinable, management believes the fair value of this investment exceeds its carrying amount.

Additionally, at December 31, 1998, the Company has classified as non current a $2,000,000 note receivable from a major trackwork supplier (See Note 17, Risks and Uncertainties).

NOTE 7.
BORROWINGS

Effective August 1998, the Company renegotiated its $45,000,000 revolving credit agreement. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate. The interest rates are adjusted quarterly based on the consolidated total indebtedness to EBITDA ratio defined in the agreement. The ranges are prime to prime plus 0.125%, the CD rate plus 0.35% to the CD rate plus 1.375%, and the Euro-bank rate plus 0.35% to the Euro-bank rate plus 1.375%. Borrowings under the agreement, which expires August 13, 2002, are secured by eligible accounts receivable and inventory.

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

As of December 31, 1998, the Company was in compliance with all the agreement's covenants. The weighted average interest rate on short term borrowings was 6.95%, 7.06% and 6.42% in 1998, 1997 and 1996, respectively. At December 31, 1998, the Company had borrowed $12,275,000 under the agreement of which $10,000,000 was classified as long-term (see Note 8). Under the agreement, the Company had approximately $29,990,000 in unused borrowing commitment at December 31, 1998.

NOTE 8.
LONG-TERM DEBT AND RELATED MATTERS

Long-term debt at December 31, 1998 and 1997 consists of the following:

(In thousands)	1998	1997
Revolving Credit Agreement with weighted average interest rate of 6.95% at December 31, 1998 and 7.06% at December 31, 1997, expiring August 13, 2002	$10,000	$15,000
Lease obligations payable in installments through 2003 with a weighted average interest rate of 7.99% at December 31, 1998 and 7.93% at December 31, 1997	2,882	3,839
Massachusettes Industrial Revenue Bond with an average interest rate of 3.73% at December 31, 1998, payable March 1, 2013	2,045	
	14,927	18,839
Less current maturities	1,098	1,309
	$13,829	$17,530

The $10,000,000 revolving credit borrowings included in long-term debt were obtained under the revolving loan agreement discussed in Note 7 and are subject to the sameterms and conditions. This portion of the borrowings is classified as long-term because the Company does not anticipate reducing the borrowings below $10,000,000 during 1999.

The Company has entered into interest rate swap agreements as the fixed rate payor to reduce the impact of changes in interest rates on a portion of its revolving borrowings. At December 31, 1998, these swap agreements had a notional value of $18,000,000, consisting of $8,000,000 at 5.48%, expiring in January 2001, and $10,000,000, at 6.14%, expiring in June 1999. The swap agreements' floating rates are based on LIBOR. Any amounts paid or received under the agreements are recognized as adjustments to interest expense. Neither the fair market value of the agreements nor the interest expense adjustments associated with the agreements has been material.

The maturities of long-term debt for each of the succeeding five years subsequent to December 31, 1998 are as follows: 1999 - $1,098,000; 2000 - $822,000; 2001 - $492,000; 2002 - $10,332,000; 2003 and beyond - $2,183,000.

The Massachusetts Industrial Revenue Bond is secured by a $2,085,000 stand-by letter of credit.

NOTE 9.
STOCKHOLDERS' EQUITY

At December 31, 1997, the number of authorized shares of the Company's Class A Common stock were 20,000,000 shares and Class B Common stock were 1,391,000 shares. No Class B Common shares were issued. On December 31, 1998, and as a result of the Company's reincorporation in Pennsylvania in May, 1998, the Company had authorized shares of 20,000,000 in Common stock and 5,000,000 in Preferred stock. No preferred stock has been issued. The Common stock has a par value of $.01 per share. No par value has been assigned to the Preferred stock.

The Company's Board of Directors declared a dividend of common share purchase rights as a part of a Stockholder Rights Plan on May 15, 1997. Under the terms of the Plan, stock purchase rights were distributed at the rate of one right for each share of Class A Common stock held as of the close of business on May 21, 1997. In addition, rights shall be issued in respect of old shares of Common stock issued after May 21, 1997 and, generally, until the earlier of May 15, 2007 or the rights becoming exercisable. Stockholders did not actually receive certificates for the rights at that time, but the rights became part of each common share. The number of rights outstanding is subject to adjustment under certain circumstances and all rights expire on May 15, 2007. After the Company reincorporated and merged into a Pennsylvania corporation in May 1998, all rights became part of the Common stock of this Pennsylvania corporation.

Each right will entitle holders of the Company's Common stock to buy one share of Common stock of the Company at an exercise price of $30.00, subject to adjustment. The rights will be exercisable and will trade separately from the common shares only if, other than through a "qualifying offer" as defined in the Plan, a person or group acquires, or has obtained the rights to acquire beneficial ownership of 20% or more of the Company's common shares or commences a tender or exchange offer that, if culminated, would result in such person or group owning 20% or more of the common shares. Only when one or more of these events occur will stockholders receive certificates for the rights.

If any person actually acquires 20% or more of the Company's common shares (other than through a qualifying offer, i.e. an offer for all shares that provide in the judgment of the "continuing" directors specified in the Plan, fair value for such shares) or if a 20% or more stockholder engages in a merger or other business combination in which the Company survives and its common shares remain outstanding, the other stockholders will be able to exercise the rights and receive the Company's common shares (or in certain other circumstances, cash, property or other securities of the Company) having twice the value of the exercise price of the rights. Additionally, if the Company is involved in certain other mergers where its shares are exchanged or certain major sales of its assets occur, stockholders will be able to purchase the other party's shares in an amount equal to twice the value of the exercise price of the rights.

The Company generally will be entitled to redeem the rights at $0.05 per right at any time until the 10th day following public announcement that a person has acquired a 20% or more ownership position in Company common shares. The Company may in its discretion extend the period during which it can redeem the rights.

The Company's Board of Directors authorized the purchase of up to 500,000 shares of its Common stock at prevailing market prices. The timing and extent of the purchases will depend on market conditions. 500,000 shares represents approximately 5% of the Company's outstanding Common stock. As of December 31, 1998, the Company had repurchased 436,489 shares at a total cost of approximately $2,338,900.

No cash dividends on Common stock were paid in 1998, 1997,or 1996.

NOTE 10.
STOCK OPTIONS

The Company has two stock option plans currently in effect under which future grants may be issued: The 1985 Long-Term Incentive Plan (1985 Plan) and the 1998 Long-Term Incentive Plan for Officers and Directors (1998 Plan).

The 1985 Plan, as amended and restated in March 1994, provides for the award of options to key employees and directors to purchase up to 1,500,000 shares of Common stock at no less than 100% of fair market value on the date of the grant. The 1998 Plan effective October 23, 1998, provides for the award of options to officers and directors to purchase up to 25,000 shares of Common stock at no less than 100% of fair market value on the date of the grant. Both Plans provide for the granting of "nonqualified options" and "incentive stock options" with a duration of not more than ten years from the date of grant. The Plans also provide that, unless otherwise set forth in the option agreement, options are exercisable in installments of up to 25% annually beginning one year from date of grant. Stock to be offered under the Plans may be authorized but unissued Common stock or previously issued shares which have been reacquired by the Company and held as Treasury shares. At December 31, 1998, 1997 and 1996, Common stock options outstanding under the Plans had option prices ranging from $2.63 to $6.00, with a weighted average price of $3.96, $3.71 and $3.40 per share, respectively.

The weighted average remaining contractual life of the stock options outstanding for the three years ended December 31, 1998 are: 1998 - 5.9 years; 1997 - 5.2 years; and 1996 - 4.2 years.

The Option Committee of the Board of Directors which administers the Plans may, at its discretion, grant stock appreciation rights at any time prior to six months before an option's expiration date. Upon exercise of such rights, the participant surrenders the exercisable portion of the option in exchange for payment (in cash and/or Common stock valued at its fair market value) of an amount not greater than the spread, if any, by which the average of the high and low sales prices quoted in the Over-the-Counter Exchange on the trading day immediately preceding the date of exercise of the stock appreciation right exceeds the option price. No stock appreciation rights were issued or outstanding during 1998, 1997 or 1996.

Options exercised during 1998, 1997 and 1996 totaled 93,200, 190,000 and 50,000 shares, respectively. The exercise price of the options in 1998 was $3.31 per share. The exercise price of the options in 1997 and 1996 was $3.00 per share.

Certain information for the three years ended December 31, 1998 relative to employee stock options is summarized as follows:

	1998	1997	1996
Number of shares under Incentive Plan option:			
Outstanding at beginning of year	858,500	944,000	965,000
Granted	215,000	141,500	40,000
Canceled	(12,800)	(37,000)	(11,000)
Exercised	(93,200)	(190,000)	(50,000)
Outstanding at end of year	967,500	858,500	944,000
Exercisable at end of year	723,875	659,250	806,250
Number of shares available for future grant:			
Beginning of year	182,750	287,250	316,250

End of year	5,550	182,750	287,250

The weighted average fair value of options granted at December 31, 1998, 1997, and 1996 were $2.40, $2.94 and $2.65, respectively.

The Company has adopted the disclose-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," but applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized. Had compensation expense for the Company's stock option plans been determined using the method required by SFAS

No. 123, the effect to the Company's net income and earnings per share would have been reduced to the pro forma amounts that follow:

(In thousands except per share amounts)	1998	1997	1996
Net income	$4,199	$3,248	$3,787
Basic earnings per share	$ 0.42	$ 0.32	$ 0.38
Diluted earnings per share	$ 0.42	$ 0.32	$ 0.38

The fair value of stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Sholes option-pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rates of 4.77% , 6.29% and 6.83%; dividend yield of 0.0% for all three years; volatility factors of the expected market price of the Company's common stock of .31, .38 and .41; and a weighted-average expected life of the option of ten years.

NOTE 11.
EARNINGS PER COMMON SHARE

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

(in thousands except per share amounts)	Years ended December 31, 1998	1997	1996
Numerator:			
Numerator for basic and diluted earnings per common share - net income available to common stockholders	$ 4,377	$ 3,287	$ 3,858
Denominator:			
Weighted average shares	9,988	10,122	9,953
Denominator for basic earnings per common share	9,988	10,122	9,953
Effect of dilutive securities:			
Contingent issuable shares pursuant to the Company's 1997 Incentive Compensation Plan	15		
Employee stock options	205	165	133
Dilutive potential common shares	220	165	133
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	10,208	10,287	10,086
Basic earnings per common share	$ 0.44	$ 0.32	$ 0.39
Diluted earnings per common share	$ 0.43	$ 0.32	$ 0.38
Weighted average anti-dilutive stock options	54	36	57

NOTE 12.
INCOME TAXES

At December 31, 1998, the tax benefit of net operating loss carryforwards available for foreign and state income tax purposes was approximately $631,000. The Company also has alternative minimum federal tax credit carryforwards at

December 31, 1998, of approximately $131,000. For financial reporting purposes, a valuation allowance of $125,000 has been recognized to offset the deferred tax assets related to the state income tax carryforwards. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1998 and 1997, are as follows:

(In thousands)	1998	1997
Deferred tax liabilities:		
Depreciation	$ 1,318	$ 1,817
Inventories	1,272	1,473
Total deferred tax liabilities	2,590	3,290
Deferred tax assets:		
Accounts receivables	533	558
Net operating loss carryforwards	631	821
Tax credit carryforwards	131	1,292
Other - net	408	338
Total deferred tax assets	1,703	3,009
Valuation allowance for deferred tax assets	125	150
Deferred tax assets	1,578	2,859
Net deferred tax liability	$(1,012)	$ (431)

The valuation allowance for deferred tax assets was reduced by $25,000 during 1998, remained unchanged during 1997 and was reduced by $50,000 during 1996.

Significant components of the provision for income taxes are as follows:

(In thousands)	1998	1997	1996
Current:			
Federal	$2,117	$ 466	$ 163
State	338	140	206
Total current	2,455	606	369
Deferred:			
Federal	507	1,082	2,258
Foreign	(106)		
State	180	169	(55)
Total deferred	581	1,251	2,203
Total income tax expense	$3,036	$1,857	$2,572

The reconciliation of income tax computed at statutory rates to income tax expense (benefit) is as follows:

	1998	1997	1996
Statutory rate	34.0%	34.0%	34.0%
State income tax	4.6	4.0	1.6
Foreign income tax	1.3		
Nondeductible expenses	1.8	1.7	2.2
Prior period tax	(0.3)	(3.6)	2.0
Other	(0.4)		0.2
	41.0%	36.1%	40.0%

NOTE 13.
RENTAL AND LEASE INFORMATION

The Company leases certain plant facilities, office facilities and equipment. Rental expense for the years ended December 31, 1998, 1997 and 1996 amounted to $1,885,000, $1,801,000, and $1,814,000, respectively.

At December 31, 1998, the Company is committed to total minimal rental payments under all noncancelable operating leases of $6,547,000. Generally, these leases include escalation clauses.

The minimum future rental commitments are payable as follows: 1999 - $1,161,000; 2000 - $1,057,000; 2001 - $878,000; 2002 - $815,000; 2003 and after - $2,636,000.

NOTE 14.
ACQUISITIONS

In July 1998, the Company purchased assets related to the business of supplying rail signaling and communication devices for $1,668,000, of which $1,440,000 is revenue producing intellectual property which was determined to have a ten year useful life. The acquisition of this technology enables the Company to broaden its product mix and enhance its marketing strategy to North American Class I railroads.

In August 1998, the Company acquired the assets and patents of the Geotechnical Division of VSL Corporation for $2,100,000, plus the assumption of certain liabilities, of which $100,000 was assigned to a patent. The Geotechnical Division is a leading designer and supplier of mechanically stabilized earth wall systems. The patented Retained Earth System is one of the most widely used mechanically stabilized earth systems in the world.

In May 1997, the Company acquired the assets of the Monitor Group for $2,500,000, of which $2,250,000 was allocated to goodwill. The Monitor Group designs, develops, assembles and sells portable mass spectrometers. Mass spectrometers are used to measure gas compositions and concentrations for various applications, including monitoring air quality for the mining industry and serving as a process monitor and diagnostic tool in chemical manufacturing industries.

In November 1997, the Company acquired the assets of Precise Fabricating Corporation (Precise), a Georgetown, Massachusetts steel fabricator, for $3,694,000 plus the assumption of certain liabilities, of which $2,142,000 was allocated to goodwill. This acquisition provides the Company with a regional manufacturing facility in the New England market. Precise's AISC Certification for Complex Bridges and Buildings enables the Company to offer a more complete package of components for the highway, bridge and transit markets.

In December of 1997, the Company acquired the assets of Watson-Haas Lumber Company (Watson-Haas) of St. Mary's, West Virginia, a supplier of iron clad and steel ties to the mining industry since 1958 for $545,000 plus the assumption of certain liabilities, of which $85,000 was allocated to goodwill. This acquisition complemented the Company's Midwest Steel Division and enabled the Company to offer a complete package of all rail and track requirements to the mining industry.

The acquisitions have been reported using the purchase method of accounting and have been included in operations since the date of acquisition. For each acquisition, the purchase price was allocated to the assets and liability based on their estimated fair values as of the acquisition date. Cost in excess of net assets acquired is being amortized on a straight-line basis over 10 years. Pro forma results of the acquisitions, with the exception of Precise, assuming they have been made at the beginning of each year, would not be materially different from reported results.

Had the Precise acquisition been made at the beginning of 1996, the Company's pro forma unaudited results would have been:

(In thousands, except per share amounts)	Twelve Months Ended December 31, 1997	1996
Net sales	$224,703	$247,222
Net income	3,803	3,841
Basic earnings per share	$ 0.38	$ 0.39

The pro forma results do not represent the Company's actual operating results had the acquisition been made at the beginning of 1997 and 1996 or the results that may be expected in the future.

NOTE 15.
RETIREMENT PLANS

Substantially all of the Company's hourly paid employees are covered by one of the Company's noncontributory, defined benefit plans and a defined contribution plan. Substantially all of the Company's salaried employees are covered by a defined contribution plan established by the Company.

The hourly plan assets consist of various mutual fund investments. The following tables present a reconciliation of the changes in the benefit obligation, the fair market value of the assets and the funded status of the plan, with the accrued pension cost in other current liabilities in the Company's balance sheets:

(in thousands)	1998	1997
Changes in benefit obligation:		
Benefit obligation at beginning of year	$ 2,163	$ 1,867
Service cost	85	82
Interest cost	147	138
Actuarial losses (gains)	8	149
Benefits paid	(108)	(73)
Benefit obligation at end of year	$ 2,295	$ 2,163
Change to plan assets:		
Fair value of assets at beginning of year	$ 2,138	$ 1,863
Actual return on plan assets	212	293
Employer contribution	45	55
Benefits paid	(108)	(73)
Fair value of assets at end of year	$ 2,287	$ 2,138
Funded status	$ (8)	$ (25)
Unrecognized actuarial gain	(200)	(168)
Unrecognized net transition asset	(92)	(102)
Unrecognized prior service cost	81	88
Minimum pension liability	(61)	(102)
Net amount recognized	$ (280)	$ (309)
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	$ (204)	$ (184)
Accrued benefit liability	(76)	(125)
Intangible asset	61	83
Minimum pension liability	(61)	(102)
Accumulated other comprehensive income		19
Net amount recognized	$ (280)	$ (309)

The Company's funding policy for defined benefit plans is to contribute the minimum required by the Employee Retirement Income Security Act of 1974. Net periodic pension costs for the three years ending December 31, 1998, is as follows:

(In thousands)	1998	1997	1996
Components of net periodic benefit cost:			
Service cost	$ 85	$ 82	$ 81
Interest cost	147	138	136
Actual return on plan assets	(212)	(293)	(176)
Amortization of prior service cost	7	8	7
Recognized actuarial gain	31	135	32

Net periodic pension cost	$ 58	$ 70	$ 80

An assumed discount rate of 7% and an expected rate of return on plan assets of 8% were used to measure the projected benefit obligation and develop net periodic pension costs for the three years ended December 31, 1998, 1997 and 1996.

Amounts applicable to the Company's pension plan with accumulated benefit obligations in excess of plan assets are as follows:

(in thousands)	1998	1997	1996
Projected benefit obligation	$ 575	$ 531	$ 467
Accumulated benefit obligation	575	531	467
Fair value of plan assets	499	411	308

The Company's defined contribution plan, available to substantially all salaried employees, contains a matched savings provision that permits both pretax and after-tax employee contributions. Participants can contribute from 2% to 15% of their annual compensation and receive a 50% matching employer contribution on up to 6% of their annual compensation.

Further, the plan requires an additional matching employer contribution, based on the ratio of the Company's pretax income to equity, up to 50% of 6% of the employees' annual compensation. Additionally, the Company contributes 1% of all salaried employees annual compensation to the plan without regard for employee contribution. The Company may also make discretionary contributions to the plan. The defined contribution plan expense was $874,000 in 1998, $756,000 in 1997, and $827,000 in 1996.

NOTE 16.
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 increasingly stringent 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, competitive position, or capital expenditures of the Company.

The Company is subject to legal proceedings and claims which 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.

At December 31, 1998, the Company had outstanding letters of credit of approximately $2,735,000.

NOTE 17.
RISKS AND UNCERTAINTIES

The Company's future operating results may be affected by a number of factors. The Company is dependent upon a number of major suppliers. If a supplier had operational problems or ceased making material available to the Company, operations could be adversely affected.

The Company has not had a domestic sheet piling supplier since March, 1997. Revenues from piling products have declined and will continue to be at reduced levels as the Company's remaining piling inventory is liquidated. The Company, however, will become Chaparral Steel's exclusive North American distributor of steel sheet piling and "H" bearing pile when Chaparral's new Richmond, Virginia facility begins operations. This mill will produce structural shape beams, sheet piling, "H" pile sections and other structural shapes and beams. It is anticipated that this new facility will commence operations in May 1999, with piling production anticipated during the second half of 1999.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. The Company has provided $9,500,000 of working capital to this supplier in the form of loans and progress payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings.

The Company is also dependent on the availability of specially designed weld trains to ship certain rail products. The Company has experienced delays in certain projects due to the lack of availability of weld trains. The Company can provide no assurance that a solution to the problem will occur in the near term.

In May 1997, the Company acquired the assets of the Monitor Group for $2,500,000, of which $2,250,000 was allocated to intangible assets. In addition, the Company has funded operating and development expenses totaling $1,931,000 at December 31, 1998 including $375,000 amortization of intangibles. Results to date have been well below management expectations. A comprehensive review is currently underway. Management believes that the ultimate outcome of the review will not materially affect the financial position or cash flows of the Company although the outcome could be material to the reported results of operations for the period in which it occurs.

A substantial portion of the Company's operations are heavily dependent 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.

NOTE 18.
FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of accounts receivable, accounts payable, short term and long term debt, and interest rate swap agreements.

The carrying amounts of the Company's financial instruments at December 31, 1998 approximate fair value.

NOTE 19.
BUSINESS SEGMENTS

In June 1997, the Financial Accounting Standards Board issued Statement No. 131, "Disclosures About Segments of an Enterprise and Related Information". Statement 131 requires an enterprise to present segment information based on how management internally evaluates the operating performance of its business units.

L. B. Foster 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, tubular products and portable mass spectrometers.

The Company's rail segment provides a full line of new and used rail, trackwork and accessories to railroads, mines and industry. The Company also designs and produces bonded rail joints, power rail, track fasteners, catenary systems, coverboards and special accessories for mass transit and other rail systems.

The Company's construction segment sells and rents steel sheet piling and H-bearing pile for foundation and earth retention requirements. In addition, the Company sells bridge decking, expansion joints, sign structures and other products for highway construction and repair. The Company's recently acquired Geotechnical division is a leading designer and supplier of mechanically-stabilized earth wall systems.

The Company's tubular segment supplies pipe and pipe coatings for pipelines and utilities. Additionally, the Company also produces pipe-related products for special markets, including water wells and irrigation.

The Company's Monitor Group segment designs, develops, assembles and sells portable mass spectrometers. Mass spectrometers are used to measure gas compositions and concentrations for various applications, including monitoring air quality for the mining industry and serving as a process monitor and diagnostic tool in chemical manufacturing industries.

The Company markets its products directly in all major industrial areas of the United States primarily through a national sales force.

The following table illustrates revenues, profits or losses, assets, depreciation/amortization and capital expenditures of the Company by segment. Segment profit/(loss) is the earnings before income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that the Company accounts for inventory on a First-In, First-Out (FIFO) basis at the segment level compared to a Last-In, First-Out (LIFO) basis at the consolidated level. As required by Statement 131, prior periods were restated.

(in thousands) 1998

	Net Sales	Segment Profit/(Loss)	Segment Assets	Depreciation/ Amortization	Expend-itures for Long-Lived Assets
Rail products	$121,271	$ 6,320	$ 60,500	$ 470	$ 1,042
Construction products	51,870	551	26,063	667	2,022
Tubular products	46,044	1,698	13,437	1,043	771
Monitor group	26	(1,436)	2,174	226	9
Total	$219,211	$ 7,133	$102,174	$ 2,406	$ 3,844

(in thousands) 1997

	Net Sales	Segment Profit/(Loss)	Segment Assets	Depreciation/ Amortization	Expend-itures for Long-Lived Assets
Rail products	$112,712	$ 3,033	$ 54,894	$ 436	$ 1,214
Construction products	55,923	1,810	27,848	357	4,292
Tubular products	51,762	902	24,651	1,171	1,063

Monitor group		(945)	2,371	150	2,255
Total	$220,397	$ 4,800	$109,764	$ 2,114	$ 8,824

(in thousands) 1996	Net Sales	Segment Profit/(Loss)	Segment Assets	Depreciation/ Amortization	Expenditures for Long-Lived Assets
Rail products	$111,750	$ 3,848	$ 59,087	$ 473	$ 671
Construction products	77,933	2,421	27,536	763	903
Tubular products	53,323	29	22,963	1,076	851
Total	$243,006	$ 6,298	$109,586	$ 2,312	$ 2,425

Sales to any individual customer do not exceed 10% of consolidated revenues. Sales between segments are immaterial.

Reconciliations of reportable segment net sales, profit or loss, assets, depreciation and amortization, and expenditures for long-lived assets to the Company's consolidated totals are illustrated as follows (in thousands):

Net Sales	1998	1997	1996
Total for reportable segments	$219,211	$220,397	$243,006
Other net sales	264	(54)	65
Net Sales	$219,475	$220,343	$243,071

Net Profit/(Loss)			
Total for reportable segments	$ 7,133	$ 4,800	$ 6,298
Adjustment of inventory to LIFO	426	(536)	(62)
Unallocated other income	1,731	475	600
Other unallocated amounts	(1,877)	405	(406)
Income before income taxes	$ 7,413	$ 5,144	$ 6,430

Assets			
Total for reportable segments	$102,174	$109,764	$109,586
Unallocated corporate assets	11,745	10,038	6,849
LIFO and market value inventory reserves	(2,784)	(3,210)	(2,674)
Unallocated property, plant and equipment	8,299	10,377	9,243
Total consolidated assets	$119,434	$126,969	$123,004

Depreciation/Amortization			
Total reportable for segments	$ 2,406	$ 2,114	$ 2,312
Other	645	573	857
Total consolidated depreciation/ amortization	$ 3,051	$ 2,687	$ 3,169

Expenditures for Long-Lived Assets			
Total for reportable segments	$ 3,844	$ 8,824	$ 2,425
Expenditures included in acquisition of business	(1,069)	(6,589)	
Expenditures financed under capital leases			(137)
Expenditures included in Property Held for Sale	(60)	(272)	(90)
Other unallocated expenditures	69	105	138
Total consolidated expenditures	$ 2,784	$ 2,068	$ 2,336

Approximately 96% of the Company's total net sales were to customers in North America, and a majority of the remaining sales were to countries in Central and

South America.

All of the Company's long-lived assets are located in North America and almost 100% of those assets are located in the United States.

NOTE 20.
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for the years ended December 31, 1998 and 1997 is presented below:

(in thousands, except per share amounts) 1998

	First Quarter	Second Quarter(1)	Third Quarter(2)	Fourth Quarter	Total
Net sales	$49,341	$58,876	$50,368	$60,890	$219,475
Gross profit	$ 7,094	$ 8,923	$ 7,213	$ 9,023	$ 32,253
Net income	$ 706	$ 1,941	$ 713	$ 1,017	$ 4,377
Basic earnings per common share	$ 0.07	$ 0.19	$ 0.07	$ 0.11	$ 0.44
Diluted earnings per common share	$ 0.07	$ 0.19	$ 0.07	$ 0.10	$ 0.43

(1) The second quarter includes a gain on the sale of the Company's Fosterweld facility of $1,700,000 and a $900,000 write down for a property which was under a sales agreement. (2) The third quarter of 1998 includes a provision for losses on certain catenary sign structure contracts of approximately $900,000.

(in thousands, except per share amounts) 1997

	First Quarter(1)	Second Quarter(1)	Third Quarter(1)	Fourth Quarter	Total
Net sales	$54,494	$53,716	$56,935	$55,198	$220,343
Gross profit	$ 6,367	$ 7,527	$ 8,099	$ 7,084	$ 29,077
Net income	$ 407	$ 871	$ 1,212	$ 797	$ 3,287
Basic earnings per common share	$ 0.04	$ 0.08	$ 0.12	$ 0.08	$ 0.32
Diluted earnings per common share	$ 0.04	$ 0.08	$ 0.12	$ 0.08	$ 0.32

(1) Gross profit was adjusted by $67,000, $201,000 and $323,000 in the first, second and third quarters, respectively, to reflect a reclassification of certain expenses from selling and administrative to cost of sales.

NOTE 21.
OTHER SUBSEQUENT EVENTS

On January 13, 1999, the Company increased its investment in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E) by acquiring $6,000,000 of the DM&E Series C Preferred Stock and Common stock warrants. On a fully diluted basis, the Company owns approximately 16% of the DM&E's common stock. The offering proceeds will be used by the DM&E to pay expenses incurred in connection with its ongoing capital expenditure program and its current operations, as well as to further its planned expansion into the low sulfur coal fields of the Powder River Basin. The DM&E is a privately held regional railroad with approximately 1,100 miles of track located principally in South Dakota and Minnesota.

REPORT OF INDEPENDENT AUDITORS AND
RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Board of Directors and Stockholders of L. B. Foster Company:

We have audited the accompanying consolidated balance sheets of L. B. Foster Company and subsidiaries at December 31, 1998 and 1997, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the index at Item 14 (a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L. B. Foster Company and subsidiaries at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

Pittsburgh, Pennsylvania
January 20, 1999

L. B. FOSTER COMPANY
AND SUBSIDIARIES

To the Stockholders of L. B. Foster Company:

The management of L. B. Foster Company is responsible for the integrity of all information in the accompanying consolidated financial statements and other sections of the annual report. Management believes the financial statements have been prepared in conformity with generally accepted accounting principles that reflect, in all material respects, the substance of events and transactions, and that the other information in the annual report is consistent with those statements. In preparing the financial statements, management makes informed judgments and estimates of the expected effects of events and transactions being accounted for currently.

The Company maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. Underlying the concept of reasonable assurance is the evaluation of the costs and benefits derived from control. This evaluation requires estimates and judgments by the Company. The Company believes that its internal accounting controls provide an appropriate balance between costs and benefits.

The Board of Directors pursues its oversight role with respect to the financial statements through the Finance and Audit Committee which is composed of outside directors. The Finance and Audit Committee meets periodically with management, the internal auditing department and our independent auditors to discuss the adequacy of the internal accounting control, the quality of financial reporting and the nature, extent and results of the audit effort. Both the internal auditing department and the independent auditors have free access to the Finance and Audit Committee.

/s/Lee B. Foster II
- --------------------
Lee B. Foster II
President and Chief Executive Officer

/s/Roger F. Nejes
- ------------------
Roger F. Nejes
Senior Vice President
Finance and Administration
and Chief Financial Officer

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

None.

Part III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors is set forth under "Election of Directors" in the Company's Proxy Statement for the 1999 annual meeting of stockholders ("1999 Proxy Statement"). Such information is incorporated herein by reference. Information concerning the executive officers who are not directors of the Company is set forth below. With respect to the period prior to August 18, 1977, references to the Company are to the Company's predecessor, Foster Industries, Inc.

NAME	AGE	POSITION
Anthony G. Cipicchio	52	Vice President - Fabricated Products
William S. Cook, Jr.	57	Vice President - Strategic Planning & Acquisitions
Paul V. Dean	67	Senior Vice President - Piling Products
Samuel K. Fisher	46	Vice President - Rail Procurement
Dean A. Frenz	55	Senior Vice President - Rail Distribution Products
Steven L. Hart	52	Vice President - Operations
Stan L. Hasselbusch	51	Executive Vice President and Chief Operating Officer
David L. Minor	55	Vice President - Treasurer
Roger F. Nejes	56	Senior Vice President - Finance and Administration and Chief Financial Officer
Henry M. Ortwein, Jr.	56	Senior Vice President - Rail Manufactured Products
Linda K. Patterson	49	Controller
Robert W. Sigle	69	Vice President - Tubular Products
Linda M. Terpenning	53	Vice President - Human Resources
David L. Voltz	46	Vice President, General Counsel and Secretary

Mr. Cipicchio was elected Vice President - Fabricated Products in August 1998. Mr. Cipicchio joined the Company in May 1997 and initially held the position of Vice President - Operations. Prior to joining the Company, Mr. Cipicchio was Vice President of Operations for Omsco Industries, a supplier of drill string components to the oil and gas industry.

Mr. Cook was elected Vice President - Strategic Planning & Acquisitions in October 1993. Prior to joining the Company in March 1993 as Director of Strategic Planning and Acquisitions, he was President of Cook Corporate Development, a business and financial advisory firm.

Mr. Dean was elected Senior Vice President - Piling Products in May 1998, having previously been a Vice President since September 1987. Mr. Dean joined the Company in 1964.

Mr. Fisher was elected Vice President - Rail Procurement in October 1997, having previously served as Vice President - Relay Rail since October 1996. Prior to October 1996, he served in various other capacities with the Company since his employment in 1977.

Mr. Frenz was elected Senior Vice President - Rail Distribution Products in August 1998. Previously Mr. Frenz served as Senior Vice President - Rail Products from December 1996 to August 1998, Senior Vice President - Rail and Tubular Products from September, 1995, through November, 1996, and Senior Vice President - Product Management from October 1993 to September 1995.
Mr. Frenz joined the Company in 1966.

Mr. Hart was elected Vice President - Operations in October, 1998 having previously served as Vice President from December 1997 to October 1998 and in a variety of capacities prior to December 1997. Mr. Hart joined the Company in 1977.

Mr. Hasselbusch was elected Executive Vice President and Chief Operating Officer in January 1999 having previously served as Senior Vice President - Construction and Tubular Products from December, 1996 to December 1998, Senior Vice President - - Construction Products from September 1995 to December 1996, and as Senior Vice President - Sales from October 1993 to September 1995. Mr. Hasselbusch joined the Company in 1972.

Mr. Minor was elected Treasurer in February 1988 and was elected to the additional office of Vice President in February 1997. Mr. Minor joined the Company in 1983.

Mr. Nejes was elected Senior Vice President - Finance and Administration and Chief Financial Officer in October 1993, previously having served as Vice President - Finance and Chief Financial Officer from February 1988.

Mr. Ortwein was elected Senior Vice President - Rail Manufactured Products in May 1998. Mr. Ortwein was Group Vice President - Rail Manufactured Products from March 1997 to May 1998. Additionally, he served as Vice President - Rail Manufacturing from October 1993 to March 1997. Mr. Ortwein joined the Company in 1992.

Ms. Patterson was elected Controller in February 1999, having previously served as Assistant Controller since May 1997 and Manager of Accounting since March 1988. Prior to March 1988, she served in various other capacities with the Company since her employment in 1977.

Mr. Sigle was elected Vice President - Tubular Products in December 1990. Mr. Sigle joined the Company in 1965.

Ms. Terpenning was elected Vice President - Human Resources in October 1987. Ms. Terpenning joined the Company in 1985.

Mr. Voltz was elected Vice President, General Counsel and Secretary in December 1987, having previously served as General Counsel and Secretary since December 1986. Mr. Voltz joined the Company in 1981.

Officers are elected annually at the organizational meeting of the Board of Directors following the annual meeting of stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under "Executive Compensation" in the 1999 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under "Ownership of Securities by Management" and "Principal Stockholders" in the 1999 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under "Certain Transactions" in the 1999 Proxy Statement is incorporated herein by reference.

Part IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

1. Financial Statements

The following consolidated financial statements, accompanying notes and Report of Independent Auditors in the Company's Annual Report to Stockholders for 1998 have been included in Item 8 of this Report:

Consolidated Balance Sheets at December 31, 1998 and 1997.

Consolidated Statements of Income For the Three Years Ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Cash Flows For the Three Years Ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

2. Financial Statement Schedule

Schedules for the Three Years Ended December 31, 1998, 1997 and 1996:

II - Valuation and Qualifying Accounts.

The remaining schedules are omitted because of the absence of the conditions upon which they are required.

3. Exhibits

The exhibits marked with an asterisk are filed herewith. All exhibits are incorporated herein 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 Agreement, dated as of May 15, 1997, 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 4A 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	Second 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 August 13, 1998 and filed as Exhibit 4.1 to Form 10-Q for the quarter ended September 30, 1998.
10.15	Lease between the Registrant and Amax, Inc. for manufacturing facility at Parkersburg, West Virginia, dated as of October 19, 1978, filed as Exhibit 10.15 to Registration Statement No. 2-72051.
10.16	Lease between Registrant and Greentree Building Associates for Headquarters 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 Greentree Building 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 Greentree Building Associates, filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.
10.19	Lease Between the Registrant and American Cast Iron Pipe Company for Pipe-Coating Facility in Birmingham, Alabama 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 the Registrant and American Cast Iron Pipe Company for Pipe Coating Facility in Birmingham, Alabama dated April 15, 1997, filed as Exhibit 10.19.1 to Form 10-Q for the quarter ended March 31, 1997.
10.20	Asset Purchase Agreement, dated June 5, 1998 by and among the Registrant and Northwest Pipe Company, filed as Exhibit 10.0 to Form 8-K on June 18, 1998.

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 for Officers and Directors, as amended and restated February 24, 1999.
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 to date, filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 1997. **
10.49	Lease agreement between Newport Steel Corporation and Registrant dated as of October 12, 1994 and filed as Exhibit 10.49 to Form 10-Q for the quarter ended September 30, 1994.
10.49.1	Amendment to lease between Registrant and Newport Steel Corporation dated March 13, 1998 and filed as Exhibit 10.49.1 to Form 10-K for the year ended December 31, 1997.
* 10.50	L. B. Foster Company 1999 Incentive Compensation Plan. **
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.
* 23.7	Consent of Independent Auditors.
* 27	Financial Data Schedule
**	Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

(b) Reports on Form 8-K

On May 21, 1998, the Registrant filed a Current Report on Form 8-K announcing the reincorporation of the Company from Delaware to Pennsylvania effective May 14, 1998.

On June 18, 1998, the Registrant filed a Current Report on Form 8-K and an Amended Current Report on Form 8-K/A announcing that L. B. Foster Company sold its spiralweld pipe manufacturing facility to Northwest Pipe Company.

On June 24, 1998, the Registrant filed an Amended Current Report on Form 8-K/A, amending the Current Report filed on Form 8-K on June 18, 1998. The Amended Current Report provides pro forma financial information.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities 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

March 30, 1999

By /s/ Lee B. Foster II
Lee B. Foster II, President,
Chief Executive Officer and
Chairman of the Board)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

NAME	POSITION	DATE
By: /s/Lee B. Foster II (Lee B. Foster II)	President, Chief Executive Officer, Chairman of the Board and Director	March 30, 1999
By: /s/Henry J. Massman, IV (Henry J. Massman, IV)	Director	March 30, 1999
By: /s/Roger F. Nejes (Roger F. Nejes)	Senior Vice President - Finance & Administration and Chief Financial Officer	March 30, 1999
By: /s/Linda K. Patterson (Linda K. Patterson)	Controller	March 30, 1999
By: /s/John W. Puth (John W. Puth)	Director	March 30, 1999
By: /s/William H. Rackoff (William H. Rackoff)	Director	March 30, 1999
By: /s/Richard L. Shaw (Richard L. Shaw)	Director	March 30, 1999

L. B. FOSTER COMPANY AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996
(In Thousands)

	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Other	Deductions	Balance at End of Year
1998					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	$1,468	$ 10	$	$ 40(1)	$1,438
Provision for decline in market value of inventories	$ 600	$	$	$	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 12	$	$	$ 7(2)	$ 5
Provision for environmental compliance & remediation	$ 284	$ 184	$	$ 139(2)	$ 329
1997					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	$1,803	$ 199	$	$ 534(1)	$1,468
Provision for decline in market value of inventories	$ 600	$	$	$	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 22	$ 1	$	$ 11(2)	$ 12
Provision for environmental compliance & remediation	$ 242	$ 61	$	$ 19(2)	$ 284
1996					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	$1,800	$ 55	$	$ 52(1)	$1,803
Provision for decline in market value of inventories	$ 600	$	$	$	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 63	$ 6	$	$ 47(2)	$ 22
Provision for environmental compliance & remediation	$ 260	$ 91	$	$ 109(2)	$ 242

(1) Notes and accounts receivable written off as uncollectible.
(2) Payments made on amounts accrued and reversals of accruals.

L.B. FOSTER COMPANY
1998 LONG-TERM INCENTIVE PLAN
AS AMENDED AND RESTATED

ARTICLE I

PURPOSE, EFFECTIVE DATE AND AVAILABLE SHARES

1.1 Purpose. The purpose of this Plan is to provide financial incentives for selected key personnel and directors of L.B. Foster Company (the "Company") and its subsidiaries, thereby promoting the long-term growth and financial success of the Company by (i) attracting and retaining personnel and directors of outstanding ability, (ii) strengthening the Company's capability to develop, maintain and direct a competent management team, (iii) motivating officers to achieve long-range performance goals and objectives, and (iv) providing incentive compensation opportunities competitive with those of other corporations.

1.2 Effective Date and Expiration of Plan. The Plan was initially adopted by the Board of Directors of the Company on October 23, 1998 and was made effective as of that date. An amended and restated Plan was approved by the Board of Directors of the Company on February 24, 1999, subject to the approval of the Company's shareholders at the May 20, 1999 Annual Meeting of Shareholders. Unless earlier terminated by the Board pursuant to Section 5.3, the Plan shall terminate on October 22, 2008. No Award shall be made pursuant to the Plan after its termination date, but Awards made on or prior to the termination date may extend beyond that date.

1.3 Shares Available Under the Plan. L.B. Foster Company stock to be offered under the Plan pursuant to Options and SARs may be authorized but unissued common stock or previously issued shares of common stock which have been reacquired by the Company and are held in its treasury. Subject to adjustment under Section 5.6, no more than 450,000 shares of common stock shall be issuable upon the exercise of Options or SARs. Any shares of stock subject to an Option which for any reason is canceled (excluding shares subject to an Option canceled upon the exercise of a related SAR) or terminated without having been exercised shall again be available for Awards under the Plan. Shares subject to an Option canceled upon the exercise of an SAR shall not again be available for Awards under the Plan.

ARTICLE II

DEFINITIONS

2.1 "Award" means, individually or collectively, any Option or SAR under this Plan.

2.2 "Board" means the Board of Directors of L.B. Foster Company.

2.3 "Committee" means directors of the Company, not to be less than two, appointed by the Board, each of who is a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. In the absence of such a committee or if the Board, in its discretion, elects to act, the term "Committee" shall mean the Board with respect to any such action.

2.4 "Company" means L.B. Foster Company and its successors and assigns.

2.5 "Director" means a director of the Company or of a Subsidiary.

2.6 "Effective Date" means the date on which the Plan is effective as provided in Section 1.2.

2.7 "Fair Market Value" of the Stock as to a particular time or date means the last sale price of the Stock as reported in the NASDAQ National Market System or, if the Stock is listed on a securities exchange, the last reported sale price of the Stock on such exchange that shall be for consolidated trading if applicable to such exchange, or if neither so reported or listed, the last reported bid price of the Stock.

2.8 "Incentive Stock Option" means an option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2.9 "Key Personnel" means officers and employees of the Company and its Subsidiaries who occupy responsible executive, professional, sales or administrative positions and who have the capacity to contribute to the success of the Company.

2.10 "Nonqualified Stock Option" means a stock option granted under the Plan other than an Incentive Stock Option.

2.11 "Option" means both a Nonqualified Stock Option and an Incentive Stock Option to purchase common stock of the Company.

2.12 "Option Price" means the price at which common stock of the Company may be purchased under an Option as provided in Section 4.6. 2.13 "Participant" means a person to whom an Award is made under the Plan.

2.14 "Personal Representative" means the person or persons who, upon the death, disability or incompetency of a Participant, shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to exercise an Option or SAR theretofore granted to such Participant.

2.15 "Plan" means this 1998 Long-Term Incentive Plan.

2.16 "SAR" means a stock appreciation right under the Plan.

2.17 "Stock" means common stock of the Company.

2.18 "Stock Option Agreement" means an agreement entered into between a Participant and the Company under Section 4.5.

2.19 "Subsidiary" means a corporation or other business entity, domestic or foreign, the majority of the voting stock or other voting interests in which is owned directly or indirectly by the Company.

ARTICLE III

ADMINISTRATION

3.1 Committee to Administer. (a) The Plan shall be administered by the Committee. The Committee shall have full power and authority to interpret and administer the Plan and to establish and amend rules and regulations for its administration. The Committee's decisions shall be final and conclusive with respect to the interpretation of the Plan and any Award made under it.

(b) A majority of the members of the Committee shall constitute a quorum for the conduct of business at any meeting. The Committee shall act by majority vote of the members present at a duly convened meeting, including a telephonic meeting in accordance with Section 1708 of the Pennsylvania Business Corporation Law ("BCL"). Action may be taken without a meeting if written consent thereto is given in accordance with Section 1727 of the BCL.

3.2 Powers of Committee. (a) Subject to the provisions of the Plan, the Committee shall have authority, in its discretion, to determine those Key Personnel and Directors who shall receive Awards, the time or times when each such Award shall be made and the type of Award to be made, whether an Incentive Stock Option or a Nonqualified Stock Option shall be granted and the number of shares to be subject to each Option. (b) A Director shall not participate in a vote granting himself an Option or SAR.

(c) The Committee shall determine the terms, restrictions and provisions of the agreement relating to each Award, including such terms, restrictions and provisions as shall be necessary to cause certain Options to qualify as Incentive Stock Options. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, or in any agreement relating to an Award, in such manner and to the extent the Committee shall determine in order to carry out the purposes of the Plan. The Committee may, in its discretion, accelerate the date on which an Option or SAR may be exercised, if the Committee determines that to do so will be in the best interests of the Company and the Participant.

ARTICLE IV

AWARDS

4.1 Awards. Awards under the Plan shall consist of Incentive Stock Options, Nonqualified Stock Options and/or SARs. All Awards shall be subject to the terms and conditions of the Plan and to such other terms and conditions consistent with the Plan as the Committee deems appropriate. Awards need not be uniform.

4.2 Eligibility for Awards. Awards may be made to Key Personnel and Directors. In selecting Participants and in determining the form and amount of the Award, the Committee may give consideration to his or her functions and responsibilities, his or her present and potential contributions to the success of the Company, the value of his or her services to the Company, and other factors deemed relevant by the Committee.

4.3 Award of Stock Options. (a) The Committee may, from time to time, subject to Section 3.2(b) and other provisions of the Plan and such terms and conditions as the Committee may prescribe, grant Incentive Stock Options and Nonqualified Stock Options to any Key Personnel or Directors. Awards of Incentive Stock Options and Nonqualified Stock Options shall be separate and not in tandem.

(b) Subject to adjustment in accordance with Section 5.6 and for the period commencing after January 1, 2000, Nonqualified Stock Options to acquire 5,000 shares of Stock shall be awarded to each Director who is not an employee of the Company or subsidiary on each date such Director is elected to serve as a Director at an annual meeting of the Company's shareholders or such Director's term otherwise continues after the adjournment of such annual meeting of shareholders. Awards under this Section 4.3(b) shall be automatic and shall not require action by the Committee. An SAR may not be awarded related to an Option granted under this Section 3.2(b).

4.4 Period of Option. (a) Unless otherwise provided in the related Stock Option Agreement, an Option granted under the Plan, other than to a Director, shall be exercisable only after twelve (12) months have elapsed from the date of grant and, after such twelve-month waiting period, the Option may be exercised in cumulative installments in the following manner:

(i) The Participant may purchase up to one-fourth (1/4) of the total optioned shares at any time after one year from the date of grant and prior to the termination of the Option.

(ii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after two years from the date of grant and prior to the termination of the Option.

(iii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after three years from the date of grant and prior to the termination of the Option.

(iv) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after four years from the date of grant and prior to the termination of the Option.

The duration of each Option shall not be more than ten (10) years from the date of grant.

(b) Except as otherwise provided in the Stock Option Agreement or the Plan, an Option may not be exercised by a Participant, other than a Director, unless such Participant is then, and continually (except for sick leave, military service or other approved leave of absence) after the grant of an Option has been, an officer or employee of the Company or a Subsidiary.

(c) An Option granted to a Director while a Director, whether pursuant to Section 4.3(b) or otherwise, shall be immediately exercisable.

4.5 Stock Option Agreement. Each Option shall be evidenced by a Stock Option Agreement, in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

4.6 Option Price and Exercise. (a) The Option Price of Stock under each Option shall be determined by the Committee but shall be not less than the Fair Market Value of the Stock on the trading day immediately preceding the date on which the Option is granted, as determined by the Committee; provided, however, that the Option Price of Stock under each Option granted under Section 4.3(b) shall be the Fair Market Value of the Stock on the trading day immediately preceding the date on which such Option is granted.

(b) Options may be exercised from time to time by giving written notice of exercise to the Company specifying the number of shares to be purchased. The notice of exercise shall be accompanied by (i) payment in full of the Option Price in cash, certified check, cashier's check or other medium accepted by the Company in its sole discretion or (ii) a copy of irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds sufficient to cover the Option Price. An option shall be deemed exercised upon the date the Company receives the notice of exercise and all the requirements of this Section 4.6(b) have been fulfilled.

4.7 Delivery of Option Shares. The Company shall not be obligated to deliver any shares upon the exercise of an Option unless and until, in the opinion of the Company's counsel, all applicable federal, state and other laws and regulations have been complied with. In the event the outstanding Stock is at the time listed on any stock exchange, no delivery shall be made unless and until the shares to be delivered have been listed or authorized to be added to the list upon official notice of issuance on such exchange. No delivery shall be made until all other legal matters in connection with the issuance and delivery of shares have been approved by the Company's counsel. Without limiting the generality of the foregoing, the Company may require from the Participant or other person purchasing shares of Stock under the Plan such investment representation or such agreement, if any, as counsel for the Company may consider necessary in order to comply with the Securities Act of 1933, as amended, and the regulations thereunder. Certificates evidencing the shares may be required to bear a restrictive legend. A stop transfer order may be required to be placed with the transfer agent, and the Company may require that the Participant or such other person agree that any sale of the shares will be made only on one or more specified stock exchanges or in such other manner as permitted by the Committee.

The Participant shall notify the Company when any disposition of the shares, whether by sale, gift or otherwise, is made. The Company shall use its best efforts to effect any such compliance and listing, and the Participant or other person shall take any action reasonably requested by the Company in such connection.

4.8 Limitations on Incentive Stock Options. (a) The aggregate Fair Market Value (determined at the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Participant's employer corporation and its parent and subsidiary corporations) shall not exceed $100,000.

(b) An Incentive Stock Option shall not be granted to any Key Personnel or Director who, at the time of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Subsidiary. (c) No Incentive Stock Option may be exercisable more than three months after termination of the Participant's employment with the Company or with a parent or Subsidiary of the Company, except that where such employment is terminated because of permanent and total disability, within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986 ("Permanent Disability"), or death, such period may be one year.

4.9 Termination of Service. (a) Except as otherwise provided in this Plan or in the applicable Stock Option Agreement, if the service of a Participant, other than as a Director, terminates for any reason other than death, permanent disability or retirement with the consent of the Company, all Options held by the Participant shall expire and may not thereafter be exercised 30 days after such termination. For purposes of this section, the employment or other service in respect to Options held by a Participant shall be treated as continuing intact while the participant is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment with the Government) if the period of such leave does not exceed 90 days, or, if longer, so long as the Participant's right to reestablish his service with the Company is guaranteed either by statute or by contract. Where the period of leave exceeds 90 days and where the Participant's right to reestablish his service is not guaranteed by statute or by contract, his service shall be deemed to have terminated on the ninety-first day of such leave. Except as so exercised, such Option shall expire at the end of such period. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

(b) A Director who has served as a director of the Company for 60 months or more and a Director whose services are terminated due to death, Permanent Disability (as determined in Section 4.11), or retirement with the consent of the Company (as determined in Section 4.11), shall be entitled to exercise his option until the expiration of the full term of the Option, unless the Director has been terminated for Cause. A Director who has served as a Director of the Company for less than 60 months and whose services are not terminated due to death, Permanent Disability (as determined in Section 4.11) or retirement with the consent of the Company (as determined in Section 4.11) may exercise such option within 365 days after termination of such Director's services as a director. In the event that a Director is terminated for Cause, all options held by such Director shall expire and shall not thereafter be exercised.

(c) For the purpose of the Plan, termination for Cause shall mean (i) termination due to (a) willful or gross neglect of duties or (b) willful misconduct in the performance of such duties, so as to cause material harm to the Company or any Subsidiary as determined by the Board, (ii) termination due to the Participant committing fraud, misappropriation or embezzlement in the performance of his or her duties or (iii) termination due to the Participant committing any felony of which he or she is convicted and which, as determined in good faith by the Board, constitutes a crime involving moral turpitude and results in material harm to the Company or a Subsidiary. 4.10 Death. Except as otherwise provided in the applicable Stock Option Agreement and except with respect to Directors, if a Participant, dies at a time when his Option is not fully exercised, then at any time or times within such period after his death, not to exceed 12 months, as may be provided in the Stock Option Agreement, such Option may be exercised as to any or all of the shares which the Participant was entitled to purchase under the Option immediately prior to his death, by his executor or administrator or the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

4.11 Retirement or Permanent Disability. Except as otherwise provided in the applicable Stock Option Agreement and except with respect to Directors, if a Participant retires from service with the consent of the Company, or suffers Permanent Disability, at a time when he or she is entitled to exercise an Option, then at any time or times within three years after his or her termination of service because of such retirement or Permanent Disability the Participant may exercise such Option as to all or any of the shares which he or she was entitled to purchase under the Option immediately prior to such termination. Except as so exercised, such Option shall expire at the end of such period. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

The Committee shall have authority to determine whether or not a Participant has retired from service or has suffered Permanent Disability, and its determination shall be binding on all concerned. In the sole discretion of the Committee, a transfer of service to an affiliate of the Company other than a Subsidiary (the latter type of transfer not constituting a termination of service for purposes of the Plan) may be deemed to be a retirement from service with the consent of the Company so as to entitle the Participant to exercise the Option within 90 days after such transfer.

4.12 Stockholder Rights and Privileges. A Participant shall have no rights as a stockholder with respect to any Stock covered by an Option until the issuance of a stock certificate to the Participant representing such Stock.

4.13 Award of SARs. (a) At any time prior to six months before an Option's expiration date and subject to Section 3.2, the Committee may award to the Participant an SAR related to the Option.

(b) The SAR shall represent the right to receive payment of an amount not greater than the amount, if any, by which the Fair Market Value of the Stock on the trading day immediately preceding the date of exercise of the SAR exceeds the Option Price.

(c) SARs awarded under the Plan shall be evidenced by either the Stock Option Agreement or a separate agreement between the Company and the Participant.

(d) An SAR shall be exercisable only at the same time and to the same extent and subject to the same conditions as the Option related thereto is exercisable, except that the Committee may prescribe additional conditions and limitations on the exercise of any SAR, including a maximum appreciation value. An SAR shall be transferable only when the related Option is transferable, and under the same conditions. The exercise of an SAR shall cancel the related Option. SARs may be exercised only when the Fair Market Value of a share of Stock subject to the related Option exceeds the Option Price. Such value shall be determined in the manner specified in Section 4.13(b).

(e) An SAR shall be exercisable only by written notice to the Company and only to the extent that the related Option is exercisable. However, an SAR shall in no event be exercisable during the first six months of its term except in the event of death or Permanent Disability of the Participant prior to the expiration of such six-month period.

(f) All SARs shall automatically be exercised on the last trading day prior to the expiration of the related Option, so long as the Fair Market Value of the Stock at the time of exercise exceeds the Option Price, unless prior to such day the holder instructs the Company otherwise in writing.

(g) Payment of the amount to which a Participant is entitled upon the exercise of an SAR shall be made in cash, Company stock, or partly in cash and partly in Company stock, as the Committee shall determine at the time of the Award. To the extent that payment is made in Company stock, the shares shall be valued at their fair market value, as determined by the Committee.

(h) At any time when a Participant is, in the judgment of counsel to the Company, subject to Section 16 of the Securities Exchange Act of 1934 with respect to any equity securities of the Company:

(i) any election by such Participant to receive cash in whole or in part upon the exercise of such SAR shall be made only during the period beginning on the third business day following the date of release by the Company for publication of any quarterly or annual summary statement of its sales and earnings and ending on the twelfth business day following such date of release, and

(ii) in the event the Committee has not determined the form in which such SAR will be paid (i.e., cash, shares of Company stock, or any combination thereof), any election to exercise such right in whole or in part for cash shall be subject to the subsequent consent thereto, or disapproval thereof, by the Committee in its sole discretion.

(i) Each SAR shall expire on a date determined by the Committee at the time of Award, or, if later, upon the termination of the related Option.

ARTICLE V

MISCELLANEOUS PROVISIONS

5.1 Nontransferability. No Award under the Plan shall be transferable by the Participant other than by will or the laws of descent and distribution. All Awards shall be exercisable during the Participant's lifetime only by such Participant or his Personal Representative. Any transfer contrary to this Section 5.1 will nullify the Award.

5.2 Amendments. The Committee may at any time discontinue granting Awards under the Plan. The Board may at any time amend the Plan or amend any outstanding Option for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law; provided that no such amendment shall be permissible if it shall result in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, becoming inapplicable to any Options. No amendment shall adversely affect the right of any Participant under any Award theretofore granted to him or her except upon his or her written consent to such amendment.

5.3 Termination. The Board may terminate the Plan at any time prior to its scheduled expiration date but no such termination shall adversely affect the rights of any Participant under any Award theretofore granted without his or her written consent.

5.4 Nonuniform Determinations. The Committee's determinations under the Plan, including without limitation (i) the determination of the Officers and Directors to receive Awards, (ii) the form, amount and timing of such Awards, (iii) the terms and provisions of such Awards and (iv) the Agreements evidencing the same, need not be uniform and may be made by it selectively among Officers and Directors who receive, or who are eligible to receive, Awards under the Plan, whether or not such Officers or Directors are similarly situated.

5.5 No Right to Employment. Neither the action of the Board in establishing the Plan, nor any action taken by the Committee under the Plan, nor any provision of the Plan, shall be construed as giving to any person the right to be retained in the employ, or as an officer or director, of the Company or any Subsidiary.

5.6 Changes in Stock. In the event of a stock dividend, split-up, or a combination of shares, recapitalization or merger in which the Company is the surviving corporation or other similar capital change, the number and kind of shares of stock or securities of the Company to be subject to the Plan and to Options or SARs then outstanding or to be granted thereunder, the maximum number of shares of stock or security which may be issued on the exercise of Options granted under the Plan, the Option Price and other relevant provisions shall be appropriately adjusted by the Board, whose determination shall be binding on all persons. In the event of a consolidation or a merger in which the Company is not the surviving corporation, or any other merger in which the shareholders of the Company exchange their shares of stock in the Company for stock of another corporation, or in the event of complete liquidation of the Company, or in the case of a tender offer accepted by the Board of Directors, all outstanding Options and SARs shall thereupon terminate, provided that the Board may, prior to the effective date of any such consolidation or merger, either (i) make all outstanding Options and SARs immediately exercisable or (ii) arrange to have the surviving corporation grant to the Participants replacement Options and SARs on terms which the Board shall determine to be fair and reasonable.

5.7 Tax Withholding Whenever Stock is to be delivered to a Participant upon exercise of an Option, the Company may (i) require such Participant to remit an amount in cash sufficient to satisfy all federal, state and local tax withholding requirements related thereto ("Required Withholding"), (ii) withhold such Required Withholding from compensation otherwise due to such Participant, or (iii) any combination of the foregoing.

5.8 Status A Participant's status as Key Personnel or a Director shall be determined for each Option as of the date the Option is awarded to the Participant.

L. B. FOSTER COMPANY
1999 INCENTIVE COMPENSATION PLAN

I. PURPOSE

To provide incentives and rewards to salaried employees based upon overall corporate profitability and the performance of individual operating units.

II. CERTAIN DEFINITIONS

The terms below shall be defined as follows for the purposes of the L. B. Foster Company 1999 Incentive Compensation Plan. The definitions of accounting terms shall be subject to such adjustments as are approved by the Corporation's Chief Executive Officer.

2.1 "Average Unit Income" shall mean for each Operating Unit the sum of such Operating Unit's "Operating Unit Income" for the years 1996, 1997 and 1998 divided by three, subject to such adjustments as may be made by the Chief Executive Officer.

2.2 "Base Compensation" shall mean the total base salary, rounded to the nearest whole dollar, actually paid to a Participant during 1999, excluding payment of overtime, incentive compensation, commissions, severance, reimbursement of expenses incurred for the Participant's benefit, or any other payments not deemed part of a Participant's base salary; provided, however, that the Participant's contributions to the Corporation's Voluntary Investment Plan shall be included in Base Compensation. Base Compensation for employees who die, retire or are terminated shall include only such compensation paid to such employee during 1999 with respect to the period prior to death, retirement or termination.

2.3 "Base Fund" shall mean the aggregate amount of all cash payments to be made pursuant to this Plan prior to adjustments pursuant to Article IV, which amount shall be determined pursuant to Section 3.1 hereof.

2.4 "Committee" shall mean the Personnel and Compensation Committee of the Board of Directors and any successors thereto.

2.5 "Corporation" shall mean L. B. Foster Company and those subsidiaries thereof in which L.B. Foster Company owns 100% of the outstanding common stock, excluding (except for the purpose of calculating "Pre-Incentive Income") Natmaya, Inc. and Fosmart, Inc.

2.6 "Cost of Capital" shall mean a charge imposed on an Operating Unit based upon the assets employed by such Operating Unit, as determined by the Chief Executive Officer.

2.7 "Fund" shall mean the aggregate amount of all payments made to Plan Participants under this Plan, after deducting all discretionary payments made pursuant to Section 3.3 hereof and subject to Article IV.

2.8 "Individual Incentive Award" shall mean the amount paid to a Participant pursuant to this Plan, which amount shall be determined pursuant to Section 3.5 hereof and which award shall not exceed the lower of: (a) twice the amount of a Participant's Target Award; or (b) the sum of (i) the portion of the Participant's Individual Incentive Award allocable to the General Pool; plus (ii) the Participant's Target Award allocable to the Product Pool multiplied by a percentage equal to twice the percentage of Target Award paid to Participants in the General Pool; subject, however, to the provisions of Article VII of this Plan. The limitations herein shall not affect amounts distributed under Sections 3.3 or 6.2.

2.9 "Operating Unit" shall mean each unit or division reported in the Company's internal financial statements: Foster Coated Pipe, Threaded Products, Allegheny Rail Products, Foster Technologies, Inc., New Rail, Relay Rail, Transit Products, Mining Products, Piling, Equipment, Bridge Products, Sign Structures, Precise and Geotech, subject to such adjustments as may be made by the Chief Executive Officer.

2.10 "Operating Unit Income" shall mean an Operating Unit's 1999 gross profit at actual plus (minus) other income (expense) less allocated and direct sales expense and direct administrative expense and Cost of Capital, subject to such adjustments as may be made by the Chief Executive Officer.

2.11 "Participant" shall mean a salaried employee of the Corporation who satisfies all of the eligibility requirements set forth in Article V hereof.

2.12 "Plan" shall mean the L. B. Foster Company 1999 Incentive Compensation Plan, which Plan shall be in effect only with respect to the fiscal year ending December 31, 1999.

2.13 "Pool" shall mean the Product Pool and/or General Pool, as calculated pursuant to Section 3.4 hereof, subject to such adjustments as are approved by the Chief Executive Officer.

2.14 "Pre-Incentive Income" shall mean the audited pre-tax income of the Corporation for the fiscal year ending December 31, 1999 determined in accordance with generally-accepted accounting principles, excluding (i) benefits payable under this Plan; and (ii) any portion of gains or losses arising from transactions not in the ordinary course of business which the Committee, in its sole discretion, determines to exclude.

2.15 "Target Award" shall mean the product of a Participant's Base Compensation multiplied by said Participant's Target Percentage.

2.16 "Target Percentage" shall mean those percentages assigned to Participants pursuant to Section 3.2 hereof.

III. PLAN DESCRIPTION

3.1 Base Fund. Subject to Article IV, the amount of the Base Fund shall be calculated by multiplying the Corporation's Pre-Incentive Income by specified percentages, as follows:

Pre-Incentive Income	Percentage	Base Fund
$0 - $2,999,999	0	0
$3,000,000 - $3,499,999	10	$300,000 - $349,999
$3,500,000 - $3,999,999	11	$385,000 - $439,999
$4,000,000 - $4,499,999	12	$480,000 - $539,999
$4,500,000 - $4,999,999	13	$585,000 - $649,999
$5,000,000 - $5,999,999	14	$700,000 - $839,000
$6,000,000 - $6,999,999	15	$900,000 - $1,049,994
$7,000,000 - $7,999,999	16	$1,120,000 - $1,279,999
$8,000,000 - $8,999,999	17	$1,360,000 - $1,529,999
$9,000,000 - $9,999,999	18	$1,620,000 - $1,799,999
$10,000,000 - $10,999,999	19	$1,900,000 - $2,089,999
$11,000,000 and Over	20	$2,200,000 and Over

3.2 Target Percentages. Subject to adjustment as set forth below, each Participant shall have a Target Percentage based upon the grade level of such Participant, unless determined otherwise by the Chief Executive Officer, on July 1, 1999, as follows:

Result: % Of Base Grade Levels	Compensation
Grade 10, Plant Managers	12.5
Grade 10, Product Managers	12.5
Grade 11, Plant Managers	15.0
Grade 11, Product Managers	15.0
Grade 6, Sales Positions	15.0
Grade 8, Sales Positions	20.0
Grade 9, Sales Positions	21.0
Grade 10, Sales Positions	22.0
Grade 11, Sales Positions	23.0
Grade 12, Sales or Management Positions	25.0
Grade 13, Sales or Management Positions	27.0
Grade 14, Sales or Management Positions	30.0
Grade 15, Sales or Management Positions	32.0
Grade 16, Sales or Management Positions	36.0
Grade 17, Sales or Management Positions	38.0
Grade 18, Sales or Management Positions	39.0
Grade 19, Sales or Management Positions	40.0
Grade 20, Sales or Management Positions	50.0
Grade 21, Sales or Management Positions	52.0
Grade 22, Sales or Management Positions	54.0
Grade 23 and Above	60.0

Other Employees selected, in writing, by L. B. Foster Company's Chairman of the Board and Chief Executive Officer may also be made Participants in the Plan on such terms as may be approved by the Chairman of the Board and Chief Executive Officer.

The Chief Executive Officer may determine performance goals for Participants selected by the Chief Executive and the Target Percentage for each such Participant will be adjusted upward or downward based upon such Participant's achievement of such goals. The precise method for determining such adjustments for each such Participant shall be separately scheduled and deemed incorporated herein by reference.

Those Participants who have retired or died prior to July 1, 1999 shall have a Target Percentage based upon their grade level at death or retirement.

3.3 Discretionary Payments. Ten percent (10%) of the Base Fund, plus amounts reallocated pursuant to Section 6.1, shall be reserved for discretionary payments to employees. The recipients of all such awards and the amounts of any such awards initially shall be selected by the Chief Executive Officer, subject to final approval by the Committee. If any amounts are not paid from the amount herein reserved, such remaining amount shall be allocated to the Fund for distribution among the Pools.

3.4 Calculation of Pools. Each Participant and all or any portion of each Participant's Target Award shall be assigned to a Pool or Pools by the Chief Executive Officer of the Company. In the absence of a contrary determination by the Chief Executive Officer, 25% of the Target Awards of Participants in the Product Pool shall be allocated to the General Pool. The dollar amount of each Pool will be determined by dividing the portion of the Target Awards assigned to the Pool by the total Target Awards of all Participants and then multiplying such amount by the Fund.

EXAMPLE 1:

THE CORPORATION'S PRE-INCENTIVE INCOME IS $5,100,000. THE TOTAL OF ALL TARGET AWARDS FOR ALL PLAN PARTICIPANTS IS $2,100,000, WITH $1,000,000 ALLOCATED TO THE GENERAL POOL AND $1,100,000 ALLOCATED TO THE PRODUCT POOL. THE DOLLAR AMOUNT OF EACH POOL WOULD BE CALCULATED AS FOLLOWS:

(a) Determine Base Fund

$5,100,000 x 14% = $714,000

(b) Calculate Fund By Deducting 10% For "Discretionary Awards"

$714,000 x 90% = $642,600

(c) Determine Amount of Each Pool

1. General Pool

$$\frac{\$1,000,000}{\$2,100,000} \quad x \quad \$642,600 \quad = \quad \$306,000$$

2. Product Pool

$$\frac{\$1,100,000}{\$2,100,000} \quad x \quad \$642,600 \quad = \quad \$336,600$$

3.5 Calculation of Individual Incentive Awards. The calculation of an Individual Incentive Award shall be determined based on the Pool(s) to which a Participant is assigned.

3.5A General Pool Individual Incentive Awards. A General Pool Participant's Individual Incentive Award shall be calculated, subject to the limitations in Section 2.8, as follows:

(a) Divide Participant's Target Award allocated to General Pool by the sum of all Target Awards allocated to General Pool;

(b) Multiply (a) by amount of General Pool.

EXAMPLE 2:

THE GENERAL POOL IS $306,000. THE SUM OF ALL GENERAL POOL PARTICIPANTS' TARGET AWARDS IS $1,000,000. MANAGER JONES HAS A TARGET AWARD OF $19,200:

$$\frac{\$\ 19{,}200}{\$1{,}000{,}000} \times \$306{,}000 = \$5{,}875 \text{ (Individual Incentive Award)}$$

3.5B Product Pool Individual Incentive Awards. The Product Pool shall be divided based upon the relative improvement in the Operating Units' "Operating Unit Income" and the Operating Units' respective shares of all Units' "Operating Unit Income". All Participants in the Product Pool shall be assigned to one or more Operating Unit(s) and their respective Target Awards shall be allocated among one or more Operating Unit(s), all as determined by the Chief Executive Officer. Individual awards shall be calculated, subject to the limitations in Section 2.8, as follows:

(a) Add together: (i) all Operating Units' "Operating Unit Income" (disregarding any annual loss which an Operating Unit may have sustained); and (ii) the total improvement in all Units' "Operating Unit Income" over all Units' "Average Unit Income" (disregarding any Unit that did not improve and, for purposes of calculating improvement, counting only a reduced percentage of such improvement, as determined by the Chief Executive Officer but in no event greater than 50%, which represents a reduction from negative "Average Unit Income" to zero).

(b) Divide (a) into the sum of all Operating Units' Operating Unit Income (calculated in the same manner as in (a) above) and multiply the resulting quotient by the amount in the Product Pool (the "Product Operating Income Subpool").

(c) Divide (a) into the sum of all improvement in all Units' Operating Unit Income over such Units' respective Average Unit Incomes (calculated in the same manner as in (a) above) and multiply the resulting quotient by the amount in the Product Pool (the "Product Improvement Subpool").

(d) To determine an Operating Unit's share of the Product Operating Income Subpool, multiply the amount in the Product Operating Income Subpool by a fraction, the numerator of which is the Operating Unit's Operating Income and the denominator is the sum of all Units' Operating Income (calculated in the same manner as in (a) above).

(e) To determine an Operating Unit's share of the Product Improvement Subpool, multiply the amount of the Product Improvement Subpool by a fraction, the numerator of which is the Operating Unit's improvement (calculated in the same manner as in (a) above) and the denominator of which is the sum of all Operating Units' improvement (calculated in the same manner as in (a) above).

(f) To determine a Participant's share of the Product Operating Income Subpool, multiply the amount calculated in (d) above by a fraction, the numerator of which is the Participants' Target Bonus allocated to the Operating Unit and the denominator of which is the sum of all Target Bonuses allocated to the Operating Unit.

(g) To determine a Participant's share of the Product Improvement Subpool, multiply the amount calculated in (e) above by a fraction, the numerator of which is the Participants' Target Bonus allocated to the Operating Unit and the denominator of which is the sum of all Target Bonuses allocated to the Operating Unit.

EXAMPLE 3:

THE PRODUCT POOL IS $336,600. RELAY RAIL'S OPERATING UNIT INCOME IS $900,000 WHILE ITS AVERAGE UNIT INCOME IS A LOSS OF $100,000. THE SUM OF ALL OPERATING UNITS' "OPERATING UNIT INCOME" IS $6,800,000 AND THE SUM OF ALL OPERATING UNITS' IMPROVEMENT OVER THE SUM OF THEIR "AVERAGE UNIT INCOMES" IS $1,900,000. PRODUCT MANAGER SMITH HAS A TARGET AWARD OF $20,000 AND THE SUM OF ALL TARGET AWARDS ALLOCATED TO RELAY RAIL IS $120,000. TWENTY-FIVE PERCENT (25%) OF SMITH'S TARGET AWARD IS ALLOCATED TO THE GENERAL POOL, TEN PERCENT (10%) IS ALLOCATED TO

MIDWEST AND SIXTY-FIVE PERCENT (65%) IS ALLOCATED TO RELAY RAIL. IT HAS BEEN DETERMINED THAT FIFTY PERCENT (50%) OF IMPROVEMENT FOR REDUCTION OF LOSSES SHALL BE COUNTED. THE PORTION OF SMITH'S INDIVIDUAL INCENTIVE AWARD ATTRIBUTABLE TO RELAY RAIL IS CALCULATED AS FOLLOWS:

(a) Determine Allocation Between Product Operating Income Subpool and Product Improvement Subpool:

1. $6,800,000 + $ 1,900,000 = $8,700,000

2. $6,800,000 / $ 8,700,000 = 78.16%

3. $1,900,000 / $ 8,700,000 = 21.84%

4. $ 336,600 x 78.16% = $263,087
("Product Operating Income Subpool")

5. $ 336,600 x 21.84% = $ 73,513
("Product Improvement Subpool")

(b) Determine Relay Rail's share of Product Operating Income Subpool and Product Improvement Subpool:

1. $ 900,000 / $6,800,000 x $263,087 = $34,820
(Relay Rail's Share of Product Operating Income Subpool)

2. $ 900,000 + ($100,000 X 50%) / $1,900,000 x $ 73,513 = $36,757
(Relay Rail's Share of Product Improvement Subpool)

(c) Determine Smith's Individual Award from Relay Rail:

1. $ 20,000 x 65% = $13,000
(Smith's Target Award Allocable to Relay Rail)

2. $ 13,000 / $120,000 x $34,820 = $ 3,772
(Smith's Share of Product Operating Income Subpool)

3. $ 13,000 / $120,000 x $36,757 = $ 3,982
(Smith's Share of Product Improvement Income Subpool)

Smith would also be able to receive an additional award based upon Midwest's performance and a portion of the General Pool.

IV. STOCK IN LIEU OF CASH FOR EXECUTIVE OFFICERS

Notwithstanding any other provision of this Plan, the Corporation's executive officers, as determined by the Committee, shall receive shares of the Corporation's Common Stock ("Stock"), subject to such restrictions on transferability as the Corporation's legal counsel may deem necessary or appropriate (such restrictions shall provide for no less than a two-year restriction on the voluntary transfer of such stock), in lieu of cash equal to 25% of the Individual Incentive Awards (without taking into account any discretionary payments under Section 3.3) that would otherwise be payable to such officers under the Plan. In the event such restriction on transferability should be violated, all proceeds derived from such transaction shall be forfeited to the Company. Such stock shall be forfeited and revert to the Company in the event the Participant's employment with the Company should cease within two (2) years after the date of grant, unless such forfeiture is waived by the Committee or said termination is attributable to the Participant's death, permanent disability, retirement with the consent of the Company's Chief Executive Officer or in the event of a "Change of Control". The amount of stock to be granted to an executive officer shall be calculated by: (a) dividing the closing price of the stock on the day preceding the date cash distributions are made under the Plan into a sum equal to 25% of the Individual Incentive Award that, but for this Article IV, would have been payable to such executive officer; and (b) multiplying the resulting quotient by 115% with fractional share interest being rounded to the nearest number of whole shares. Stock shall be deemed distributed to the executive officers on the first day of the calendar month following the date cash distributions are made or as soon thereafter as is practicable but the corporation shall retain custody of such shares until the

Participant's risk of forfeiture has ended. Cash which would have been payable to executive officers, but for this Article IV, shall not be distributed and shall remain the property of the Corporation.

"Change of Control" shall mean: (i) any person or group of persons (as used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder) shall have become the beneficial owner (as defined in Rules 13d-3 and 13d-5 promulgated by the Securities and Exchange Commission (the "SEC") under the Exchange Act) of 20% or more of the combined voting power of all the outstanding voting securities of the Corporation or, (ii) at any time following any merger, consolidation, acquisition, sale of assets or other corporate restructuring of Corporation, during any period of six consecutive calendar months, individuals who were directors of the Corporation on the first day of such period, together with individuals elected as directors by not less than two-thirds of the individuals who were directors of the Corporation on the first day of such period, shall cease to constitute a majority of the members of the board of directors of the Corporation.

V. ELIGIBILITY

Unless changed or amended by the Committee, an employee shall be deemed a Participant in the Plan only if all of the following requirements are satisfied:

A. A Participant must be a salaried employee of the Corporation, at a grade level set forth in Section 3.2 or as otherwise approved by L. B. Foster Company's Chairman of the Board and Chief Executive Officer for at least six (6) months of the entire fiscal year, unless deceased or retired.

B. A Participant must not have: (i) been terminated for cause; (ii) voluntarily have resigned (other than due to retirement with the Company's consent) prior to the date Individual Incentive Awards are paid; or (iii), unless the Corporation agrees in writing that the employee shall remain a Participant in this Plan, been terminated for any reason whatsoever and have received money from the Corporation in connection with said termination.

C. A Participant's services must not primarily be provided to the Corporation's Monitor Group Division, Natmaya, Inc. or Fosmart, Inc., unless otherwise approved by the Chief Executive Officer.

Notwithstanding the foregoing, Brian N. Southon, George H. Nelson and Franklin B. Davis shall not be Participants in the Plan.

As used herein, "cause" to terminate employment shall exist upon (i) the failure of an employee to substantially perform his duties with the Corporation; (ii) the engaging by an employee in any criminal act or in other conduct injurious to the Corporation; or (iii) the failure of an employee to follow the reasonable directives of the employee's superior(s).

VI. REALLOCATIONS

6.1 In the event an employee has satisfied the eligibility criteria set forth in Article V(A), but has not satisfied the eligibility criteria set forth in Article V(B), the portion of the Individual Incentive Awards allocable to the Product Pool shall be calculated as though such employee was a Participant and any amounts which would have been payable to such employee from the Product Pool shall be used for discretionary payments under Section 3.3.

6.2 Any portion of the Fund not otherwise distributed ("Excess Funds") shall be awarded to each Participant in an amount calculated by multiplying the amount of the Excess Funds by a fraction, the numerator of which shall be the Participant's Target Bonus and the denominator of which shall be the sum of all Participants' Target Bonuses.

VII. PAYMENT OF AWARDS

Payment of Individual Incentive Awards will be made on or before March 15, 1999, except that the timing of the distribution of stock pursuant to Article IV shall be governed by Article IV.

VIII. LIMITATIONS ON AWARDS

Notwithstanding any other provision of this Plan, Individual Incentive

Awards shall normally be limited to twice the amount of a Participant's Target Award.

IX. ADMINISTRATION AND INTERPRETATION OF THE PLAN

A determination by the Committee in carrying out, administering or interpreting this Plan shall be final and binding for all purposes and upon all interested persons and their heirs, successors and personal representatives.

The Committee may, from time to time, amend the Plan; provided, however, that the Committee may not amend, terminate or suspend the Plan so as to reduce the Base Fund payable under the Plan.

The Chief Executive Officer may delegate any of his duties herein.

The Corporation's independent public accountants will review and verify the Corporation's determination of Pre-Incentive Income.

Consent of Independent Auditors

We consent to incorporation by reference in Registration Statements Nos. 33-17073, 33-35152, 33-79450 and 333-65885 of L. B. Foster Company, as amended and restated, of our report dated January 20, 1999, with respect to the consolidated financial statements and schedule of L. B. Foster Company included in this Form 10-K for the year ended December 31, 1998.

/s/Ernst & Young LLP

Ernst & Young LLP

Pittsburgh, Pennsylvania
March 30, 1999

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