

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)



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

for the quarterly period ended June 30, 2018

Or



Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from _____ to _____

Commission File Number: 000-10436

L.B. Foster Company

(Exact name of Registrant as specified in its charter)

Pennsylvania
(State of Incorporation)

25-1324733
(I. R. S. Employer
Identification No.)

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

15220
(Zip Code)

(412) 928-3400

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

| | | | |
|-------------------------|---|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | (Do not check if a smaller reporting company) | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Class

Common Stock, Par Value \$0.01

Outstanding as of July 30, 2018

10,563,100 Shares

L.B. FOSTER COMPANY AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

L.B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

| | June 30, 2018 (Unaudited) | December 31, 2017 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 13,271 | \$ 37,678 |
| Accounts receivable - net | 96,310 | 76,582 |
| Inventories - net | 101,343 | 97,543 |
| Prepaid income tax | 347 | 188 |
| Other current assets | 12,090 | 9,120 |
| Total current assets | 223,361 | 221,111 |
| Property, plant, and equipment - net | 89,467 | 96,096 |
| Other assets: | | |
| Goodwill | 19,566 | 19,785 |
| Other intangibles - net | 53,675 | 57,440 |
| Investments | 159 | 162 |
| Other assets | 1,416 | 1,962 |
| TOTAL ASSETS | \$ 387,644 | \$ 396,556 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 73,667 | \$ 52,404 |
| Deferred revenue | 12,221 | 10,136 |
| Accrued payroll and employee benefits | 10,007 | 11,888 |
| Accrued warranty | 8,705 | 8,682 |
| Current maturities of long-term debt | 631 | 656 |
| Other accrued liabilities | 9,208 | 9,764 |
| Total current liabilities | 114,439 | 93,530 |
| Long-term debt | 98,406 | 129,310 |
| Deferred tax liabilities | 8,231 | 9,744 |
| Other long-term liabilities | 17,352 | 17,493 |
| Stockholders' equity: | | |
| Common stock, par value \$0.01, authorized 20,000,000 shares; shares issued at June 30, 2018 and December 31, 2017, 11,115,779; shares outstanding at June 30, 2018 and December 31, 2017, 10,365,345 and 10,340,576, respectively | 111 | 111 |
| Paid-in capital | 46,129 | 45,017 |
| Retained earnings | 140,393 | 137,780 |
| Treasury stock - at cost, 750,434 and 775,203 common stock shares at June 30, 2018 and December 31, 2017, respectively | (18,180) | (18,662) |
| Accumulated other comprehensive loss | (19,237) | (17,767) |
| Total stockholders' equity | 149,216 | 146,479 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 387,644 | \$ 396,556 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

L.B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | | (Unaudited) | |
| Sales of goods | \$ 127,093 | \$ 117,727 | \$ 218,904 | \$ 215,356 |
| Sales of services | 45,797 | 27,133 | 76,440 | 48,206 |
| Total net sales | 172,890 | 144,860 | 295,344 | 263,562 |
| Cost of goods sold | 105,846 | 94,291 | 181,146 | 173,692 |
| Cost of services sold | 34,530 | 22,833 | 59,656 | 40,882 |
| Total cost of sales | 140,376 | 117,124 | 240,802 | 214,574 |
| Gross profit | 32,514 | 27,736 | 54,542 | 48,988 |
| Selling and administrative expenses | 23,368 | 20,578 | 43,826 | 39,805 |
| Amortization expense | 1,775 | 1,695 | 3,560 | 3,454 |
| Interest expense | 1,654 | 2,181 | 3,612 | 4,289 |
| Interest income | (24) | (54) | (95) | (110) |
| Equity in (income) loss of nonconsolidated investments | — | (145) | 3 | 55 |
| Other expense (income) | 128 | (18) | (480) | (13) |
| Total expenses | 26,901 | 24,237 | 50,426 | 47,480 |
| Income before income taxes | 5,613 | 3,499 | 4,116 | 1,508 |
| Income tax expense | 673 | 475 | 1,198 | 906 |
| Net income | \$ 4,940 | \$ 3,024 | \$ 2,918 | \$ 602 |
| Basic earnings per common share | \$ 0.48 | \$ 0.29 | \$ 0.28 | \$ 0.06 |
| Diluted earnings per common share | \$ 0.47 | \$ 0.29 | \$ 0.28 | \$ 0.06 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

L.B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | | (Unaudited) | |
| Net income | \$ 4,940 | \$ 3,024 | \$ 2,918 | \$ 602 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Foreign currency translation adjustment | (2,785) | 2,228 | (2,761) | 3,116 |
| Unrealized gain (loss) on cash flow hedges, net of tax expense of \$0 for all periods | 298 | (202) | 1,036 | (201) |
| Reclassification of pension liability adjustments to earnings, net of tax expense of \$0 for all periods* | 141 | 112 | 255 | 221 |
| Other comprehensive (loss) income | (2,346) | 2,138 | (1,470) | 3,136 |
| Comprehensive income | \$ 2,594 | \$ 5,162 | \$ 1,448 | \$ 3,738 |

* Reclassifications out of accumulated other comprehensive loss for pension obligations are charged to selling and administrative expenses.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

| | Six Months Ended June 30, | |
|--|------------------------------|-------------|
| | 2018 | 2017 |
| (Unaudited) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 2,918 | \$ 602 |
| Adjustments to reconcile net income to cash provided (used) by operating activities: | | |
| Deferred income taxes | (1,450) | (432) |
| Depreciation | 5,882 | 6,527 |
| Amortization | 3,560 | 3,454 |
| Equity in loss of nonconsolidated investments | 3 | 55 |
| Loss on sales and disposals of property, plant, and equipment | 394 | 122 |
| Stock-based compensation | 1,904 | 725 |
| Change in operating assets and liabilities | | |
| Accounts receivable | (20,060) | (9,951) |
| Inventories | (4,538) | (487) |
| Other current assets | (2,228) | (1,439) |
| Prepaid income tax | (1,823) | 12,867 |
| Other noncurrent assets | 460 | 474 |
| Accounts payable | 21,574 | 19,534 |
| Deferred revenue | 2,110 | (1,839) |
| Accrued payroll and employee benefits | (1,831) | 878 |
| Other current liabilities | 1,145 | (1,167) |
| Other long-term liabilities | (118) | (2) |
| Net cash provided by operating activities | 7,902 | 29,921 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from the sale of property, plant, and equipment | 2,086 | 143 |
| Capital expenditures on property, plant, and equipment | (1,816) | (4,597) |
| Net cash provided by (used in) investing activities | 270 | (4,454) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of debt | (99,925) | (82,553) |
| Proceeds from debt | 68,995 | 60,972 |
| Treasury stock acquisitions | (310) | (97) |
| Net cash used by financing activities | (31,240) | (21,678) |
| Effect of exchange rate changes on cash and cash equivalents | (1,339) | 1,305 |
| Net (decrease) increase in cash and cash equivalents | (24,407) | 5,094 |
| Cash and cash equivalents at beginning of period | 37,678 | 30,363 |
| Cash and cash equivalents at end of period | \$ 13,271 | \$ 35,457 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 3,347 | \$ 3,896 |
| Income taxes paid (received) | \$ 3,304 | \$ (11,480) |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

L.B. FOSTER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands, except share data)

1. FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals, unless otherwise stated herein) considered necessary for a fair presentation of the financial position of L.B. Foster Company and subsidiaries as of June 30, 2018 and December 31, 2017, its condensed consolidated statements of operations for the three and six months ended June 30, 2018 and 2017, and its statements of cash flows for the six months ended June 30, 2018 and 2017, have been included. However, actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The Condensed Consolidated Balance Sheet as of December 31, 2017 was derived from audited financial statements. This Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. In this Quarterly Report on Form 10-Q, references to “we,” “us,” “our,” and the “Company” refer collectively to L.B. Foster Company and its consolidated subsidiaries.

Assets Held for Sale

The Company classifies assets as held for sale when management approves and commits to a formal plan of sale with the expectation the sale will be completed within one year. The net assets of the assets held for sale are then recorded at the lower of their current carrying value or the fair market value, less costs to sell. See Note 8. Investments of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q for additional information.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The new accounting requirements include the accounting for, presentation of, and classification of leases. The guidance will result in most leases being capitalized as a right-of-use asset with a related balance sheet liability. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods. The Company is in the process of analyzing the impact of ASU 2016-02 on our financial position. The Company has a significant number of operating leases, and, as a result, expects this guidance to have a material impact on its Condensed Consolidated Balance Sheet. The change will not affect the covenants of the Second Amendment to the Amended and Restated Credit Agreement dated March 13, 2015. The Company has gathered the agreements covered by ASU 2016-02 and will continue to evaluate the impact that ASU 2016-02 will have on its financial statements, related disclosures, and internal controls. Regular updates are provided to the Audit Committee regarding the progress and milestones of the adoption. The Company does not anticipate early adoption of ASU 2016-02.

In February 2018, the FASB issued ASU 2018-02, “Income Statement – Reporting Comprehensive Income” (“ASU 2018-02”), that will permit companies the option to reclassify stranded tax effects caused by the newly-enacted US Tax Cuts and Jobs Act (the “Tax Act”) from accumulated other comprehensive income to retained earnings. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. Adoption of the ASU will be optional and a company will need to disclose if it elects not to adopt the ASU. The ASU will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption will be permitted, including adoption in any interim period, for financial statements that have not yet been issued or made available for issuance. Entities will have the option to apply the amendments retrospectively or to record the reclassification as of the beginning of the period of adoption. The Company is evaluating the impact of ASU 2018-02 on its financial position and whether or not it will choose to adopt the ASU.

Recently Adopted Accounting Standards

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, “Revenue Recognition” (“ASC 605”). ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue, cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted the provisions of ASU 2014-09 on January 1, 2018, using the modified retrospective approach. Revenue from the Company's product and service sales continue to be recognized when products are shipped or services are rendered. Revenue from the Company's product and service sales provided under long-term agreements is recognized as the Company transfers control of the product or service to its customers, which approximates the previously used percentage-of-completion method of accounting. The adoption of ASU 2014-09 had no material effect on the Company's financial position, results of operations, cash flows, or backlog, and no adjustment to January 1, 2018 opening retained earnings was needed. The Company has presented the disclosures required by ASC 606, "Revenue from Contracts with Customers" ("ASC 606") in Note 3. Revenue of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes – Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)," ("ASU 2016-16") which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The ASU was effective on January 1, 2018 and was adopted by the Company on that date, using the modified retrospective approach. Under this approach, the Company recorded a reduction to its January 1, 2018 opening retained earnings of \$305 as a result of prior intra-entity transactions.

In March 2018, the FASB issued ASU 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118," which allowed SEC registrants to record provisional amounts in earnings for the year ended December 31, 2017 due to the complexities involved in accounting for the enactment of the Tax Act enacted on December 22, 2017. The Company recognized estimated income tax effects of the Tax Act in its 2017 Consolidated Financial Statements in accordance with SEC Staff Accounting Bulletin No. 118 ("SAB No. 118"). Refer to Note 15. Income Taxes of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q for further information regarding the provisional amounts recorded by the Company as of December 31, 2017 and the absence of any change to those estimates through June 30, 2018.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715)" ("ASU 2017-07"), which will improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The guidance requires that the entity report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, and report the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement separately from the service cost component and not within income from operations. Of the components of net periodic benefit cost, only the service cost component will be eligible for asset capitalization. The new standard will be effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The adoption of ASU 2017-07 had no impact to the Company.

Reclassifications and Disclosures

Certain amounts in previously issued financial statements have been reclassified to conform to the current period presentation. These reclassifications represent the change in allocated corporate expenses as disclosed in Note 2. Business Segments and the adoption of ASC 606 disclosed in Note 3. Revenue, Note 5. Accounts Receivable, and Note 6. Inventories of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

2. BUSINESS SEGMENTS

The Company is a leading manufacturer and distributor of products and services for transportation and energy infrastructure with locations in North America and Europe. The Company is organized and operates in three different operating segments: the Rail Products and Services segment, the Construction Products segment, and the Tubular and Energy Services segment. The segments represent components of the Company (a) that engage in activities from which revenue is generated and expenses are incurred; (b) whose operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM"), who makes decisions about resources to be allocated to the segments, and (c) for which discrete financial information is available. Operating segments are evaluated on their segment profit (loss) contribution to the Company's consolidated results. Other income and expenses, interest, income taxes, and certain other items are managed on a consolidated basis. The Company's segment accounting policies, unless otherwise noted, are the same as those described in the Note 2. Business Segments of the Notes to the Company's Consolidated Financial Statements contained in its Annual Report on Form 10-K for the year-ended December 31, 2017.

The following table illustrates the Company's revenues and profit (loss) from operations by segment for the periods indicated:

| | Three Months Ended June 30, 2018 | | Six Months Ended June 30, 2018 | |
|-----------------------------|-------------------------------------|----------------|-----------------------------------|----------------|
| | Net Sales | Segment Profit | Net Sales | Segment Profit |
| Rail Products and Services | \$ 91,884 | \$ 5,308 | \$ 154,054 | \$ 7,356 |
| Construction Products | 42,207 | 2,857 | 71,107 | 2,875 |
| Tubular and Energy Services | 38,799 | 4,545 | 70,183 | 6,430 |
| Total | \$ 172,890 | \$ 12,710 | \$ 295,344 | \$ 16,661 |

| | Three Months Ended June 30, 2017 | | Six Months Ended June 30, 2017 | |
|-----------------------------|-------------------------------------|--------------------------|-----------------------------------|--------------------------|
| | Net Sales | Segment Profit (Loss) | Net Sales | Segment Profit (Loss) |
| Rail Products and Services | \$ 69,347 | \$ 3,579 | \$ 125,827 | \$ 4,402 |
| Construction Products | 45,465 | 5,105 | 82,787 | 6,771 |
| Tubular and Energy Services | 30,048 | (126) | 54,948 | (806) |
| Total | \$ 144,860 | \$ 8,558 | \$ 263,562 | \$ 10,367 |

Segment profit (loss) from operations, as shown above, includes allocated corporate operating expenses. Prior to January 1, 2018, the allocation of corporate operating expenses reflected a cost of capital for the assets used in each segment at a rate of generally 1% per month. In 2018, operating expenses related to corporate headquarter functions that directly support the segment activity are allocated based on segment headcount, revenue contribution, or activity of the business units within the segments, based on the corporate activity type provided to the segment. The expense allocation excludes certain corporate costs that are separately managed from the segments. The prior year periods have been updated to reflect the change in allocating corporate operating expenses.

Management believes the current allocation of corporate operating expenses provides a more accurate presentation of how the segments utilize corporate support activities as compared to the cost of capital method previously used. This provides the CODM more meaningful segment profitability reporting to support operating decisions and the allocation of resources.

The following table provides a reconciliation of segment net profit from operations to the Company's consolidated total:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Profit for reportable segments | \$ 12,710 | \$ 8,558 | \$ 16,661 | \$ 10,367 |
| Interest expense | (1,654) | (2,181) | (3,612) | (4,289) |
| Interest income | 24 | 54 | 95 | 110 |
| Other (expense) income | (128) | 18 | 480 | 13 |
| LIFO expense | (549) | (192) | (713) | (181) |
| Equity in income (loss) of nonconsolidated investments | — | 145 | (3) | (55) |
| Unallocated corporate expenses and other unallocated charges | (4,790) | (2,903) | (8,792) | (4,457) |
| Income before income taxes | \$ 5,613 | \$ 3,499 | \$ 4,116 | \$ 1,508 |

The following table illustrates assets of the Company by segment:

| | June 30, 2018 | December 31, 2017 |
|------------------------------|------------------|----------------------|
| Rail Products and Services | \$ 183,072 | \$ 192,038 |
| Construction Products | 85,477 | 83,154 |
| Tubular and Energy Services | 96,186 | 100,706 |
| Unallocated corporate assets | 22,909 | 20,658 |
| Total | \$ 387,644 | \$ 396,556 |

3. REVENUE

On January 1, 2018, the Company adopted ASU 2014-09, and all the related amendments using the modified retrospective approach, which did not result in any changes to the previously reported financial information. The updates related to ASU 2014-09 were applied only to contracts that were not complete as of January 1, 2018.

The Company's revenues are comprised of product and service sales, including products and services provided under long-term agreements with its customers. All revenue is recognized when the Company satisfies its performance obligations under the contract, either implicit or explicit, by transferring the promised product or service to its customer either when or as its customer obtains control of the product or service. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation. The majority of the Company's contracts have a single performance obligation, as the promise to transfer products or services is not separately identifiable from other promises in the contract and, therefore, not distinct. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. Revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales, value added, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis. Shipping and handling costs are included in cost of goods sold.

The Company's performance obligations under long-term agreements with its customers are generally satisfied as over time. Revenue from products or services transferred to customers over time accounted for 23.4% and 22.7% of revenue for the three months ended June 30, 2018 and 2017, respectively, and 24.3% and 22.9% of revenue for the six months ended June 30, 2018 and 2017, respectively. Revenue under these long-term agreements is generally recognized over time either using an input measure based upon the proportion of actual costs incurred to estimated total project costs or an input measure based upon actual labor costs as a percentage of estimated total labor costs, depending upon which measure the Company believes best depicts the Company's performance to date under the terms of the contract. Revenue recognized over time using an input measure was \$29,583 and \$19,835 for the three months ended June 30, 2018 and 2017, respectively, and was \$54,144 and \$41,445 for the six months ended June 30, 2018 and 2017, respectively. A certain portion of the Company's revenue recognized over time under these long-term agreements is recognized using an output method, specifically units delivered, based upon certain customer acceptance and delivery requirements. Revenue recognized over time using an output measure was \$10,893 and \$13,049 for the three months ended June 30, 2018 and 2017, respectively, and was \$17,554 and \$19,012 for the six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and December 31, 2017, the Company had contract assets of \$29,247 and \$25,320, respectively, that were recorded in inventory within the Condensed Consolidated Balance Sheets. At June 30, 2018 and December 31, 2017, the Company had contract liabilities of \$3,035 and \$1,420, respectively, that were recorded in deferred revenue within the Condensed Consolidated Balance Sheets.

Accounting for these long-term agreements involves the use of various techniques to estimate total revenues and costs. The Company estimates profit on these long-term agreements as the difference between total estimated revenues and expected costs to complete a contract and recognizes that profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events that may span several years. These assumptions include, among other things, labor productivity, cost and availability of materials, and timing of funding by customers. The nature of these long-term agreements may give rise to several types of variable consideration, such as claims, awards, and incentive fees. Historically, these amounts of variable consideration have not been considered significant. Contract estimates may include additional revenue for submitted contract modifications if there exists an enforceable right to the modification, the amount can be reasonably estimated, and its realization is probable. These estimates are based on historical collection experience, anticipated performance, and the Company's best judgment at that time. These amounts are generally included in the contract's transaction price and are allocated over the remaining performance obligations. Changes in judgments related to the estimates above could impact the timing and amount of revenue recognized and, accordingly, the timing and amount of associated income. In the event a contract loss becomes known, the entire amount of the estimated loss is recognized in the Condensed Consolidated Statements of Operations.

The majority of the Company's revenue is from products and services transferred to customers at a point in time, which accounted for approximately 76.6% and 77.3% of revenue for the three months ended June 30, 2018 and 2017, respectively. Revenue from products and services transferred to customers at a point in time accounted for approximately 75.7% and 77.1% of revenue for the six months ended June 30, 2018 and 2017, respectively. The Company recognizes revenue at the point in time in which the customer obtains control of the product or service, which is generally when product title passes to the customer upon shipment or the service has been rendered to the customer. In limited cases, title does not transfer and revenue is not recognized until the customer has received the products at its physical location.

The following table summarizes the Company's net sales by major product category:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Rail Products | \$ 54,332 | \$ 44,399 | \$ 90,366 | \$ 78,764 |
| Rail Technologies | 37,552 | 24,948 | 63,688 | 47,063 |
| Rail Products and Services | 91,884 | 69,347 | 154,054 | 125,827 |
| Piling and Fabricated Bridge | 25,846 | 29,607 | 44,707 | 58,830 |
| Precast Concrete Products | 16,361 | 15,858 | 26,400 | 23,957 |
| Construction Products | 42,207 | 45,465 | 71,107 | 82,787 |
| Test, Inspection, and Threading | 15,008 | 13,050 | 29,221 | 23,932 |
| Protective Coatings and Measurement Solutions | 23,791 | 16,998 | 40,962 | 31,016 |
| Tubular and Energy Services | 38,799 | 30,048 | 70,183 | 54,948 |
| Total net sales | \$ 172,890 | \$ 144,860 | \$ 295,344 | \$ 263,562 |

Net sales by the timing of the transfer of goods and services is as follows:

| Three Months Ended June 30, 2018 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|----------------------------------|-------------------------------|--------------------------|--------------------------------|------------|
| Point in time | \$ 69,295 | \$ 28,196 | \$ 34,923 | \$ 132,414 |
| Over time | 22,589 | 14,011 | 3,876 | 40,476 |
| Total net sales | \$ 91,884 | \$ 42,207 | \$ 38,799 | \$ 172,890 |

| Three Months Ended June 30, 2017 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|----------------------------------|-------------------------------|--------------------------|--------------------------------|------------|
| Point in time | \$ 57,098 | \$ 28,766 | \$ 26,112 | \$ 111,976 |
| Over time | 12,249 | 16,699 | 3,936 | 32,884 |
| Total net sales | \$ 69,347 | \$ 45,465 | \$ 30,048 | \$ 144,860 |

| Six Months Ended June 30, 2018 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|--------------------------------|-------------------------------|--------------------------|--------------------------------|------------|
| Point in time | \$ 115,166 | \$ 47,122 | \$ 61,358 | \$ 223,646 |
| Over time | 38,888 | 23,985 | 8,825 | 71,698 |
| Total net sales | \$ 154,054 | \$ 71,107 | \$ 70,183 | \$ 295,344 |

| Six Months Ended June 30, 2017 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|--------------------------------|-------------------------------|--------------------------|--------------------------------|------------|
| Point in time | \$ 102,664 | \$ 53,390 | \$ 47,051 | \$ 203,105 |
| Over time | 23,163 | 29,397 | 7,897 | 60,457 |
| Total net sales | \$ 125,827 | \$ 82,787 | \$ 54,948 | \$ 263,562 |

The timing of revenue recognition, billings, and cash collections results in billed receivables, costs in excess of billings (contract assets, included in inventory), and billings in excess of costs (contract liabilities, included in deferred revenue) on the Condensed Consolidated Balance Sheets.

Significant changes in contract assets during the six months ended June 30, 2018 include transfers to receivables from contract assets recognized at the beginning of the period of \$10,872. Significant changes in contract liabilities during the six months ended June 30, 2018 include \$740 of revenue recognized that was included in the contract liability at the beginning of the period, and increases of \$2,488 due to billings in excess of costs, excluding amounts recognized as revenue during the period.

As of June 30, 2018, the Company has approximately \$231,252 of remaining performance obligations, which is also referred to as backlog. Approximately 11.7% of the June 30, 2018 backlog is related to projects that are anticipated to extend beyond June 30, 2019.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents the goodwill balance by reportable segment:

| | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|-------------------------------------|----------------------------|-----------------------|-----------------------------|-----------|
| Balance at December 31, 2017 | \$ 14,638 | \$ 5,147 | \$ — | \$ 19,785 |
| Foreign currency translation impact | (219) | — | — | (219) |
| Balance at June 30, 2018 | \$ 14,419 | \$ 5,147 | \$ — | \$ 19,566 |

The Company performs goodwill impairment tests annually during the fourth quarter, and also performs interim goodwill impairment tests if it is determined that it is more likely than not that the fair value of a reporting unit is less than the carrying amount. Qualitative factors are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount. No interim goodwill impairment test was required in connection with the evaluation of qualitative factors for the six months ended June 30, 2018. The Company continues to monitor the recoverability of the long-lived assets associated with certain reporting units of the Company and their long-term financial projections. Sustained declines in the markets we serve may result in future long-lived asset impairment.

The following table represents the gross balances of other intangible asset by reportable segment:

| | June 30, 2018 | December 31, 2017 |
|-----------------------------|---------------|-------------------|
| Rail Products and Services* | \$ 57,321 | \$ 57,654 |
| Construction Products | 1,348 | 1,348 |
| Tubular and Energy Services | 29,179 | 29,179 |
| | \$ 87,848 | \$ 88,181 |

* Gross balances include the impact of foreign currency translation adjustments.

The components of the Company's intangible assets were as follows:

| | June 30, 2018 | | | |
|----------------------------|---|----------------------|--------------------------|---------------------|
| | Weighted Average Amortization Period In Years | Gross Carrying Value | Accumulated Amortization | Net Carrying Amount |
| Non-compete agreements | 5 | \$ 4,224 | \$ (3,539) | \$ 685 |
| Patents | 10 | 372 | (164) | 208 |
| Customer relationships | 17 | 37,458 | (10,312) | 27,146 |
| Trademarks and trade names | 14 | 10,067 | (4,504) | 5,563 |
| Technology | 14 | 35,727 | (15,654) | 20,073 |
| | | \$ 87,848 | \$ (34,173) | \$ 53,675 |

| | December 31, 2017 | | | |
|----------------------------|---|----------------------|--------------------------|---------------------|
| | Weighted Average Amortization Period In Years | Gross Carrying Value | Accumulated Amortization | Net Carrying Amount |
| Non-compete agreements | 5 | \$ 4,238 | \$ (3,100) | \$ 1,138 |
| Patents | 10 | 389 | (164) | 225 |
| Customer relationships | 17 | 37,679 | (9,171) | 28,508 |
| Trademarks and trade names | 14 | 10,085 | (4,091) | 5,994 |
| Technology | 14 | 35,790 | (14,215) | 21,575 |
| | | \$ 88,181 | \$ (30,741) | \$ 57,440 |

Intangible assets are amortized over their useful lives, which range from 4 to 25 years, with a total weighted average amortization period of approximately 15 years at June 30, 2018. Amortization expense for the three months ended June 30, 2018 and 2017 was \$1,775 and \$1,695, respectively. Amortization expense for the six months ended June 30, 2018 and 2017 was \$3,560 and \$3,454, respectively.

Estimated amortization expense for the remainder of 2018 and thereafter is as follows:

| | Amortization Expense | |
|---------------------|----------------------|---------------|
| 2018 | \$ | 3,448 |
| 2019 | | 6,280 |
| 2020 | | 5,959 |
| 2021 | | 5,939 |
| 2022 | | 5,888 |
| 2023 and thereafter | | 26,161 |
| | \$ | <u>53,675</u> |

5. ACCOUNTS RECEIVABLE

Credit is extended based upon an evaluation of the customer's financial condition and, while collateral is not required, the Company periodically receives surety bonds that guarantee payment. Credit terms are consistent with industry standards and practices. The amounts of trade accounts receivable at June 30, 2018 and December 31, 2017 have been reduced by an allowance for doubtful accounts of \$1,570 and \$2,151, respectively. Reserves for uncollectable accounts are recorded as part of selling and administrative expenses in the Condensed Consolidated Statements of Operations, and were income of \$473 and expense of \$54 for the three months ended June 30, 2018 and 2017, respectively. Reserves for uncollectable accounts were income of \$719 and expense of \$529 for the six months ended June 30, 2018 and 2017, respectively.

6. INVENTORIES

Inventories at June 30, 2018 and December 31, 2017 are summarized in the following table:

| | June 30, 2018 | December 31, 2017 |
|------------------------------------|-------------------|----------------------|
| Finished goods | \$ 48,580 | \$ 55,846 |
| Contract assets | 29,247 | 25,320 |
| Work-in-process | 9,852 | 4,059 |
| Raw materials | 19,564 | 17,505 |
| Total inventories at current costs | <u>107,243</u> | <u>102,730</u> |
| Less: LIFO reserve | (5,900) | (5,187) |
| | <u>\$ 101,343</u> | <u>\$ 97,543</u> |

Inventory is generally valued at the lower of last-in, first-out ("LIFO") cost or market. Other inventories of the Company are valued at average cost or net realizable value, whichever is lower. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management's estimates of expected year-end levels and costs. Prior to the adoption of ASU 2014-09, contract assets were classified within work-in-process inventory.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 2018 and December 31, 2017 consisted of the following:

| | June 30, 2018 | December 31, 2017 |
|---|------------------|----------------------|
| Land | \$ 12,539 | \$ 14,869 |
| Improvements to land and leaseholds | 17,482 | 17,415 |
| Buildings | 34,752 | 34,929 |
| Machinery and equipment, including equipment under capitalized leases | 120,776 | 120,806 |
| Construction in progress | 2,031 | 1,057 |
| | <u>187,580</u> | <u>189,076</u> |
| Less: accumulated depreciation and amortization, including accumulated amortization of capitalized leases | (98,113) | (92,980) |
| | <u>\$ 89,467</u> | <u>\$ 96,096</u> |

We review our property, plant, and equipment for recoverability whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. We recognize an impairment loss if the carrying amount of a long-lived asset is not

recoverable and exceeds its fair value. There were no asset impairments of property, plant, and equipment during the six months ended June 30, 2018.

During the three months ended June 30, 2018, the Company sold 54.5 acres of land in exchange for cash proceeds of \$2,047, resulting in a loss of \$269. Depreciation expense for the three months ended June 30, 2018 and 2017 was \$2,938 and \$3,245, respectively. Depreciation expense for the six months ended June 30, 2018 and 2017 was \$5,882 and \$6,527, respectively.

8. INVESTMENTS

The Company is a member of a joint venture, L B Pipe & Coupling Products, LLC (“L B Pipe JV”), in which it maintains a 45% ownership interest. L B Pipe JV manufactures, markets, and sells various machined components and precision coupling products for the energy, water well, and construction markets and is scheduled to terminate on June 30, 2019.

During the quarter ended September 30, 2017, pursuant to the limited liability company agreement, the Company determined to sell its 45% ownership interest to the other 45% equity holder. The Company concluded that it had met the criteria under applicable guidance for a long-lived asset to be held for sale, and, accordingly, reclassified its L B Pipe JV investment of \$4,288 as a current asset held for sale within other current assets. The asset was subsequently remeasured to its fair market value of \$3,875. The difference between the fair market value and the Company's carrying amount of \$413 was recorded as an other-than-temporary impairment during 2017.

At June 30, 2018 and December 31, 2017, the Company had a nonconsolidated equity method investment of \$159 and \$162, respectively.

The Company recorded equity in the income of L B Pipe JV of \$0 and \$150 for the three months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded equity in the loss of L B Pipe JV of \$0 and \$48, respectively.

During 2016, the Company and the other 45% member each executed a revolving line of credit with L B Pipe JV with an available limit of \$1,350. The Company and the other 45% member each loaned \$1,235 to L B Pipe JV in an effort to maintain compliance with L B Pipe JV's debt covenants with an unaffiliated bank. The Company is to receive its outstanding loan balance, including accrued interest, at the 45% equity holder sale date.

The Company's exposure to loss results from its capital contributions and loans, net of the Company's share of L B Pipe JV's income or loss, and its net investment in the direct financing lease covering the facility used by L B Pipe JV for its operations, which is described below.

The carrying amounts with the Company's maximum exposure to loss at June 30, 2018 and December 31, 2017, respectively, are as follows:

| | June 30, 2018 | December 31, 2017 |
|--|------------------|----------------------|
| L B Pipe JV investment | \$ 3,875 | \$ 3,875 |
| Revolving line of credit | 1,235 | 1,235 |
| Net investment in direct financing lease | 644 | 735 |
| | <u>\$ 5,754</u> | <u>\$ 5,845</u> |

The Company is leasing five acres of land and two facilities to L B Pipe JV through June 30, 2019, with a 5.5 year renewal period. The current monthly lease payments approximate \$17, with a balloon payment of approximately \$488, which is required to be paid either at the termination of the lease, allocated over the renewal period, or during the initial term of the lease. This lease qualifies as a direct financing lease under the applicable guidance in ASC 840-30, “Leases.”

The following is a schedule of the direct financing minimum lease payments for the remainder of 2018 and the year 2019:

| | Minimum Lease Payments |
|------|------------------------|
| 2018 | \$ 77 |
| 2019 | 567 |
| | <u>\$ 644</u> |

9. LONG-TERM DEBT**North America**

Long-term debt consisted of the following:

| | June 30, 2018 | December 31, 2017 |
|---|------------------|----------------------|
| Revolving credit facility | \$ 97,867 | \$ 128,470 |
| Capital leases and financing agreements | 1,170 | 1,496 |
| Total | 99,037 | 129,966 |
| Less current maturities | 631 | 656 |
| Long-term portion | \$ 98,406 | \$ 129,310 |

On November 7, 2016, the Company, its domestic subsidiaries, and certain of its Canadian subsidiaries entered into the Second Amendment (the “Second Amendment”) to the Second Amended and Restated Credit Agreement dated March 13, 2015 and as amended by the First Amendment dated June 29, 2016 (the “Amended and Restated Credit Agreement”), with PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., Citizens Bank of Pennsylvania, and Branch Banking and Trust Company. This Second Amendment modified the Amended and Restated Credit Agreement, which had a maximum revolving credit line of \$275,000. The Second Amendment reduced the permitted revolving credit borrowings to \$195,000 and provided for additional term loan borrowing of \$30,000 (the “Term Loan”). During 2017, the Company paid off the balance of the Term Loan. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Second Amendment or Amended and Restated Credit Agreement filed as Exhibit 10.3 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, as applicable.

The Second Amendment further provided for modifications to the financial covenants as defined in the Amended and Restated Credit Agreement. The Second Amendment calls for the elimination of the Maximum Leverage Ratio covenant through the quarter ended June 30, 2018. After that period, the Maximum Gross Leverage Ratio covenant will be reinstated to require a maximum ratio of 4.25 Consolidated Indebtedness to 1.00 Gross Leverage for the quarter ending September 30, 2018, and 3.75 to 1.00 for all periods thereafter until the maturity date of the credit facility. The Second Amendment also includes a Minimum Last Twelve Months EBITDA covenant (“Minimum EBITDA”). For the quarter ended December 31, 2016 through the quarter ended June 30, 2017, the Minimum EBITDA had to be at least \$18,500. For each quarter thereafter, through the quarter ended June 30, 2018, the Minimum EBITDA requirement increased by various increments. At June 30, 2018, the Minimum EBITDA requirement was \$31,000. After the quarter ended June 30, 2018, the Minimum EBITDA covenant was eliminated through the remainder of the Amended and Restated Credit Agreement. The Second Amendment also includes a Minimum Fixed Charge Coverage Ratio covenant. The covenant represents the ratio of the Company’s fixed charges to the last twelve months of EBITDA, and is required to be a minimum of 1.00 to 1.00 through the quarter ended December 31, 2017 and 1.25 to 1.00 for each quarter thereafter through the maturity of the credit facility. The final financial covenant included in the Second Amendment was a Minimum Liquidity covenant which called for a minimum of \$25,000 in undrawn availability on the revolving credit loan at all times through the quarter ended June 30, 2018.

The Second Amendment includes several changes to certain non-financial covenants as defined in the Amended and Restated Credit Agreement. Through the maturity date of the loan, the Company is prohibited from making any future acquisitions. The limitation on permitted annual distributions of dividends or redemptions of the Company’s stock was decreased from \$4,000 to \$1,700. The aggregate limitation on loans to and investments in non-loan parties was decreased from \$10,000 to \$5,000. Furthermore, the limitation on asset sales has been decreased from \$25,000 annually with a carryover of up to \$15,000 from the prior year to \$25,000 in the aggregate through the maturity date of the credit facility.

At June 30, 2018, L.B. Foster was in compliance with the Second Amendment’s covenants.

The Second Amendment provided for the elimination of the three lowest tiers of the pricing grid that had previously been defined in the First Amendment. Upon execution of the Second Amendment through the quarter ended March 31, 2018, the Company was locked into the highest tier of the pricing grid, which provided for pricing of the prime rate plus 225 basis points on base rate loans and the applicable LIBOR rate plus 325 basis points on euro rate loans. For each quarter after March 31, 2018 and through the maturity date of the credit facility, the Company’s position on the pricing grid is governed by a Minimum Net Leverage ratio, which is the ratio of Consolidated Indebtedness less cash on hand in excess of \$15,000 to EBITDA. If, after March 31, 2018, the Minimum Net Leverage ratio positions the Company on the lowest tier of the pricing grid, pricing will be the prime rate plus 150 basis points on base rate loans or the applicable LIBOR rate plus 250 basis points on euro rate loans.

At June 30, 2018, L.B. Foster had outstanding letters of credit of approximately \$425 and had net available borrowing capacity of \$71,708. The maturity date of the facility is March 13, 2020.

United Kingdom

A subsidiary of the Company has a credit facility with NatWest Bank for its United Kingdom operations, which includes an overdraft availability of £1,500 pounds sterling (approximately \$1,981 at June 30, 2018). This credit facility supports the subsidiary's working capital requirements and is collateralized by substantially all of the assets of its United Kingdom operations. The interest rate on this facility is the financial institution's base rate plus 2.50%. Outstanding performance bonds reduce availability under this credit facility. The subsidiary of the Company had no outstanding borrowings under this credit facility at June 30, 2018. There was approximately \$404 in outstanding guarantees (as defined in the underlying agreement) at June 30, 2018. This credit facility was renewed during the fourth quarter of 2017 with all underlying terms and conditions remaining unchanged as a result of the renewal. It is the Company's intention to renew this credit facility with NatWest Bank during the annual review within the fourth quarter of 2018.

The United Kingdom credit facility contains certain financial covenants that require the subsidiary to maintain senior interest and cash flow coverage ratios. The subsidiary was in compliance with these financial covenants at June 30, 2018. The subsidiary had available borrowing capacity of \$1,577 at June 30, 2018.

10. FAIR VALUE MEASUREMENTS

The Company determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The fair value hierarchy is based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions of what market participants would use. The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Cash equivalents - Included within "Cash and cash equivalents" are investments in non-domestic term deposits. The carrying amounts approximate fair value because of the short maturity of the instruments.

LIBOR-based interest rate swaps - To reduce the impact of interest rate changes on outstanding variable-rate debt, the Company entered into forward starting LIBOR-based interest rate swaps with notional values totaling \$50,000. The fair value of the interest rate swaps is based on market-observable forward interest rates and represents the estimated amount that the Company would pay to terminate the agreements. As such, the swap agreements are classified as Level 2 within the fair value hierarchy. At June 30, 2018, the interest rate swaps were recorded within other current assets.

| | Fair Value Measurements at Reporting Date and Using | | | | Fair Value Measurements at Reporting Date and Using | | | |
|---------------------|---|--|---|--|---|--|---|--|
| | June 30, 2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | December 31, 2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Term deposits | \$ 16 | \$ 16 | \$ — | \$ — | \$ 17 | \$ 17 | \$ — | \$ — |
| Interest rate swaps | 1,263 | — | 1,263 | — | 222 | — | 222 | — |
| Total assets | \$ 1,279 | \$ 16 | \$ 1,263 | \$ — | \$ 239 | \$ 17 | \$ 222 | \$ — |

The interest rate swaps are accounted for as fair value hedges and substantially offset the changes in fair value of the hedged portion of the underlying debt that are attributable to the changes in market risk. Therefore, the gains and losses related to changes in the fair value of the interest rate swaps are included in interest income or expense in our Condensed Consolidated

Statements of Operations. For the three months ended June 30, 2018 and 2017, interest income from interest rate swaps was \$1 and expense of \$114, respectively. Interest expense from the interest rate swaps was \$34 and \$204 for the six months ended June 30, 2018 and 2017, respectively.

In accordance with the provisions of ASC 820, "Fair Value Measurement," the Company measures certain nonfinancial assets and liabilities at fair value, which are recognized or disclosed on a nonrecurring basis. The fair market value of L B Pipe JV is classified as assets held for sale utilizing a Level 2 fair value measurement. See Note 8. Investments of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q for additional information.

11. EARNINGS PER COMMON SHARE

(Share amounts in thousands)

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Numerator for basic and diluted earnings per common share: | | | | |
| Net income | \$ 4,940 | \$ 3,024 | \$ 2,918 | \$ 602 |
| Denominator: | | | | |
| Weighted average shares outstanding | 10,365 | 10,335 | 10,358 | 10,327 |
| Denominator for basic earnings per common share | 10,365 | 10,335 | 10,358 | 10,327 |
| Effect of dilutive securities: | | | | |
| Stock compensation plans | 119 | 148 | 119 | 200 |
| Dilutive potential common shares | 119 | 148 | 119 | 200 |
| Denominator for diluted earnings per common share - adjusted weighted average shares outstanding | 10,484 | 10,483 | 10,477 | 10,527 |
| Basic earnings per common share | \$ 0.48 | \$ 0.29 | \$ 0.28 | \$ 0.06 |
| Diluted earnings per common share | \$ 0.47 | \$ 0.29 | \$ 0.28 | \$ 0.06 |

12. STOCK-BASED COMPENSATION

The Company applies the provisions of ASC 718, "Compensation – Stock Compensation," to account for the Company's stock-based compensation. Stock-based compensation cost is measured at the grant date based on the calculated fair value of the award and is recognized over the employees' requisite service period. The Company recorded stock compensation expense related to fully-vested stock awards, restricted stock awards, and performance unit awards of \$822 and \$558 for the three-month periods ended June 30, 2018 and 2017, respectively, and \$1,904 and \$725 for the six-month periods ended June 30, 2018 and 2017, respectively. At June 30, 2018, unrecognized compensation expense for awards that the Company expects to vest approximated \$5,561. The Company will recognize this expense over the upcoming 3.8 years through April 2022.

Shares issued as a result of vested stock-based compensation awards generally will be from previously issued shares that have been reacquired by the Company and held as treasury stock or authorized and previously unissued common stock.

Restricted Stock Awards and Performance Unit Awards

Under the 2006 Omnibus Plan, the Company grants eligible employees restricted stock and performance unit awards. The forfeitable restricted stock awards granted prior to March 2015 generally time-vest after a four-year period, and those granted subsequent to March 2015 generally time-vest ratably over a three-year period, unless indicated otherwise by the underlying restricted stock agreement. Since May 2018, awards of restricted stock are subject to a minimum one-year vesting period, including those granted to non-employee directors. Prior to May 2018, awards to non-employee directors were made in fully-vested shares. Performance unit awards are offered annually under separate three-year long-term incentive programs. Performance units are subject to forfeiture and will be converted into common stock of the Company based upon the Company's performance relative to performance measures and conversion multiples, as defined in the underlying program. If the Company's estimate of the number of performance stock awards expected to vest changes in a subsequent accounting period, cumulative compensation expense could increase or decrease. The change will be recognized in the current period for the vested shares and would change future expense over the remaining vesting period.

Since May 1, 2017, non-employee directors have been permitted to defer receipt of annual stock awards and equity elected to be received in lieu of quarterly cash compensation. If so elected, these deferred stock units will be issued as common stock six months after the separation from their service on the Board of Directors.

During the quarter ended March 31, 2018, the Compensation Committee approved the 2018 Performance Share Unit Program and the Executive Annual Incentive Compensation Plan (consisting of cash and equity components). The Compensation Committee also certified the actual performance achievement of participants in the 2015 Performance Share Unit Program. Actual performance resulted in no payout relative to the 2015 Performance Share Unit Program target performance metrics.

The following table summarizes the restricted stock award, deferred stock units, and performance unit award activity for the six months ended June 30, 2018:

| | Restricted Stock | Deferred Stock Units | Performance Stock Units | Weighted Average Grant Date Fair Value |
|--|------------------|----------------------|-------------------------|--|
| Outstanding at December 31, 2017 | 186,806 | 26,860 | 181,341 | \$ 16.53 |
| Granted | 62,320 | 14,914 | 65,421 | 27.05 |
| Vested | (35,946) | — | — | 28.27 |
| Adjustment for incentive awards expected to vest | — | — | (5,051) | 14.86 |
| Cancelled and forfeited | (14,425) | — | (11,880) | 15.60 |
| Outstanding at June 30, 2018 | 198,755 | 41,774 | 229,831 | \$ 18.68 |

13. RETIREMENT PLANS

Retirement Plans

The Company has three retirement plans that cover its hourly and salaried employees in the United States: one defined benefit plan, which is frozen, and two defined contribution plans. Employees are eligible to participate in the appropriate plan based on employment classification. The Company's contributions to the defined benefit and defined contribution plans are governed by the Employee Retirement Income Security Act of 1974 ("ERISA") and the Company's policy and investment guidelines applicable to each respective plan. The Company's policy is to contribute at least the minimum in accordance with the funding standards of ERISA.

The Company maintains two defined contribution plans for its employees in Canada, as well as a post-retirement benefit plan. The Company also maintains two defined contribution plans and a defined benefit plan for its employees in the United Kingdom.

United States Defined Benefit Plan

Net periodic pension costs for the United States defined benefit pension plan for the three- and six-month periods ended June 30, 2018 and 2017 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------------|-----------------------------|--------|---------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest cost | \$ 155 | \$ 171 | \$ 311 | \$ 342 |
| Expected return on plan assets | (213) | (178) | (427) | (355) |
| Recognized net actuarial loss | 24 | 33 | 48 | 65 |
| Net periodic pension (income) cost | \$ (34) | \$ 26 | \$ (68) | \$ 52 |

The Company does not expect to contribute to its United States defined benefit plan in 2018.

United Kingdom Defined Benefit Plan

Net periodic pension costs for the United Kingdom defined benefit pension plan for the three- and six-month periods ended June 30, 2018 and 2017 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------|------------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest cost | \$ 52 | \$ 55 | \$ 104 | \$ 110 |
| Expected return on plan assets | (71) | (66) | (142) | (132) |
| Amortization of prior service costs and transition amount | 5 | 4 | 10 | 8 |
| Recognized net actuarial loss | 49 | 71 | 98 | 142 |
| Net periodic pension cost | \$ 35 | \$ 64 | \$ 70 | \$ 128 |

United Kingdom regulations require trustees to adopt a prudent approach to funding required contributions to defined benefit pension plans. Employer contributions of approximately \$247 are anticipated to the United Kingdom Rail Technologies pension plan during 2018. For the six months ended June 30, 2018, the Company contributed approximately \$128 to the plan.

Defined Contribution Plans

The Company sponsors six defined contribution plans for hourly and salaried employees across our domestic and international facilities. The following table summarizes the expense associated with the contributions made to these plans:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------|--------------------------------|--------|------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| United States | \$ 770 | \$ 410 | \$ 1,314 | \$ 861 |
| Canada | 34 | 54 | 68 | 113 |
| United Kingdom | 98 | 98 | 214 | 213 |
| | \$ 902 | \$ 562 | \$ 1,596 | \$ 1,187 |

14. COMMITMENTS AND CONTINGENT LIABILITIES

Product Liability Claims

The Company is subject to product warranty claims that arise in the ordinary course of its business. For certain manufactured products, the Company maintains a product warranty accrual which is adjusted on a monthly basis as a percentage of cost of sales. In addition, the product warranty accrual is periodically adjusted based on the identification or resolution of known individual product warranty claims.

The following table sets forth the Company's product warranty accrual:

| | Warranty Liability |
|---------------------------------|--------------------|
| Balance at December 31, 2017 | \$ 8,682 |
| Additions to warranty liability | 518 |
| Warranty liability utilized | (495) |
| Balance at June 30, 2018 | \$ 8,705 |

Included within the above table are concrete tie warranty reserves of approximately \$7,668 and \$7,595 at June 30, 2018 and December 31, 2017, respectively.

Union Pacific Railroad (UPRR) Concrete Tie Matter

On July 12, 2011, UPRR notified (the "UPRR Notice") the Company and its subsidiary, CXT Incorporated ("CXT"), of a warranty claim under CXT's 2005 supply contract relating to the sale of pre-stressed concrete railroad ties to UPRR. UPRR asserted that a significant percentage of concrete ties manufactured in 2006 through 2011 at CXT's Grand Island, NE facility failed to meet contract specifications, had workmanship defects and were cracking and failing prematurely. Of the 3 million ties manufactured between 1998 and 2011 from the Grand Island, NE facility, approximately 1.6 million ties were sold during the period UPRR had claimed nonconformance. The 2005 contract called for each concrete tie which failed to conform to the specifications or had a material defect in workmanship to be replaced with 1.5 new concrete ties, provided, that, within five years of the sale of a concrete tie, UPRR notified CXT of such failure to conform or such defect in workmanship. The UPRR

Notice did not specify how many ties manufactured during this period were defective nor the exact nature of the alleged workmanship defect.

Following the UPRR Notice, the Company worked with material scientists and pre-stressed concrete experts to test a representative sample of Grand Island, NE concrete ties and assess warranty claims for certain concrete ties made in its Grand Island, NE facility between 1998 and 2011. The Company discontinued manufacturing operations in Grand Island, NE in early 2011.

2012

During 2012, the Company completed sufficient testing and analysis to further understand this matter. Based upon testing results and expert analysis, the Company believed it discovered conditions, which largely related to the 2006 to 2007 manufacturing period, that can shorten the life of the concrete ties produced during this period. During the fourth quarter of 2012 and first quarter of 2013, the Company reached agreement with UPRR on several matters including a tie rating process for the Company and UPRR to work together to identify, prioritize, and replace defective ties that meet the criteria for replacement. This process applies to the ties the Company shipped to UPRR from its Grand Island, NE facility from 1998 to 2011. During most of this period, the Company's warranty policy for UPRR carried a 5-year warranty with a 1.5:1 replacement ratio for any defective ties. In order to accommodate UPRR and other customer concerns, the Company also reverted to a previously used warranty policy providing a 15-year warranty with a 1:1 replacement ratio. This change provided an additional 10 years of warranty protection. In the amended 2005 supply agreement, the Company and UPRR also extended the supply of Tucson ties by five years and agreed on a cash payment of \$12,000 to UPRR as compensation for concrete ties already replaced by UPRR during the investigation period.

During 2012, as a result of the testing that the Company conducted on concrete ties manufactured at its former Grand Island, NE facility and the developments related to UPRR and other customer matters, the Company recorded pre-tax warranty charges of \$22,000 in "Cost of Goods Sold" within its Rail Products and Services segment based on the Company's estimate of the number of defective concrete ties that will ultimately require replacement during the applicable warranty periods.

2013

Throughout 2013, at UPRR's request and under the terms of the amended 2005 supply agreement, the Company provided warranty replacement concrete ties for use across certain UPRR subdivisions. The Company attempted to reconcile the quantity of warranty claims for ties replaced and obtain supporting detail for the ties removed. The Company believes that UPRR did not replace concrete ties in accordance with the amended agreement and has not furnished adequate documentation throughout the replacement process in these subdivisions to support its full warranty claim. Based on the information received by the Company to date, the Company believes that a significant number of ties which UPRR replaced in these subdivisions did not meet the criteria to be covered as warranty replacement ties under the amended 2005 supply agreement. The disagreement related to the 2013 warranty replacement activity includes approximately 170,000 ties where the Company provided detailed documentation supporting our position with reason codes that detail why these ties are not eligible for a warranty claim.

In late November 2013, the Company received notice from UPRR asserting a material breach of the amended 2005 supply agreement. UPRR's notice asserted that the failure to honor its claims for warranty ties in these subdivisions was a material breach. Following receipt of this notice, the Company provided information to UPRR to refute UPRR's claim of breach and included the reconciliation of warranty claims supported by substantial findings from the Company's track observation team, all within the 90-day cure period. The Company also proposed further discussions to reach agreement on reconciliation for 2013 replacement activities and future replacement activities and a recommended process that will ensure future replacement activities are done with appropriate documentation and per the terms of the amended 2005 supply agreement.

2014

During the first quarter of 2014, the Company further responded within the 90-day cure period to UPRR's claim and presented a reconciliation for the subdivisions at issue. This proposed reconciliation was based on empirical data and visual observation from Company employees that were present during the replacement process for a substantial majority of the concrete ties replaced. The Company spent considerable time documenting facts related to concrete tie condition and track condition to assess whether the ties replaced met the criteria to be eligible for replacement under the terms of the amended 2005 supply agreement.

During 2014, the Company increased its accrual by an additional \$8,766 based on revised estimates of ties to be replaced based upon scientific testing and other analysis, adjusted for ties already provided to UPRR. The Company continued to work with UPRR to identify, replace, and reconcile defective ties related to the warranty claim in accordance with the amended 2005

supply agreement. The Company and UPRR met during the third quarter of 2014 to evaluate each other's position in an effort to work towards agreement on the unreconciled 2013 and 2014 replacement activity as well as the standards and practices to be implemented for future replacement activity and warranty tie replacement.

In November and December of 2014, the Company received additional notices from UPRR asserting that ties manufactured in 2000 were defective and again asserting material breaches of the amended 2005 supply agreement relating to warranty tie replacements as well as certain new ties provided to UPRR being out of specification.

At December 31, 2014, the Company and UPRR had not been able to reconcile the disagreement related to the 2013 and 2014 warranty replacement activity. The disagreement relating to the 2014 warranty replacement activity includes approximately 90,100 ties that the Company believes are not warranty-eligible.

2015

On January 23, 2015, UPRR filed a Complaint and Demand for Jury Trial in the District Court for Douglas County, NE ("Complaint") against the Company and its subsidiary, CXT, asserting, among other matters, that the Company breached its express warranty, breached an implied covenant of good faith and fair dealing, and anticipatorily repudiated its warranty obligations, and that UPRR's exclusive and limited remedy provisions in the supply agreement have failed of their essential purpose which entitles UPRR to recover all incidental and consequential damages. The Complaint seeks to cancel all duties of UPRR under the contract, to adjudge the Company as having no remaining rights under the contracts, and to recover damages in an amount to be determined at trial for the value of unfulfilled warranty replacement ties and ties likely to become warranty eligible, for costs of cover for replacement ties, and for various incidental and consequential damages. The amended 2005 supply agreement provides that UPRR's exclusive remedy is to receive a replacement tie that meets the contract specifications for each tie that failed to meet the contract specifications or otherwise contained a material defect provided that the Company receives written notice of such failure or defect within 15 years after that tie was produced. The amended 2005 supply agreement provides that the Company's warranty does not apply to ties that (a) have been repaired or altered without the Company's written consent in such a way as to affect the stability or reliability thereof, (b) have been subject to misuse, negligence, or accident, or (c) have been improperly maintained or used contrary to the specifications for which such ties were produced. The amended 2005 supply agreement also continues to provide that the Company's warranty is in lieu of all other express or implied warranties and that neither party shall be subject to or liable for any incidental or consequential damages to the other party. The dispute is largely based on (1) claims submitted that the Company believes are for ties claimed for warranty replacement that are inaccurately rated under concrete tie rating guidelines and procedures agreed to in 2012 and incorporated by amendment to the 2005 supply agreement rated and are not the responsibility of the Company and claims that do not meet the criteria of a warranty replacement and (2) UPRR's assertion, which the Company vigorously disputes, that UPRR in future years will be entitled to warranty replacement ties for virtually all of the Grand Island ties. Many thousands of Grand Island ties have been performing in track for over ten years. In addition, a significant amount of Grand Island ties were rated by both parties in the excellent category of the rating system.

In June 2015, UPRR delivered an additional notice alleging deficiencies in certain ties produced in the Company's Tucson and Spokane locations and other claimed material breaches which the Company contends are unfounded. The Company again responded to UPRR that it was not in material breach of the amended 2005 supply agreement relating to warranty tie replacements and that the ties in question complied with the specifications provided by UPRR.

On June 16 and 17, 2015, UPRR issued a formal notice of the termination of the concrete tie supply agreement as well as the termination of the lease agreement at the Tucson, AZ production facility and rejection and revocation of its prior acceptance of certain ties manufactured at the Company's Spokane, WA production facility. Since that time, UPRR has discontinued submitting purchase orders to the Company for shipment of warranty replacement ties.

On May 29, 2015, the Company and CXT filed an Answer, Affirmative Defenses and Counterclaims in response to the Complaint, denying liability to UPRR. As a result of UPRR's subsequent June 16-17, 2015 actions and certain related conduct, the Company on October 5, 2015 amended the pending Answer, Affirmative Defenses and Counterclaims to add, among other things, assertions that UPRR's conduct in question was wrongful and unjustified and constituted additional grounds for the affirmative defenses to UPRR's claims and also for the Company's counterclaims.

2016

By Scheduling Order dated June 29, 2016, an August 31, 2017 deadline for the completion of fact discovery was established with trial to proceed at some future date after October 30, 2017, and UPRR filed an amended notice of trial to commence on October 30, 2017.

2017

By Third Amended Scheduling Order dated September 26, 2017, a June 29, 2018 deadline for completion of discovery has been established with trial to proceed at some future date on or after October 1, 2018. Throughout 2017, the parties continued to conduct discovery, with various disputes that required and will likely require court resolution.

2018

By Fourth Amended Scheduling Order dated March 21, 2018, certain interim pretrial deadlines for the close of discovery and various submittals were changed but the October 1, 2018 trial date set forth in UPRR's Second Amended Notice of Trial under the prior Third Amended Scheduling Order remained in place. During the first six months ended June 30, 2018, the Company continued fact discovery and prepared and exchanged expert reports. During the second quarter, the Company engaged and intends to continue to engage in both trial preparation efforts and also discussions and efforts with UPRR to resolve the UPRR matter. However, we cannot predict that such discussions will be successful, or that the results of the litigation with UPRR, or any settlement or judgment amounts, will reasonably approximate our estimated accruals for loss contingencies. Future potential costs pertaining to UPRR's claims and the outcome of the UPRR litigation could result in a material adverse effect on our results of operations, financial condition, and cash flows.

As a result of the pretrial status of the litigation and the unresolved nature of the parties' fact and legal disputes and the uncertainty of any potential judgment, an estimate of any additional loss, or a range of additional loss, associated with this litigation cannot be made based upon currently available information.

Environmental and Legal Proceedings

The Company is subject to national, state, foreign, provincial, and/or local laws and regulations relating to the protection of the environment. The Company's efforts to comply with environmental regulations may have an adverse effect on its future earnings. On June 5, 2017, a General Notice Letter was received from the United States Environmental Protection Agency ("EPA") indicating that the Company may be a potentially responsible party regarding the Portland Harbor Superfund Site cleanup along with numerous other companies. By letter dated March 16, 2018, the EPA informed the Company of the proposed schedule for consent decree negotiations to implement the Portland Harbor Superfund Site Record of Decision, with negotiations scheduled to commence by the end of 2019. The Company is reviewing the basis for its identification by the EPA and the nature of the historic operations of an L.B. Foster predecessor on the site. Management does not believe that compliance with the present environmental protection laws will have a material adverse effect on the financial condition, results of operations, cash flows, competitive position, or capital expenditures of the Company.

At June 30, 2018 and December 31, 2017, the Company maintained environmental reserves approximating \$6,144 and \$6,144, respectively. The following table sets forth the Company's environmental obligation:

| | Environmental liability |
|--|-------------------------|
| Balance at December 31, 2017 | \$ 6,144 |
| Additions to environmental obligations | 51 |
| Environmental obligations utilized | (51) |
| Balance at June 30, 2018 | <u>\$ 6,144</u> |

The Company is also subject to other legal proceedings and claims that arise in the ordinary course of its business. Legal actions are subject to inherent uncertainties, and future events could change management's assessment of the probability or estimated amount of potential losses from pending or threatened legal actions. Based on available information, it is the opinion of management that the ultimate resolution of pending or threatened legal actions, both individually and in the aggregate, will not result in losses having a material adverse effect on the Company's financial position or liquidity at June 30, 2018.

If management believes that, based on available information, it is at least reasonably possible that a material loss (or additional material loss in excess of any accrual) will be incurred in connection with any legal actions, the Company discloses an estimate of the possible loss or range of loss, either individually or in the aggregate, as appropriate, if such an estimate can be made, or discloses that an estimate cannot be made. Based on the Company's assessment at June 30, 2018, no such disclosures were considered necessary.

15. INCOME TAXES

For the three months ended June 30, 2018 and 2017, the Company recorded an income tax expense of \$673 and \$475 on pre-tax income of \$5,613 and \$3,499 for an effective income tax rate of 12.0% and 13.6%, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded an income tax expense of \$1,198 and \$906 on pre-tax income of \$4,116 and \$1,508

for an effective income tax rate of 29.1% and 60.1%, respectively. Due to the full valuation allowance on domestic deferred tax assets, the Company's tax provision for the three and six months ended June 30, 2018 does not reflect any tax benefit for domestic pre-tax losses, and is primarily comprised of taxes on our Canadian and United Kingdom operations. The Company continued to maintain a full valuation allowance against its U.S. deferred tax assets, which is likely to result in significant variability of the effective tax rate in the current year. Changes in pre-tax income projections and the mix of income across jurisdictions could also impact the effective income tax rate each quarter.

The Tax Act was enacted on December 22, 2017. The Tax Act reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and created new taxes on certain foreign sourced earnings. Due to the complexities involved in accounting for the enactment of the Tax Act, SEC Staff Accounting Bulletin No. 118 ("SAB No. 118") allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. The Company has not completed its accounting for the tax effects of the enactment of the Tax Act; however, as described below, the Company made reasonable estimates of the effects of the Tax Act on existing deferred tax balances and the one-time transition tax. In 2017, the Company recognized a \$1,508 provisional tax benefit related to the remeasurement of certain deferred tax assets and liabilities, as well as a \$3,298 provisional tax expense related to the one-time transition tax on mandatory deemed repatriation of foreign earnings, and related items.

During the six-month period ended June 30, 2018, there were no changes made to the provisional amounts recognized in 2017. The Company will continue to analyze the effects of the Tax Act on its Consolidated Financial Statements. Additional impacts from the enactment of the Tax Act will be recorded as they are identified during the measurement period provided for in SAB No. 118, which extends up to one year from the enactment date. The final impact of the Tax Act may differ from the provisional amounts that have been recognized, possibly materially, due to, among other things, changes in the Company's interpretation of the Tax Act, legislative or administrative actions to clarify the intent of the statutory language provided that differ from the Company's current interpretation, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates utilized to calculate the impacts.

The Company also continues to evaluate the impact of the global intangible low-taxed income ("GILTI") provisions of the Tax Act, which are complex and subject to continuing regulatory interpretation. The Company has not yet completed its assessment to make an accounting policy election to either recognize deferred taxes for basis differences expected to reverse as GILTI or to record GILTI as period costs if and when incurred. Adjustments related to the amount of GILTI tax recorded in its consolidated financial statements may be required based on the outcome of this election.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date these financial statements were issued and concluded that no subsequent events have occurred that would require recognition in the Condensed Consolidated Financial Statements or disclosure in the Notes to Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in thousands, except share data)

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Many of the forward-looking statements are located in "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"). Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Sentences containing words such as "believe," "intend," "plan," "may," "expect," "should," "could," "anticipate," "estimate," "predict," "project," or their negatives, or other similar expressions of a future or forward-looking nature generally should be considered forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q may concern, among other things, L.B. Foster Company's (the "Company's") expectations relating to our strategy, goals, projections, and plans regarding our financial position, liquidity, capital resources, and results of operations; the outcome of litigation and product warranty claims; decisions regarding our strategic growth initiatives, market position, and product development; all of which are based on current estimates that involve inherent risks and uncertainties. The Company has based these forward-looking statements on current expectations and assumptions about future events. While the Company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory, and other risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control. The Company cautions readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties related to: environmental matters, including any costs associated with any remediation and monitoring; a resumption of the economic slowdown we experienced in previous years in the markets we serve; the risk of doing business in international markets; our ability to effectuate our strategy, including cost reduction initiatives, and our ability to effectively integrate acquired businesses and realize anticipated benefits; costs of and impacts associated with shareholder activism; a decrease in freight or passenger rail traffic; the timeliness and availability of materials from our major suppliers as well as the impact on our access to supplies of customer preferences as to the origin of such supplies, such as customers' concerns about conflict minerals; labor disputes; the continuing effective implementation of an enterprise resource planning system; changes in current accounting estimates and their ultimate outcomes; the adequacy of internal and external sources of funds to meet financing needs, including our ability to negotiate any additional necessary amendments to our credit agreement; the Company's ability to manage its working capital requirements and indebtedness; domestic and international taxes, including estimates that may impact these amounts, including as a result of any interpretations, regulatory actions, and amendments to the Tax Cuts and Jobs Act (the "Tax Act"); foreign currency fluctuations; inflation; domestic and foreign government regulations, including tariffs; economic conditions and regulatory changes caused by the United Kingdom's pending exit from the European Union; sustained declines in energy prices; a lack of state or federal funding for new infrastructure projects; an increase in manufacturing or material costs; the ultimate number of concrete ties that will have to be replaced pursuant to the previously disclosed product warranty claim of the Union Pacific Railroad ("UPRR") and an overall resolution of the related contract claims as well as the possible costs associated with the outcome of the lawsuit filed by the UPRR; the loss of future revenues from current customers; and risks inherent in litigation. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, actual outcomes could vary materially from those indicated. Significant risks and uncertainties that may affect the operations, performance, and results of the Company's business and forward-looking statements include, but are not limited to, those set forth under Item 1A, "Risk Factors," and elsewhere in our Annual Report on Form 10-K for the year ending December 31, 2017 and our other periodic filings with the Securities and Exchange Commission.

The forward-looking statements in this report are made as of the date of this report and we assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as required by the federal securities laws.

General Overview

L.B. Foster Company (the "Company") is a leading manufacturer and distributor of products and services for transportation and energy infrastructure with locations in North America and Europe. The Company is comprised of three operating segments: Rail Products and Services, Construction Products, and Tubular and Energy Services.

The segment profitability measures presented within the MD&A tables include non-GAAP segment gross profit because management believes that information provides investors and other users useful information to evaluate the performance of the Company's segments on a more comparable basis to market trends and peers. Management believes that the exclusion of significant cost allocations to the reportable segments:

- Allows users to understand the operational performance of our reportable segments;
- Provides greater comparability to other registrants with similar businesses and avoids possible non-comparability at the reportable segment pre-tax profit level resulting from our specific corporate cost allocations; and
- Facilitates a market-based perspective on the strength or weakness of our reportable segments in their markets to better aid in investment decisions.

In addition, these non-GAAP financial measures have historically been key metrics utilized by segment managers to monitor selling prices and quantities as well as production and service costs to better evaluate key profitability drivers and trends that may develop due to industry and competitive conditions.

Results of the Quarter

| Three months ended June 30, 2018 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|--|----------------------------|-----------------------|-----------------------------|-----------|
| Segment profit | \$ 5,308 | \$ 2,857 | \$ 4,545 | \$ 12,710 |
| Segment and allocated selling and administrative | 10,202 | 4,185 | 4,331 | 18,718 |
| Amortization expense | 952 | 37 | 786 | 1,775 |
| Non-GAAP segment gross profit | \$ 16,462 | \$ 7,079 | \$ 9,662 | \$ 33,203 |

| Three months ended June 30, 2017 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|--|----------------------------|-----------------------|-----------------------------|-----------|
| Segment profit (loss) | \$ 3,579 | \$ 5,105 | \$ (126) | \$ 8,558 |
| Segment and allocated selling and administrative | 9,577 | 3,883 | 4,560 | 18,020 |
| Amortization expense | 872 | 37 | 786 | 1,695 |
| Non-GAAP segment gross profit | \$ 14,028 | \$ 9,025 | \$ 5,220 | \$ 28,273 |

| | Three Months Ended | | Percent of Total Net Sales | | Percent Increase/ (Decrease) |
|---|--------------------|-------------------|----------------------------|----------------|------------------------------|
| | June 30, | | Three Months Ended | | |
| | 2018 | 2017 | 2018 | 2017 | |
| Net Sales: | | | | | |
| Rail Products and Services | \$ 91,884 | \$ 69,347 | 53.1 % | 47.9 % | 32.5 % |
| Construction Products | 42,207 | 45,465 | 24.4 | 31.4 | (7.2) |
| Tubular and Energy Services | 38,799 | 30,048 | 22.5 | 20.7 | 29.1 |
| Total net sales | <u>\$ 172,890</u> | <u>\$ 144,860</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>19.3 %</u> |
| Gross Profit: | | | | | |
| | Three Months Ended | | Non-GAAP / Reported | | Percent Increase/ (Decrease) |
| | June 30, | | Three Months Ended | | |
| | 2018 | 2017 | 2018 | 2017 | |
| Non-GAAP Rail Products and Services | \$ 16,462 | \$ 14,028 | 17.9 % | 20.2 % | 17.4 % |
| Non-GAAP Construction Products | 7,079 | 9,025 | 16.8 | 19.9 | (21.6) |
| Non-GAAP Tubular and Energy Services | 9,662 | 5,220 | 24.9 | 17.4 | 85.1 |
| Non-GAAP Segment gross profit | 33,203 | 28,273 | | | |
| LIFO expense | (549) | (192) | (0.3) | (0.1) | 185.9 |
| Other | (140) | (345) | (0.1) | (0.2) | 59.4 |
| Total gross profit | <u>\$ 32,514</u> | <u>\$ 27,736</u> | <u>18.8 %</u> | <u>19.1 %</u> | <u>17.2 %</u> |
| Expenses: | | | | | |
| | Three Months Ended | | Percent of Total Net Sales | | Percent Increase/ (Decrease) |
| | June 30, | | Three Months Ended | | |
| | 2018 | 2017 | 2018 | 2017 | |
| Selling and administrative expenses | \$ 23,368 | \$ 20,578 | 13.5 % | 14.2 % | 13.6 % |
| Amortization expense | 1,775 | 1,695 | 1.0 | 1.2 | 4.7 |
| Interest expense | 1,654 | 2,181 | 1.0 | 1.5 | (24.2) |
| Interest income | (24) | (54) | — | — | 55.6 |
| Equity in income of nonconsolidated investments | — | (145) | — | (0.1) | 100.0 |
| Other expense (income) | 128 | (18) | 0.1 | — | ** |
| Total expenses | <u>\$ 26,901</u> | <u>\$ 24,237</u> | <u>15.6 %</u> | <u>16.7 %</u> | <u>11.0 %</u> |
| Income before income taxes | \$ 5,613 | \$ 3,499 | 3.2 % | 2.4 % | 60.4 % |
| Income tax expense | 673 | 475 | 0.4 | 0.3 | 41.7 |
| Net income | <u>\$ 4,940</u> | <u>\$ 3,024</u> | <u>2.9 %</u> | <u>2.1 %</u> | <u>63.4 %</u> |

** Results of calculation are not considered meaningful for presentation purposes.

Second Quarter 2018 Compared to Second Quarter 2017 – Company Analysis

Net sales of \$172,890 for the quarter ended June 30, 2018 increased by \$28,030, or 19.3%, compared to the prior year quarter. The change was attributable to increases of 32.5% and 29.1%, in Rail Products and Services and Tubular and Energy Services, respectively. This was partially offset by a 7.2% reduction in Construction Products sales.

Gross profit increased \$4,778 compared to the prior year quarter to \$32,514 for the quarter ended June 30, 2018. Gross profit margin for the quarter ended June 30, 2018 was 18.8%, or 30 basis points (“bps”) lower than the prior year quarter. The reduction in gross profit margin was primarily due to declines in non-GAAP segment gross profit margin of 310 bps and 230 bps within Construction Products and Rail Products and Services, respectively. The decreases were partially offset by an increase in non-GAAP segment gross profit margin of 750 bps within Tubular and Energy Services.

Selling and administrative expenses increased by \$2,790 or 13.6% from the prior year. The rise was primarily driven by increases in personnel-related expenses of \$1,981 and litigation costs related to the UPRR matter of \$1,622. These increases were partially offset by a reduction in bad debt expense of \$527. As a percent of sales, selling and administrative expenses declined 70 bps compared to the prior year period.

Interest expense, net of interest income, decreased by \$497, or 23.4%, as a result of the reduction in outstanding debt as well as an interest rate at the lowest tier within the interest rate spread under our credit facility agreement. Other expense increased \$146, which primarily relates to the \$269 loss on the sale of land during the current quarter.

The Company’s effective income tax rate for the three-month period ended June 30, 2018 was 12.0%, compared to 13.6% in the prior year quarter. For the three months ended June 30, 2018, the Company recorded a tax expense of \$673, compared to \$475 in the three months ended June 30, 2017. The Company’s tax provision for the three months ended June 30, 2018 is primarily comprised of taxes related to our Canadian and United Kingdom operations.

Net income for the second quarter of 2018 was \$4,940, or \$0.47 per diluted share, compared to net income of \$3,024, or \$0.29 per diluted share, in the prior year quarter.

Results of Operations – Segment Analysis

Rail Products and Services

| | Three Months Ended June 30, | | Increase 2018 vs. 2017 | Percent Increase 2018 vs. 2017 |
|---------------------------|--------------------------------|-----------|---------------------------|--------------------------------------|
| | 2018 | 2017 | | |
| Net sales | \$ 91,884 | \$ 69,347 | \$ 22,537 | 32.5 % |
| Segment profit | \$ 5,308 | \$ 3,579 | \$ 1,729 | 48.3 % |
| Segment profit percentage | 5.8 % | 5.2 % | 0.6 % | 11.9 % |

Second Quarter 2018 Compared to Second Quarter 2017

The Rail Products and Services segment sales increased by \$22,537, or 32.5%, compared to the prior year period. The sales increase was driven by both our Rail Technologies and Rail Products businesses of \$12,604 and \$9,933, respectively. The segment continued to capitalize on opportunities with transit agencies who are expanding to serve further geographic areas and increase passenger traffic both domestically and in Europe. The growth was also attributable to North American Class 1 freight rail spending as activity continued to remain strong through the quarter.

The Rail Products and Services segment profit increased by \$1,729 to 5.8% of net sales. The increase was primarily attributable to non-GAAP gross profit which increased by \$2,434, or 17.4%, as a result of increased volume in both our North American and European markets. Selling and administrative expenses as a percent of sales were reduced 270 bps compared to the prior year quarter.

During the current quarter, the Rail Products and Services segment had an increase in new orders of 110.3% compared to the prior year period. Additionally, backlog was \$126,856 at June 30, 2018, an increase of 61.7%, compared to \$78,460 at June 30, 2017. The Company continues to be encouraged by positive trends from increasing carloads in the North American freight rail market and strength in transit system projects expanding globally.

Construction Products

| | Three Months Ended June 30, | | Decrease 2018 vs. 2017 | Percent Decrease 2018 vs. 2017 |
|---------------------------|--------------------------------|-----------|---------------------------|--------------------------------------|
| | 2018 | 2017 | | |
| Net sales | \$ 42,207 | \$ 45,465 | \$ (3,258) | (7.2)% |
| Segment profit | \$ 2,857 | \$ 5,105 | \$ (2,248) | (44.0)% |
| Segment profit percentage | 6.8 % | 11.2 % | (4.5)% | (39.7)% |

Second Quarter 2018 Compared to Second Quarter 2017

The Construction Products segment sales decreased by \$3,258, or 7.2%, compared to the prior year period. Piling sales declined year over year as the Company continued to experience declining new orders within this market. Partially offsetting the reduction was an increase in Precast Concrete Products, which continued to be favorably impacted by increasing precast building sales to federal and city agencies.

The Construction Products segment profit decreased by \$2,248, or 44.0%. The decrease was related to our Piling and Fabricated Bridge business unit. Non-GAAP gross profit decreased by \$1,946, or 21.6%, which was primarily related to aggressive market conditions impacting pricing on first quarter 2018 order activity that was fulfilled during the second quarter of 2018 within Piling. The Fabricated Bridge decline was impacted by a project mix that did not include a mega project, such as the Peace Bridge project in the 2017 period. Partially offsetting the decrease was a \$609, or 18.9%, increase in Precast Concrete Products non-GAAP gross profit.

During the quarter, the Construction Products segment had a decrease in new orders of 5.4% compared to the prior year period. While sales and profit reductions were experienced during the quarter, the Company continues to be encouraged by its strong backlog.

Tubular and Energy Services

| | Three Months Ended June 30, | | Increase 2018 vs. 2017 | Percent Increase 2018 vs. 2017 |
|----------------------------------|--------------------------------|-----------|---------------------------|--------------------------------------|
| | 2018 | 2017 | | |
| Net sales | \$ 38,799 | \$ 30,048 | \$ 8,751 | 29.1 % |
| Segment profit (loss) | \$ 4,545 | \$ (126) | \$ 4,671 | 3,707.1 % |
| Segment profit (loss) percentage | 11.7 % | (0.4)% | 12.1 % | 2,893.6 % |

Second Quarter 2018 Compared to Second Quarter 2017

Tubular and Energy Services segment sales increased by \$8,751, or 29.1%, compared to the prior year period. The increase was due to improvements from each of the business units within the segment, as compared to the prior year period. This was supported by strong orders within both the upstream and midstream businesses.

Tubular and Energy Services segment profit increased by \$4,671 compared to the prior year quarter. The quarter was favorably impacted by a \$229, or 5.0%, reduction in selling and administrative expenses, which was partially offset by a \$269 loss on the sale of land during the quarter. Non-GAAP gross profit increased by \$4,442, or 85.1%, which was supported by growth in both our upstream and midstream offerings.

The Tubular and Energy Services segment had an increase of less than 1.0% in new orders compared to the prior year period. Orders for Test, Inspection, and Threading increased by 17.0% and Protective Coatings and Measurement Systems decreased by 10.9%. The Company remains encouraged as the upstream and midstream oil and gas markets continue to recover.

Six Month Results

| Six months ended June 30, 2018 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|--|----------------------------|-----------------------|-----------------------------|------------------|
| Segment profit | \$ 7,356 | \$ 2,875 | \$ 6,430 | \$ 16,661 |
| Segment and allocated selling and administrative | 19,106 | 8,162 | 7,885 | 35,153 |
| Amortization expense | 1,913 | 75 | 1,572 | 3,560 |
| Non-GAAP segment gross profit | <u>\$ 28,375</u> | <u>\$ 11,112</u> | <u>\$ 15,887</u> | <u>\$ 55,374</u> |

| Six months ended June 30, 2017 | Rail Products and Services | Construction Products | Tubular and Energy Services | Total |
|--|----------------------------|-----------------------|-----------------------------|------------------|
| Segment profit (loss) | \$ 4,402 | \$ 6,771 | \$ (806) | \$ 10,367 |
| Segment and allocated selling and administrative | 19,014 | 8,213 | 8,656 | 35,883 |
| Amortization expense | 1,807 | 75 | 1,572 | 3,454 |
| Non-GAAP segment gross profit | <u>\$ 25,223</u> | <u>\$ 15,059</u> | <u>\$ 9,422</u> | <u>\$ 49,704</u> |

| | Six Months Ended | | Percent of Total Net Sales | | Percent Increase/ (Decrease) 2018 vs. 2017 |
|-----------------------------|------------------|------------|----------------------------|---------|--|
| | June 30, | | Six Months Ended | | |
| | 2018 | 2017 | 2018 | 2017 | |
| Net Sales: | | | | | |
| Rail Products and Services | \$ 154,054 | \$ 125,827 | 52.2 % | 47.7 % | 22.4 % |
| Construction Products | 71,107 | 82,787 | 24.1 | 31.4 | (14.1) |
| Tubular and Energy Services | 70,183 | 54,948 | 23.7 | 20.9 | 27.7 |
| Total net sales | \$ 295,344 | \$ 263,562 | 100.0 % | 100.0 % | 12.1 % |

| | Six Months Ended | | Non-GAAP / Reported Gross Profit Percentage | | Percent Increase/ (Decrease) 2018 vs. 2017 |
|--------------------------------------|------------------|-----------|--|--------|--|
| | June 30, | | Six Months Ended | | |
| | 2018 | 2017 | 2018 | 2017 | |
| Gross Profit: | | | | | |
| Non-GAAP Rail Products and Services | \$ 28,375 | \$ 25,223 | 18.4 % | 20.0 % | 12.5 % |
| Non-GAAP Construction Products | 11,112 | 15,059 | 15.6 | 18.2 | (26.2) |
| Non-GAAP Tubular and Energy Services | 15,887 | 9,422 | 22.6 | 17.1 | 68.6 |
| Non-GAAP Segment gross profit | 55,374 | 49,704 | | | |
| LIFO expense | (713) | (181) | (0.2) | (0.1) | ** |
| Other | (119) | (535) | — | (0.2) | 77.8 |
| Total gross profit | \$ 54,542 | \$ 48,988 | 18.5 % | 18.6 % | 11.3 % |

| | Six Months Ended | | Percent of Total Net Sales | | Percent Increase/ (Decrease) 2018 vs. 2017 |
|---|------------------|-----------|----------------------------|--------|--|
| | June 30, | | Six Months Ended | | |
| | 2018 | 2017 | 2018 | 2017 | |
| Expenses: | | | | | |
| Selling and administrative expenses | \$ 43,826 | \$ 39,805 | 14.8 % | 15.1 % | 10.1 % |
| Amortization expense | 3,560 | 3,454 | 1.2 | 1.3 | 3.1 |
| Interest expense | 3,612 | 4,289 | 1.2 | 1.6 | (15.8) |
| Interest income | (95) | (110) | — | — | 13.6 |
| Equity in loss of nonconsolidated investments | 3 | 55 | — | — | (94.5) |
| Other income | (480) | (13) | (0.2) | — | ** |
| Total expenses | \$ 50,426 | \$ 47,480 | 17.1 % | 18.0 % | 6.2 % |
| Income before income taxes | \$ 4,116 | \$ 1,508 | 1.4 % | 0.6 % | 172.9 % |
| Income tax expense | 1,198 | 906 | 0.4 | 0.3 | 32.2 |
| Net income | \$ 2,918 | \$ 602 | 1.0 % | 0.2 % | ** |

** Results of calculations are not considered meaningful for presentation purposes.

First Six Months 2018 Compared to First Six Months 2017 – Company Analysis

Net sales of \$295,344 for the period ended June 30, 2018 increased by \$31,782, or 12.1%, compared to the prior year period. The change was attributable to increases of 27.7% and 22.4%, in Tubular and Energy Services and Rail Products and Services, respectively. This was partially offset by a 14.1% reduction in Construction Products.

Gross profit increased \$5,554 compared to the prior year quarter to \$54,542 for the six months ended June 30, 2018. Gross profit margin for the six months ended June 30, 2018 was 18.5%, or 10 bps, lower than the prior year period. The decline in gross profit margin was due to a decrease in non-GAAP segment gross profit margin of 260 bps and 160 bps within Construction Products and Rail Products and Services, respectively. This was partially offset by an increase in non-GAAP segment gross profit margin of 550 bps within Tubular and Energy Services.

Selling and administrative expenses increased by \$4,021 or 10.1% from the prior year. The increase was primarily driven by changes in personnel-related expenses of \$2,881 and litigation costs related to the UPRR matter of \$2,790. The increase was partially offset by a reduction in bad debt expense of \$1,248. As a percent of sales, selling and administrative expenses declined 30 bps compared to the prior year period.

Interest expense, net of interest income, decreased by \$662, or 15.8%, as a result of the reduction in outstanding debt. Other income increased \$467 which primarily relates to gains on foreign exchange as the United States Dollar has strengthened compared to the Canadian Dollar during the current period versus the prior year period.

The Company's effective income tax rate for the six months ended June 30, 2018 was 29.1%, compared to 60.1% in the prior year period. For the six months ended June 30, 2018, the Company recorded a tax expense of \$1,198, compared to \$906 in the six months ended June 30, 2017. Due to the full valuation allowance on domestic deferred tax assets, the Company's tax provision for the six months ended June 30, 2018 does not reflect any tax benefit for domestic pre-tax losses, and is primarily comprised of taxes related to our Canadian and United Kingdom operations.

Net income for the six months ended June 30, 2018 was \$2,918, or \$0.28 per diluted share, compared to net income of \$602, or \$0.06 per diluted share, in the prior year period.

Results of Operations – Segment Analysis**Rail Products and Services**

| | Six Months Ended June 30, | | Increase 2018 vs. 2017 | Percent Increase 2018 vs. 2017 |
|---------------------------|------------------------------|------------|---------------------------|--------------------------------------|
| | 2018 | 2017 | | |
| Net sales | \$ 154,054 | \$ 125,827 | \$ 28,227 | 22.4 % |
| Segment profit | \$ 7,356 | \$ 4,402 | \$ 2,954 | 67.1 % |
| Segment profit percentage | 4.8 % | 3.5 % | 1.3 % | 36.5 % |

First Six Months 2018 Compared to First Six Months 2017

Rail Products and Services segment sales increased by \$28,227, or 22.4%, compared to the prior year period. The sales increase was primarily driven by a \$14,620 increase in our North American operations, as transit rail infrastructure and Class 1 freight rail activity remained strong. The growth was also attributable to our European business, increasing \$13,607, which continued to capitalize on opportunities with transit agencies who are expanding to serve further geographic areas and increase passenger traffic.

The Rail Products and Services segment profit increased by \$2,954 to 4.8% of net sales. Non-GAAP gross profit increased by \$3,152, or 12.5%, as a result of increased volume in both our North American and European markets. Cost containment favorably impacted segment profit as selling and administrative expenses as a percent of sales were reduced 270 bps compared to the prior year period.

During the six months ended June 30, 2018, the Rail Products and Services segment had an increase in new orders of 49.2% compared to the prior year period. Backlog was \$126,856 at June 30, 2018, an increase of 61.7%, compared to \$78,460 at June 30, 2017. The Company is encouraged by continuing positive trends from increasing carloads in the North American freight rail market and strength in transit system projects expanding globally.

Construction Products

| | Six Months Ended June 30, | | Decrease 2018 vs. 2017 | Percent Decrease 2018 vs. 2017 |
|---------------------------|------------------------------|-----------|---------------------------|--------------------------------------|
| | 2018 | 2017 | | |
| Net sales | \$ 71,107 | \$ 82,787 | \$ (11,680) | (14.1)% |
| Segment profit | \$ 2,875 | \$ 6,771 | \$ (3,896) | (57.5)% |
| Segment profit percentage | 4.0 % | 8.2 % | (4.1)% | (50.6)% |

First Six Months 2018 Compared to First Six Months 2017

Construction Products segment sales decreased by \$11,680, or 14.1%, compared to the prior year period. Piling sales declined year over year due to lower new order activity through the first half of 2018. Fabricated Bridge sales declined due to reduced activity on the Peace Bridge project compared to the prior year period. Partially offsetting the reductions was an increase in Precast Concrete Products, which continued to be favorably impacted by increasing building sales to federal and city agencies.

The Construction Products segment profit decreased by \$3,896, or 57.5%. The decrease was primarily within the Piling and Fabricated Bridge business unit, which was partially offset by decreased selling and administrative expenses. Non-GAAP gross profit decreased by \$3,947, or 26.2%, which was primarily a result of aggressive market conditions impacting pricing on first quarter 2018 order activity that was fulfilled during the first six months of 2018 within Piling. Fabricated Bridge was impacted by project mix in the current year compared to the Peace Bridge mega project in 2017. Partially offsetting the reduction was a \$970, or 21.5%, increase in Precast Concrete Products non-GAAP gross profit.

During the six months ended June 30, 2018, the Construction Products segment had a decrease in new orders of 1.0% compared to the prior year period. Ending backlog in the Construction segment increased by 9.1% to \$82,405 from the prior year period. While sales and profit reductions were experienced during the period, the Company is encouraged by the strong backlog going into the second half of 2018.

Tubular and Energy Services

| | Six Months Ended June 30, | | Increase 2018 vs. 2017 | Percent Increase 2018 vs. 2017 |
|----------------------------------|------------------------------|-----------|---------------------------|--------------------------------------|
| | 2018 | 2017 | | |
| Net Sales | \$ 70,183 | \$ 54,948 | \$ 15,235 | 27.7 % |
| Segment profit (loss) | \$ 6,430 | \$ (806) | \$ 7,236 | 897.8 % |
| Segment profit (loss) percentage | 9.2 % | (1.5)% | 10.6 % | 724.6 % |

First Six Months 2018 Compared to First Six Months 2017

Tubular and Energy Services segment sales increased by \$15,235, or 27.7%, compared to the prior year period. The increase was due to improvements from each of the business units within the segment, as compared to the prior year period. This was supported by strong orders continuing within the upstream businesses.

Tubular and Energy Services segment profit increased by \$7,236 compared to the prior year. The period was favorably impacted by a \$771, or 8.9%, reduction in selling and administrative expenses. Non-GAAP gross profit increased by \$6,465, or 68.6%, which was supported by growth in all business units within the segment. The growth was a result of increases in both volume and margin.

The Tubular and Energy Services segment had an increase in new orders of 4.9% for the six months ended June 30, 2018 compared to the prior year period. Backlog remained flat as compared to the prior year period. Orders for Test, Inspection, and Threading increased by 16.2% while Protective Coatings and Measurement Systems decreased by 2.9%. The Company remains encouraged as the upstream and midstream oil and gas markets continue to recover.

Other**Segment Backlog**

Total Company backlog is summarized by business segment in the following table for the periods indicated:

| | Backlog | | |
|-----------------------------|------------------|----------------------|------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
| Rail Products and Services | \$ 126,856 | \$ 68,850 | \$ 78,460 |
| Construction Products | 82,405 | 71,318 | 75,540 |
| Tubular and Energy Services | 21,991 | 26,737 | 22,023 |
| Total Backlog | \$ 231,252 | \$ 166,905 | \$ 176,023 |

While a considerable portion of our business is backlog-driven, certain product lines within the Rail Products and Services and Tubular and Energy Services segments are not driven by backlog and therefore have insignificant levels throughout the year.

Warranty

As of June 30, 2018, the Company maintained a total product warranty reserve of \$8,705 for its estimate of all potential product warranty claims. Of this total, \$7,668 reflects the current estimate of the Company's exposure for potential concrete tie warranty claims. While the Company believes this is a reasonable estimate of its potential exposure related to identified concrete tie warranty matters, the Company may incur future charges associated with new customer claims or further development of information of existing customer claims. Thus, there can be no assurance that future potential costs pertaining to warranty claims will not have a material impact on the Company's results of operations and financial condition. See Note 14. Commitments and Contingent Liabilities of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q for additional information.

Liquidity and Capital Resources

Total debt was \$99,037 and \$129,966 as of June 30, 2018 and December 31, 2017, respectively, and was primarily comprised of borrowings under our revolving credit facility.

Our need for liquidity relates primarily to working capital requirements for operations, capital expenditures, joint venture capital obligations, and debt service obligations.

The change in cash and cash equivalents for the periods ended June 30 are as follows:

| | June 30, | |
|--|-------------|-----------|
| | 2018 | 2017 |
| Net cash provided by operating activities | \$ 7,902 | \$ 29,921 |
| Net cash provided by (used in) investing activities | 270 | (4,454) |
| Net cash used by financing activities | (31,240) | (21,678) |
| Effect of exchange rate changes on cash and cash equivalents | (1,339) | 1,305 |
| Net (decrease) increase in cash and cash equivalents | \$ (24,407) | \$ 5,094 |

Cash Flow from Operating Activities

During the current 2018 six-month period, cash flows provided by operating activities were \$7,902 compared to \$29,921 during the prior year period. For the six months ended June 30, 2018, income and adjustments to income from operating activities provided \$13,211 compared to \$11,053 in the 2017 period. Working capital and other assets and liabilities used \$5,309 in the current period compared to providing \$18,868 in the prior year period. The decline in cash flows provided by operating activities is primarily a result of the increase in accounts receivable of \$10,109 from the increased sales level and inventory of \$4,051 due to our stronger anticipated revenue outlook for the second half of 2018. During the six months ended June 30, 2017, the Company received \$11,773 from its 2016 and 2015 tax refunds.

The Company's calculation for days sales outstanding at June 30, 2018 was 46 days compared to 50 days at December 31, 2017, and we believe our receivables portfolio is strong.

Cash Flow from Investing Activities

Capital expenditures for the six months ended June 30, 2018 and 2017 were \$1,816 and \$4,597, respectively. The current year expenditures relate to general plant and operational improvements. Expenditures for the six months ended June 30, 2017 related to expenditures for rail assets installed as part of a new long-term service contract and, to a lesser extent, general plant and operational improvements. During the six months ended June 30, 2018, the Company received \$2,086 in proceeds from the sale of certain property, plant, and equipment as compared to \$143 in the prior year period.

Cash Flow from Financing Activities

During the six months ended June 30, 2018, the Company had a decrease in outstanding debt of \$30,930, primarily related to payments against the revolving credit facility. This reduction of debt was facilitated by the repatriation of \$24,693 in excess cash from our international locations. During the six months ended June 30, 2017, the Company had a decrease in outstanding debt of \$21,581, primarily related to payments against the revolving credit facility. Treasury stock acquisitions represent income tax withholdings from employees in connection with the vesting of restricted stock awards.

Financial Condition

As of June 30, 2018, we had \$13,271 in cash and cash equivalents and a domestic credit facility with \$71,708 of net availability while we had \$99,037 in total debt. We believe this liquidity will provide the flexibility to operate the business in a prudent manner and enable us to continue to service our revolving credit facility.

Our cash management priority continues to be short-term maturities and the preservation of our principal balances. Approximately \$12,408 of our cash and cash equivalents was held in non-domestic bank accounts.

On November 7, 2016, the Company, its domestic subsidiaries, and certain of its Canadian subsidiaries entered into the Second Amendment (the "Second Amendment") to the Second Amended and Restated Credit Agreement dated March 13, 2015 and as amended by the First Amendment dated June 29, 2016 (the "Amended and Restated Credit Agreement"), with PNC Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., Citizens Bank of Pennsylvania, and Branch Banking and Trust Company. This Second Amendment modified the Amended and Restated Credit Agreement, which had a maximum revolving credit line of \$275,000. The Second Amendment reduced the permitted revolving credit borrowings to \$195,000 and provided for additional term loan borrowings of \$30,000 (the "Term Loan"). During 2017, the Company paid off the balance of the Term Loan. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Second Amendment or Amended and Restated Credit Agreement, as applicable.

The Second Amendment further provided for modifications to the financial covenants as defined in the Amended and Restated Credit Agreement. The Second Amendment calls for the elimination of the Maximum Leverage Ratio covenant through the quarter ended June 30, 2018. After that period, the Maximum Gross Leverage Ratio covenant will be reinstated to require a maximum ratio of 4.25 Consolidated Indebtedness to 1.00 Gross Leverage for the quarter ending September 30, 2018, and 3.75 to 1.00 for all periods thereafter until the maturity date of the credit facility. The Second Amendment also includes a Minimum Last Twelve Months EBITDA (as defined by the Amendment) covenant ("Minimum EBITDA"). For the quarter ended December 31, 2016 through the quarter ended June 30, 2017, the Minimum EBITDA must be at least \$18,500. For each quarter thereafter, through the quarter ended June 30, 2018, the Minimum EBITDA requirement will increase by various increments. During the second quarter ended June 30, 2018, the rolling 12-month EBITDA calculation, as defined by the Amended and Restated Credit Agreement, was \$41,515. At June 30, 2018, the Minimum EBITDA requirement will be \$31,000. After the quarter ended June 30, 2018, the Minimum EBITDA covenant was eliminated through the remainder of the Amended and Restated Credit Agreement. The Second Amendment also includes a Minimum Fixed Charge Coverage Ratio covenant. The covenant represents the ratio of the Company's fixed charges to the last twelve months of EBITDA, and is required to be a minimum of 1.00 to 1.00 through the quarter ended December 31, 2017 and 1.25 to 1.00 for each quarter thereafter through the maturity of the credit facility. The final financial covenant included in the Second Amendment is a Minimum Liquidity covenant which calls for a minimum of \$25,000 in undrawn availability on the revolving credit loan at all times through the quarter ended June 30, 2018.

The Second Amendment includes several changes to certain non-financial covenants, as defined in the Amended and Restated Credit Agreement. Through the maturity date of the loan, the Company is now prohibited from making any future acquisitions. The limitation on permitted annual distributions of dividends or redemptions of the Company's stock was decreased from \$4,000 to \$1,700. The aggregate limitation on loans to and investments in non-loan parties was decreased from \$10,000 to \$5,000. Furthermore, the limitation on asset sales has been decreased from \$25,000 annually with a carryover of up to \$15,000 from the prior year to \$25,000 in the aggregate through the maturity date of the credit facility.

The Second Amendment provided for the elimination of the three lowest tiers of the pricing grid that had previously been defined in the First Amendment. Upon execution of the Second Amendment through the quarter ended March 31, 2018, the Company will be locked into the highest tier of the pricing grid, which provides for pricing of the prime rate plus 225 basis points on base rate loans and the applicable LIBOR rate plus 325 basis points on euro rate loans. For each quarter after March 31, 2018 and through the maturity date of the credit facility, the Company's position on the pricing grid will be governed by a Minimum Net Leverage ratio, which is the ratio of Consolidated Indebtedness less cash on hand in excess of \$15,000 to EBITDA. If, after March 31, 2018, the Minimum Net Leverage ratio positions the Company on the lowest tier of the pricing grid, pricing will be the prime rate plus 150 basis points on base rate loans or the applicable LIBOR rate plus 250 basis points on euro rate loans.

To reduce the impact of interest rate changes on outstanding variable-rate debt, the Company entered into forward starting LIBOR-based interest rate swaps with notional values totaling \$50,000. The swaps became effective on February 28, 2017 at which point they effectively convert a portion of the debt from variable to fixed-rate borrowings during the term of the swap contract. At June 30, 2018, the swap asset was \$1,263 compared to \$222 as of December 31, 2017.

Critical Accounting Policies

The Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or method of its application, is generally accepted, management selects the principle or method that, in its opinion, is appropriate in the Company's specific circumstances. Application of these accounting principles requires management to reach opinions regarding estimates about the future resolution of existing uncertainties. As a result, actual results could differ from these estimates. In preparing these financial statements, management has reached its opinions regarding the best estimates and judgments of the amounts and disclosures included in the financial statements giving due regard to materiality. We have updated our revenue recognition policies since December 31, 2017, in conjunction with our adoption of Accounting Standards Codification 606, "Revenue from Contracts with Customers" ("ASC 606") as further described in Note 3. Revenue of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q. A summary of the Company's critical accounting policies and estimates is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements include operating leases, purchase obligations, and standby letters of credit. A schedule of the Company's required payments under financial instruments and other commitments as of December 31, 2017 is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Tabular Disclosure of Contractual Obligations in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. There were no material changes to these off-balance sheet arrangements during the current quarter. These arrangements provide the Company with increased flexibility relative to the utilization and investment of cash resources.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company is exposed to risks that increases in interest rates may adversely affect funding costs associated with its variable-rate debt. To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company entered into forward starting interest rate swap agreements which effectively convert a portion of the debt from a variable to a fixed-rate borrowing during the term of the swap contracts. See Note 10. Fair Value Measurements of the Notes to Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q for additional information.

For the six months ended June 30, 2018, a 1% change in the interest rate for variable rate debt as of June 30, 2018 would increase or decrease interest expense by approximately \$618.

The Company does not purchase or hold any derivative financial instruments for trading purposes. It does enter into interest rate hedges to reduce the risk in the variability of interest rate fluctuations. At contract inception, the Company designates its derivative instruments as hedges. The Company recognizes all derivative instruments on the balance sheet at fair value. Fluctuations in the fair values of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income and reclassified into earnings within other income as the underlying hedged items affect earnings. To the extent that a change in a derivative does not perfectly offset the change in the value of the interest rate being hedged, the ineffective portion is recognized in earnings immediately.

As of June 30, 2018 and December 31, 2017, the Company recorded a current asset of \$1,263 and \$222, respectively, related to its LIBOR-based interest rate swap agreements.

Foreign Currency Exchange Rate Risk

The Company is subject to exposures to changes in foreign currency exchange rates. The Company may manage its exposure to changes in foreign currency exchange rates on firm sale and purchase commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions. The Company did not engage in foreign currency hedging transactions during the six-month periods ended June 30, 2018 and 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

L.B. Foster Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2018. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective such that the information required to be disclosed by the Company in reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including the chief executive officer, chief financial officer, or person performing such functions, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control Over Financial Reporting

On January 1, 2018, the Company adopted the standards of Accounting Standards Codification 606, "Revenue from Contracts with Customers" ("ASC 606"). The adoption of ASC 606 had an immaterial effect on our financial statements, but required the Company to implement changes to our processes related to revenue recognition and the control activities within them. This included the development of new policies and procedures based on the five-step model provided in ASC 606, ongoing contract review processes, and implementation of processes to obtain information to the new disclosure requirements. There were no other changes to our "internal control over financial reporting" (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the six months ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II. OTHER INFORMATION

(Dollars in thousands, except share data)

Item 1. Legal Proceedings

See Note 14. Commitments and Contingent Liabilities of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

Other than discussed below, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017. You should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on February 28, 2018, which could materially affect our business, financial condition, financial results, or future performance. The risks described in our Annual Report on Form 10-K and quarterly reports on Form 10-Q are not the only risks facing the Company. Additional risks and uncertainties not currently known or that we currently deem to be immaterial may also materially affect our business, financial condition, and/or results of operations. Our earnings and sales could be affected by changes to international trade agreements in North America and elsewhere, including potential increases of import tariffs. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin, and net earnings.

We are subject to cybersecurity risks and may incur increasing costs in an effort to minimize those risks.

Our business employs systems and websites that allow for the storage and transmission of proprietary or confidential information regarding our customers, employees, job applicants, and other parties, including financial information, intellectual property, and personal identification information. Security breaches and other disruptions could compromise our information, expose us to liability, and harm our reputation and business. The steps we take to deter and mitigate these risks may not be successful. We may not have the resources or technical sophistication to anticipate or prevent current or rapidly evolving types of cyber-attacks. Data and security breaches can also occur as a result of non-technical issues, including an intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships. Federal, state, and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use, and disclosure of personal information obtained from customers and individuals. The costs of compliance with, and other burdens imposed by, such data privacy laws and regulations, including those of the European Union and the United Kingdom which are, in some respects, more stringent than U.S. standards, could be significant. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, legal and financial exposure, negative impacts on our customers' willingness to transact business with us, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company's did not purchase equity securities for the three months ended June 30, 2018.

Item 4. Mine Safety Disclosures

This item is not applicable to the Company.

Item 6. Exhibits

See Exhibit Index below.

Exhibit Index

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| *10.1 | Amended and Restated 2006 Omnibus Incentive Plan, effective as of May 24, 2018. |
| *31.1 | Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. |
| *31.2 | Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. |
| *32.0 | Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002. |
| *101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| *101.SCH | XBRL Taxonomy Extension Schema Document. |
| *101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| *101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| *101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| *101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Exhibits marked with an asterisk are filed herewith.

SIGNATURE

Pursuant to the requirements 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.

Date: July 31, 2018

L.B. FOSTER COMPANY

(Registrant)

By: /s/ James P. Maloney

James P. Maloney

Senior Vice President,

Chief Financial Officer, and Treasurer

(Duly Authorized Officer of Registrant)

L. B. FOSTER COMPANY
2006 OMNIBUS INCENTIVE PLAN
As Amended and Restated on May 24, 2018

ARTICLE I

PURPOSE, EFFECTIVE DATE AND AVAILABLE SHARES

1.1 Purpose. The purpose of this Plan is intended to advance the interests of L. B. Foster Company and its shareholders by providing equity and financial incentives for Key Personnel and Directors of the Company and any Subsidiary, thereby promoting the Company's long-term growth and financial success 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, (iv) providing incentive compensation opportunities competitive with those of other companies, and (v) providing incentives that align with the interests of the shareholders of the Company.

1.2 Effective Date and Expiration of Plan. The Board originally adopted this Plan effective as of March 31, 2006, and this Plan was amended and restated upon approval by the shareholders of the Company on May 18, 2011 and May 25, 2016. This Plan, as amended and restated as of May 24, 2018, shall be effective upon its approval by the Company's shareholders at its Annual Meeting of Shareholders to be held on May 24, 2018 (or, if the vote on this Plan is postponed, such other date on which a shareholders' meeting to vote to approve this Plan occurs). If this Plan, as amended and restated, is not so approved, then this Plan, as in effect immediately prior to such Annual Meeting, shall remain in effect. Unless terminated earlier by the Board pursuant to Section 10.3, no Award shall be made pursuant to this Plan more than 10 years after the date on which this amended and restated Plan is last approved by the shareholders of the Company, but Awards made prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.

1.3 Shares Available Under the Plan.

(a) Stock to be issued under the Plan may be authorized but unissued shares of Stock or previously-issued shares of Stock which have been reacquired by the Company and are held in its treasury.

(b) Subject to adjustment under Section 10.6, no more than 2,058,000 shares of Stock shall be issuable under the Plan. The aggregate number of shares of Stock that may be issued under the Plan through Incentive Stock Options shall be 2,058,000 shares of Stock (subject to adjustment pursuant to Section 10.6).

(c) To the extent necessary to qualify for the exception under Section 162(m) of the Code for "performance-based compensation" prior to the repeal of such exception for tax years after 2017, and subject to adjustment under Section 10.6, no Participant may be granted under this Plan (i) Options or Stock Appreciation Rights for more than 300,000 shares of Stock in any one fiscal year of the Company, (ii) Performance Grants (payable in Stock) and intended to be performance-based compensation under Section 162(m) of the Code for more than 150,000 shares of Stock (measured on a target award level on the grant date) in any one fiscal year of the Company and (iii) Performance Grants (payable in cash) and intended to be performance-based compensation under Section 162(m) of the Code for more than \$5,000,000 (measured on a target award level on the grant date) in any one fiscal year of the Company. The foregoing limitations shall be subject to adjustment as provided in Section 10.6, but only to the extent that any such adjustment will not affect the status of (i) any Award intended to qualify as performance-based compensation under Section 162(m) or (ii) any Award intended to comply with Section 409A or an exception thereto.

(d) Stock covered by an Award granted under this Plan shall not be counted as used unless and until it is actually issued and delivered to a Participant. If (i) an Award lapses, expires, terminates, or is cancelled without the shares of Stock underlying the Award being issued (or any portion thereof), (ii) it

is determined during or at the conclusion of the term of an Award that all or some portion of the shares of Stock underlying the Award may not be issued on the basis that the conditions for such issuance were or will not be satisfied, (iii) any Award (or portion thereof) is settled for cash, (iv) shares of Stock to be issued pursuant to an Award are Forfeited, or (v) shares of Stock are issued pursuant to any Award and the Company subsequently reacquires such shares pursuant to rights reserved upon the issuance of such shares, then, in all such cases, such shares of Stock shall be re-credited to the Plan's reserve (in the same amount as such shares depleted the reserve); provided, however, that shares of Stock re-credited pursuant to the Plan pursuant to clause (v) may not increase the number of shares which may be issued pursuant to Incentive Stock Options.

(e) Notwithstanding the foregoing, shares of Stock relating to each of the following shall be considered issued or transferred and shall not become available again for issuance under this Plan: shares of Stock (i) delivered or otherwise used in payment of the exercise price of an Option or base price of a SAR, as applicable; (ii) delivered to or withheld by the Company to satisfy Federal, state or local tax withholding obligations; (iii) purchased by the Company using proceeds from Option exercises; and (iv) not issued or delivered as a result of a net settlement of an outstanding Option or SAR.

(f) If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for shares of Stock based on Fair Market Value, such shares of Stock shall not count against the aggregate plan limit described in Section 1.3(b). Shares of Stock issued under Awards granted in assumption, substitution or exchange for previously granted awards of a company acquired by the Company or its Subsidiaries ("Substitute Awards") shall not reduce the shares of Stock available under this Plan, and available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards under this Plan and shall not reduce this Plan's share reserve (unless otherwise required by any applicable stock exchange listing requirements).

(g) Awards granted under this Plan to Participants shall be subject to a minimum vesting or performance period of one year. Notwithstanding the foregoing, (i) the Committee may, at its discretion, authorize acceleration of vesting of such Awards in the event of the Participant's death, Disability or Retirement; (ii) the Committee may grant Awards without the above-described minimum vesting or performance period requirements with respect to Awards covering up to 5% of the aggregate number of shares of Stock authorized for issuance under this Plan and (iii) this limitation shall not apply to Substitute Awards or any other Awards granted in exchange for the surrender of, or substitution of, another company's awards to its employees and directors.

ARTICLE II

DEFINITIONS

As used in this Plan and except as otherwise specifically provided in an Award Agreement, the following terms shall have the meanings set forth below:

2.1 "10% Shareholder" means an Employee who, as of the date on which an Incentive Stock Option is granted to such Employee, owns more than ten percent (10%) of the total combined voting power of all classes of Stock then issued by the Company or a Subsidiary.

2.2 "Award" means, individually or collectively, a grant of an Option, Stock Appreciation Right, Performance Grant, Dividend or Dividend Equivalent Rights, Stock Award, Restricted Stock or Restricted Stock Unit Award, Cash Award, or Other Award that is valued in whole or in part by reference to, or otherwise based on, the Stock, performance goals or other factors, on a standalone, combination or tandem basis, as described in or granted under this Plan.

2.3 "Award Agreement" means the agreement or other writing (which may be framed as a plan, program or notification, and which may be in electronic format) that sets forth the terms and conditions of each Award under the Plan, including any amendment or modification thereof.

2.4 "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.

2.5 "Board" means the Board of Directors of the Company.

2.6 "Cash Award" has the meaning specified in Section 8.1.

2.7 "Change in Control" shall mean:

(a) the consummation of any merger, consolidation or business combination in which the shareholders of the Company immediately prior to the merger, consolidation or business combination do not own at least a majority of the outstanding equity interests of the surviving parent entity;

(b) the sale of all or substantially all of the Company's and its Subsidiaries' assets in a single transaction or a series of related transactions;

(c) the acquisition of beneficial ownership or control, directly or indirectly, through one transaction or a series of transactions (including, without limitation, power to vote) of a majority of the outstanding Stock of the Company by any "person" as such term is defined under sections 13(d) and 14(d) of the Exchange Act (but excluding the Company, any Subsidiary, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and any corporation or other entity owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of shares of Stock); or

(d) a contested election of Directors, including with respect to Directors elected under any proxy access procedures included in the Company's organizational documents, as a result of which or in connection with which the persons who were Directors of the Company before such election or nominees approved by the Board for election to the Board cease to constitute a majority of the Board.

Provided, however, solely with respect to an Award that the Committee determines to be subject to Section 409A (and not excepted therefrom), and a Change in Control is a distribution event for purposes of an Award, the foregoing definition of Change in Control shall be interpreted, administered, limited and construed in a manner necessary to ensure that the occurrence of any such event shall result in a Change in Control only if such event qualifies as a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation, as applicable, within the meaning of Treasury Regulation Section 1.409A-3(i)(5).

2.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

2.9 "Committee" means the Compensation Committee of the Board, or such other committee designated by the Board to administer this Plan. The Committee shall be appointed by the Board and, to the extent deemed appropriate by the Board, shall consist of two or more members of the Board, each of whom shall be (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and (ii) for remuneration that is payable under this Plan pursuant to a written binding contract in effect on November 2, 2017, an "outside director" as defined under §1.162-27(e)(3)(i) of the Code or any successor regulation. If the Board has not appointed a Committee, "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under this Plan shall be exercised, if at all, by the Board. Notwithstanding, the Board may also exercise the authority of the Committee under this Plan (even if the Committee is so appointed by the Board).

2.10 "Company" means L. B. Foster Company, a Pennsylvania company and its successors and assigns.

2.11 "Director" means a director on the Board of the Company.

2.12 "Disability" means permanently and totally disabled as defined in Section 22(e)(3) of the Code (or any successor section); provided, however, if an Award is subject to Section 409A of the Code (and not

excepted therefrom) and a Disability is a distribution event under Section 409A for purposes of the Award, the foregoing definition of Disability shall be interpreted, administered and construed in a manner necessary to ensure that the occurrence of any such event qualifies as a Disability within the meaning of Treas. Reg. § 1.409A-3(i)(4)(i).

2.13 "Dividend" or "Dividend Equivalent Rights" means the right to receive a payment, in cash or property, equal to the cash dividends or other distributions paid with respect to the Stock. No Dividends or Dividend Equivalents will vest and/or be paid unless and until the underlying Award vests and/or is earned in accordance with the terms of such Award.

2.14 "Employee" means an employee of the Company or any Subsidiary, including an employee who is an Officer or a Director, but excluding any person who is classified by the Company or a Subsidiary as a "contractor" or "consultant." Directors who are not otherwise employed by the Company or any Subsidiary shall not be considered Employees under this Plan.

2.15 "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as amended.

2.16 "Fair Market Value" means (i) with respect to the Stock, as of any date (a) if the Stock is listed on any established stock exchange, system or market that reports the closing sale price of the Stock, the closing sale price per share of the Stock as quoted on such exchange, system or market on such date or, if the Stock is not traded on such date, on the closest preceding date on which the Stock was traded or (b) if the closing sale price per share is not quoted on such exchange, system or market, the average of the closing bid and ask prices of the Stock on such date, or (c) in the absence of an established market for the Stock, as determined in good faith by the Committee or (ii) with respect to property other than the Stock, the value of such property as determined by the Committee in its sole discretion.

2.17 "Forfeit," "Forfeiture," or "Forfeited" means the loss by a Participant of any and all rights to an Award granted under this Plan (or any portion thereof), including the loss of any payment of compensation by the Company under this Plan or any Award granted thereunder.

2.18 "Key Personnel" means Officers, Employees, consultants and independent contractors of the Company or any Subsidiary who occupy responsible executive, professional, sales or administrative positions or who otherwise have the capacity to contribute to the success of the Company, but does not include Non-Employee Directors. Key Personnel also may include individuals who have accepted an offer of employment, but who have not yet commenced employment, with the Company or any Subsidiary.

2.19 "Incentive Stock Option" or "ISO" means an option to purchase Stock, which is intended to meet the requirements of an incentive stock option under Section 422 of the Code (or any successor Section).

2.20 "Non-Employee Director" means a Director on the Board who is not an Employee.

2.21 "Nonqualified Stock Option" or "NQSO" means an Option to purchase Stock which is not intended to meet the requirements of an Incentive Stock Option under Section 422 of the Code (or any successor Section).

2.22 "Officer" means an officer of the Company or of a Subsidiary.

2.23 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

2.24 "Option Price" means the price at which the Stock may be purchased under an Option as provided in Section 4.4.

2.25 "Participant" means a person to whom an Award is made under this Plan.

2.26 "Performance Grant" means an Award subject, in part, to the terms, conditions and restrictions described in Article VI, pursuant to which the recipient may become entitled to receive cash, Stock or other securities, or any combination thereof.

2.27 "Performance Grant Agreement" means a written agreement entered into between the Company and a Participant setting forth the terms and conditions of a Performance Grant awarded pursuant to Article VI.

2.28 "Permitted Transferee" means (i) any person defined as an employee in the Instructions to the Registration Statement on Form S-8 promulgated by the Securities and Exchange Commission, as such Form may be amended from time to time, or any successor form, which persons include, as of the date of adoption of this Plan by the Board, executors, administrators or beneficiaries of the estates of deceased Participants, guardians or members of a committee for incompetent former Participants, or similar persons duly authorized by law to administer the estate or assets of former Participants, and (ii) Participants' family members who acquire Awards from the Participant other than for value, including through a gift or a domestic relations order. For purposes of this definition, "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests. For purposes of this definition, unless otherwise determined by the rules and regulations of the Securities and Exchange Commission, neither (i) a transfer under a domestic relations order in settlement of marital property rights nor (ii) a transfer to an entity in which more than fifty percent of the voting or beneficial interests are owned by family members (or the Participant) in exchange for an interest in that entity is considered a transfer for "value."

2.29 "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 to take other action on behalf of the Participant with respect to any Award theretofore granted to such Participant.

2.30 "Plan" means this 2006 Omnibus Incentive Plan, as amended and restated. Notwithstanding the foregoing, or anything contained herein to the contrary, for any Qualified Performance-Based Awards, with respect to any remuneration to be paid under a written binding contract that was in effect on November 2, 2017, such remuneration shall be governed by the terms and conditions of the Plan and any underlying documents that combined constitute the applicable written binding contract relating to such compensation that were in effect on November 2, 2017.

2.31 "Qualified Performance-Based Award" means any Award of a Performance Grant, or portion of such Award, to a Participant who is determined by the Committee likely to be a "covered employee" (as defined in Section 162(m)) and that is intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m). Effective for tax years after 2017, the qualified performance-based compensation exception from Section 162(m)'s tax deduction limitation was repealed; provided, however, that notwithstanding such repeal, the performance-based compensation exception under Section 162(m) of the Code is subject to a transition rule for remuneration that is payable pursuant to a written binding contract that was in effect on November 2, 2017 and is not materially modified thereafter. For the avoidance of doubt, it is the intent of the Company to preserve the performance-based compensation exception that is or may be available for Awards payable under this Plan to the maximum extent permitted by law.

2.32 "Restriction Period" means the length of time established relative to an Award during which time the Participant cannot sell, assign, transfer, pledge, or otherwise encumber the Stock or Stock Units subject to such Award, and at the end of which the Participant obtains an unrestricted right to such Stock or Stock Units.

2.33 "Restricted Stock Agreement" means a written agreement entered into between the Company and a Participant setting forth the terms and conditions of a Restricted Stock Award or Restricted Stock Unit Award made pursuant to Article V.

2.34 "Restricted Stock Award" means a grant of Stock to a Participant pursuant to Article V.

2.35 "Restricted Stock Unit Award" means an Award of the right to receive either (as the Committee determines) Stock or cash or other property, including an Award, equal to the Fair Market Value of a share of Stock on the date of settlement of the Award subject, in part, to the terms, conditions and restrictions described in Article V hereof and as set forth in any Restricted Stock Agreement.

2.36 "Retirement" or "Retire" means retirement of an Employee or other service provider as determined and authorized by the Committee.

2.37 "Section 162(m)" shall mean Section 162(m) of the Code, the regulations and other binding guidance promulgated thereunder.

2.38 "Section 409A" shall mean Section 409A of the Code, the regulations and other binding guidance promulgated thereunder.

2.39 "Separation from Service" and "Separate from Service" shall mean the Participant's death, retirement or other termination of employment or service with the Company (including all persons treated as a single employer under Section 414(b) and 414(c) of the Code) that constitutes a "separation from service" within the meaning of Section 409A. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. § 1.409A-1(h)(3)), the language "at least 20 percent" shall be used instead of "at least 80 percent" in each place it appears. Whether a Participant has Separated from Service will be determined based on all of the facts and circumstances and, to the extent applicable to any Award or benefit, in accordance with the guidance issued under Section 409A. A Participant will be presumed to have experienced a Separation from Service when the level of bona fide services performed permanently decreases to a level less than twenty percent (20%) of the average level of bona fide services performed during the immediately preceding thirty-six (36) month period or such other applicable period as provided by Section 409A.

2.40 "Specified Employee" means a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of the Company as determined in accordance with Section 409A and the procedures established by the Company.

2.41 "Stock" means the common stock, par value \$.01, of the Company, or any other security into which the Stock shall have been converted in accordance with Section 10.6 of this Plan.

2.42 "Stock Appreciation Right" or "SAR" means an Award pursuant to which the Participant will receive a payment in cash or Stock, or any combination thereof, equal to the appreciation of the Fair Market Value of a share of Stock from the date of grant to the date of exercise.

2.43 "Stock Award" has the meaning specified in Section 8.1.

2.44 "Stock Option Agreement" means a written agreement entered into between the Company and a Participant setting forth the terms and conditions of an Option awarded pursuant to Article IV.

2.45 "Stock Unit" means a right to receive a payment (in cash, shares of Stock, or a combination of both, as contemplated in the Award Agreement) valued in relation to a designated dollar value or the Fair Market Value of one or more shares of Stock.

2.46 "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, including a Subsidiary which becomes such after adoption of this Plan.

2.47 "Termination for Cause" or "Cause" means: (i) willful neglect of or failure to properly perform the duties and responsibilities assigned to the Participant or the failure of the Participant to comply with

proper directives of such Participant's supervisor(s) or the Board, as applicable; (ii) an act of dishonesty or disloyalty relating to the business and affairs of the Company and/or its Subsidiaries or their relationship with their respective Employees, suppliers, customers or others having a business relationship with the Company and/or its Subsidiaries; (iii) conviction of a crime involving fraud, theft, intentional dishonesty, moral turpitude or similar conduct; (iv) misappropriation of any funds or property of the Company and/or its Subsidiaries or actions which are inconsistent with the Participant's fiduciary obligations to the Company and/or its Subsidiaries; (v) failure to abide by any of the Company's and/or its Subsidiaries' policies; or (vi) any other action or course of conduct by the Participant which has or reasonably can be expected to have an adverse effect on the Company and its Subsidiaries, and their respective businesses or affairs. The Committee shall make all determinations of whether a Participant was Terminated for Cause and any such determination shall be final and conclusive.

ARTICLE III

ADMINISTRATION

3.1 Committee to Administer.

(a) The Plan shall be administered by the Committee. The Committee shall have full and exclusive authority and discretion to interpret, construe and administer the Plan, including, but not limited to, the authority to:

(i) Adopt or establish and amend such rules, regulations, agreements, guidelines, procedures, forms and instruments as may be necessary or advisable for the administration and operation of the Plan;

(ii) Correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent it shall deem desirable;

(iii) Select the persons to be granted Awards under the Plan;

(iv) Grant and determine the terms, conditions, form and size of Awards to be made to each person selected, including clawback or other recoupment provisions applicable Awards granted hereunder;

(v) Determine the time when Awards are to be made and any conditions which must be satisfied before an Award is made;

(vi) Establish objectives, conditions and performance goals for earning Awards;

(vii) Determine the terms of each Award Agreement and any amendments or modifications thereof;

(viii) Determine whether the conditions for earning an Award have been met and whether an Award will be paid at the end of the performance period;

(ix) Determine if and when an Award may be deferred;

(x) Determine whether the amount or payment of an Award should be reduced or eliminated;

(xi) Determine the guidelines and/or procedures for the payment or exercise of Awards; and

(xii) Determine whether to accelerate vesting provisions applicable to Awards.

The Committee's decisions shall be final, conclusive and binding with respect to the Plan and any Award made under the Plan.

(b) Except as otherwise may be provided in the charter or similar governing document applicable to the Committee and this Plan, (i) a majority of the members of the Committee shall constitute a quorum for the conduct of business at any meeting, (ii) the Committee shall act by majority vote of the members present at a duly convened meeting, including a telephonic meeting in accordance with the Pennsylvania Business Corporation Law ("BCL"), and (iii) action may be taken without a meeting if written consent thereto is given in accordance with the BCL.

(c) Notwithstanding any provision herein to the contrary, to the extent the Board is performing any Plan-related functions, including the determination of whether a Participant has been Terminated for Cause, the Board shall have the same discretionary power and authority to administer the Plan as the Committee does under this Article III.

(d) No member of the Board or Committee and no Officer shall be liable for anything done or omitted to be done by such member or Officer, by any other member of the Board or Committee or by any other Officer in connection with the performance of duties under this Plan, except for such member's or Officer's own willful misconduct or as expressly provided by statute. For avoidance of doubt, nothing in this section is intended to limit the indemnification provisions applicable to Directors and Officers of the Company as they are entitled under Pennsylvania law.

(e) The Board and/or Committee may delegate authority to an Officer, Employee and/or Director to administer certain of their respective authority under this Plan, including granting and administering certain Awards under this Plan, subject to the right of the Board and/or the Committee to revoke its delegation at any time and to make such delegation on such terms and conditions as the Board and/or Committee determine in their respective discretion to be appropriate in accordance with, and as permitted by, applicable law or regulation. In each case where the Board and/or Committee has delegated authority under this Plan, such Officer, Employee and/or Director delegatee shall be deemed the "Committee" or "Board," where applicable, in connection with fulfilling the functions delegated to such person under the Plan. Notwithstanding the foregoing, or anything contained in this Plan to the contrary, Qualified Performance-Based Awards must be granted and administered, to the extent necessary, by a committee that consists solely of two or more "outside directors" within the meaning of Section 162(m).

(f) Notwithstanding any other provision of this Plan, the Board or the Committee may impose such conditions on any Award (including, without limitation, the right of the Board or the Committee to limit the time of exercise to specified periods) as may be required to satisfy the requirements of Rule 16b-3 (or any successor rule) under the Exchange Act ("Rule 16b-3") and/or Section 422 (or any successor provision) of the Code.

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, the type of Award to be made, the number of shares to be subject to each Award and/or any other terms and conditions of the Award.

(b) The Committee shall determine the terms, restrictions and provisions of the agreement relating to each Award. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, or in any Award Agreement, in such manner and to the extent the Committee shall determine in order to carry out the purposes and intent of the Plan.

(c) Notwithstanding any provision herein to the contrary, to the extent the Board is performing any Plan-related functions, the Board shall have the same discretionary power and authority to administer the Plan as the Committee does under this Article III.

3.3 Awards.

(a) Subject to the terms of this Plan, the Committee may grant any type of Award to any Participant it selects, but only an Employee may receive grants of Incentive Stock Options. Awards may

be granted alone or in addition to, in tandem with, or (subject to the prohibition on repricing set forth below) in substitution for any other Award (or any other award granted under another plan of the Company or any Subsidiary). 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.

(b) Notwithstanding anything in this Plan to the contrary, and except for the adjustments provided in Section 10.6 or in connection with a corporate transaction involving the Company (including, without limitation, any stock Dividend, distribution (whether in the form of cash, shares of Stock, other Company securities or other property), stock split, extraordinary cash Dividend, recapitalization, Change in Control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Stock or other Company securities, or similar transaction(s)), neither the Committee nor any other person may, without obtaining shareholder approval, (i) amend the terms of outstanding Options or SARs to reduce the exercise price of such outstanding Options or SARs; (ii) cancel outstanding Options or SARs in exchange for Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs; or (iii) cancel outstanding Options or SARs with an exercise price above the current Stock price in exchange for cash or other securities. In addition, the Committee may not make a grant of an Option or SAR with a grant date that is effective prior to the date the Committee takes action to approve such Award.

3.4 Eligibility for Awards. In selecting Participants and in determining the form and amount of the Award, the Committee may give consideration to such Participant's 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, subject to the provisions of the Plan.

ARTICLE IV

STOCK OPTIONS

4.1 Award of Options. Subject to the provisions of the Plan, the Committee may grant Options to Key Personnel and Directors; provided, however, that only an Employee who meets the definition of an "employee" under Section 3401(c) of the Code may receive grants of Incentive Stock Options. Each Option shall be designated in the Award Agreement as either an ISO or a NQSO.

4.2 Period of Option.

(a) Except as otherwise provided in a Stock Option Agreement or the Plan, an Option granted to Key Personnel shall be exercisable 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.

(b) The Committee may also establish, in the applicable Stock Option Agreement, any other period during which Options may be exercised, provided that the duration of an Option shall not be more than ten (10) years from the date of grant and, provided further, that the duration of an Option granted to a 10% Shareholder shall not be more than five (5) years from the date of grant in the case of ISOs.

4.3 Stock Option Agreement. Each Option shall be evidenced by a Stock Option Agreement in such form and containing such terms and conditions as the Committee from time to time shall approve, except that the terms and conditions in the Stock Option Agreement shall be consistent with those set forth herein. The terms and conditions of Stock Option Agreements need not be identical.

4.4 Option Price and Exercise.

(a) The Option Price of Stock under each Option shall be determined by the Committee, provided that the Option Price may not be less than the Fair Market Value of the Stock on the date on which the Option is granted, and provided further that the Option Price of an Incentive Stock Option granted to a 10% Shareholder may not be less than 110% of the Fair Market Value of the Stock on the date on which the Option is granted, except in the case of Substitute Awards.

(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, 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 proceeds sufficient to cover the Option Price. An Option shall be deemed exercised on the date the Company receives the notice of exercise and all the requirements of this Section 4.4(b) have been fulfilled. An Option may provide that it shall be deemed to have been exercised at the close of business on the business day preceding the expiration date of the Option, or such other date as specified by the Committee, if at such time such Option has a positive value. Such deemed exercise shall be settled or paid in the same manner as a regular exercise thereof.

(c) If the aggregate Fair Market Value of the Stock subject to all Incentive Stock Options granted to a Participant (as determined on the date of grant of each such Option) that become exercisable during a calendar year exceeds the dollar limitation set forth in Section 422(d) of the Code, then such Incentive Stock Options shall be treated as Nonqualified Stock Options to the extent such limitation is exceeded.

4.5 Treatment of Incentive Stock Options. In all other respects, the terms of any Incentive Stock Option should comply with the provisions of Section 422 of the Code, except to the extent the Committee determines otherwise. If an Option that is intended to be an Incentive Stock Option fails to meet the requirements thereof, the Option shall automatically be treated as a Nonqualified Stock Option to the extent of such failure. The aggregate Fair Market Value (determined as of the time the Option is granted) of the shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all option plans of the Company and of any "parent corporation" or subsidiary corporation (as such terms are defined in Sections 424(e) and (f) of the Code)) shall not exceed one hundred thousand dollars (\$100,000); provided, however, that if such one hundred thousand dollars (\$100,000) limit is exceeded, the excess ISOs shall be treated as NQSOs. For purposes of the preceding sentence, Incentive Stock Options will be taken into account in the order in which they are granted.

4.6 Termination of Service.

(a) Except as otherwise provided in this Plan or in the applicable Stock Option Agreement or any severance or employment agreement, if the employment or other service of a Participant, other than as a Non-Employee Director, terminates for any reason other than death, Disability, Retirement, or due to a Termination for Cause, the Participant may exercise all unexercised and vested Options within 30 days of such termination, and such portion of the Option will expire at the end of such period. Any Options in which such Participant is not vested at the time of such Participant's termination shall be immediately Forfeited. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option (or five (5) years in the case of an ISO granted to a 10% Shareholder). In the event that such Participant is Terminated for Cause, all Options held by such Participant shall terminate immediately and may not thereafter be exercised. For purposes of this section, the employment or other service in respect to Options held by such a Participant shall be treated as continuing intact while

the Participant is on authorized military leave, on leave pursuant to the Family Medical Leave Act, approved sick leave or other approved, 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 such Participant's service with the Company is guaranteed either by statute or by contract. Where the period of leave exceeds 90 days and where such Participant's right to reestablish such Participant's service is not guaranteed by statute or by contract, such Participant's service, in the Committee's sole discretion, shall be deemed to have terminated on the ninety-first day of such leave.

(b) Except as otherwise provided in the Stock Option Agreement, a Non-Employee Director whose service is terminated shall be entitled to exercise such Non-Employee Director's Options, to the extent vested as of the date of such termination, until the expiration of the full term of the Option, unless the Non-Employee Director has been Terminated for Cause. In the event that a Non-Employee Director is Terminated for Cause, all Options held by such Director shall terminate immediately and may not thereafter be exercised.

4.7 Death. Except as otherwise provided in the Plan or a Stock Option Agreement, during the twelve (12) month period following the Participant's death, any or all of the unexercised and vested Options that the Participant was entitled to exercise immediately prior to such Participant's death may be exercised by such Participant's Personal Representative. Any Options in which such Participant is not vested at the time of such Participant's death shall be immediately Forfeited. In no event, however, may any such Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

4.8 Retirement or Disability. Except as otherwise provided in the Plan or a Stock Option Agreement or in any severance or employment agreement, if a Participant Retires, or suffers a Disability, at a time when such Participant is entitled to exercise an Option, then the Participant may exercise the Option, to the extent vested, at any time or times within three (3) years after such Participant's termination of service because of such Retirement or Disability, and such vested portion of the Option will expire at the end of such period. Any Options in which such Participant is not vested at the time of the Participant's Retirement or Disability, as the case may be, shall be immediately Forfeited. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option (or five (5) years in the case of an ISO granted to a 10% Shareholder).

4.9 Committee Discretion. For avoidance of doubt and not in limitation of the discretionary authority of the Committee under this Plan, the Committee shall have authority to determine whether or not a Participant (including a Non-Employee Director) has Retired, resigned or suffered a Disability, or has been Terminated for Cause, or is on an authorized leave of absence, 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 so as to entitle the Participant to exercise the Option within 90 days after such transfer.

4.10 Shareholder Rights and Privileges. A Participant shall have no rights as a shareholder with respect to any Stock covered by an Option until the issuance of a stock certificate, or other evidence of ownership is issued, representing such Stock.

ARTICLE V

RESTRICTED STOCK AWARDS

AND

RESTRICTED STOCK UNIT AWARDS

5.1 Grant of Restricted Stock Awards or Restricted Stock Unit Awards. Subject to the provisions of the Plan, the Committee may elect to grant Restricted Stock Awards or Restricted Stock Unit Awards to any Key Personnel and/or Director, including, but not limited to, grants derived from participation in

another plan, program or arrangement established or maintained by the Company or any Subsidiary. Notwithstanding anything in this Plan to the contrary, the Committee, in its discretion, may determine that a Restricted Stock Award or Restricted Stock Unit Award may be subject to such terms, conditions and restrictions (including but not limited to restrictions on the sale of Stock), as set forth in the applicable Restricted Stock Agreement, and shall determine whether a Restricted Stock Unit Award is to be settled at vesting by the issuance of Stock or the payment of cash or other consideration.

5.2 Vesting Requirements. The restrictions imposed on a Restricted Stock Award shall lapse, and a Restricted Stock Unit Award shall vest, in accordance with the vesting schedule specified by the Committee in the Restricted Stock Agreement, subject to Section 1.3(g) of this Plan. Such vesting requirements may be based on the continued service of the Participant with the Company or its affiliates (including any Subsidiary) for a specified time period (or periods), on the attainment of specified performance goals established by the Committee in its discretion, or such other terms and conditions established by the Committee. Except as otherwise provided in this Plan or the Restricted Stock Agreement, if the vesting requirements of a Restricted Stock Award or Restricted Stock Unit Award are not satisfied, the Award shall be Forfeited and the Stock subject to the Award shall be returned to the Company and eligible for reissuance under the Plan.

5.3 Restrictions. A Restricted Stock Award and a Restricted Stock Unit Award may not be transferred, assigned or subject to any encumbrance, pledge or charge until all applicable restrictions are removed or have expired, unless otherwise permitted by the Committee. Failure to satisfy any applicable restrictions shall result in the Award being Forfeited and the Stock subject to the Award shall be returned to the Company and eligible for reissuance under the Plan. The Committee may require in a Restricted Stock Agreement that certificates representing the Restricted Stock Award bear a legend making appropriate reference to the restrictions imposed, and that certificates representing the Stock subject to such Restricted Stock Award will remain in the physical custody of the Company or an escrow holder (including the transfer agent for the Stock) until all restrictions are removed or have expired.

5.4 Rights as a Shareholder.

(a) Subject to the foregoing provisions of this Article V and the applicable Restricted Stock Agreement, the holder of a Restricted Stock Award shall have all rights of a shareholder with respect to the Stock granted to the Participant under a Restricted Stock Award, including the right to vote the Stock and receive all Dividends (to the extent issued by the Company, subject to the limitations provided herein) and other distributions paid or made with respect to Restricted Stock Awards, except that (i) the Participant shall not be entitled to possession of the stock certificate (in the event paper certificates are issued) until the Restriction Period shall have expired, (ii) the Company shall retain custody of the Stock during the Restriction Period, (iii) the Participant may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Stock during the Restriction Period, and (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted Stock Agreement shall cause a Forfeiture of the applicable Award. Notwithstanding the foregoing, Dividends with respect to an unvested Restricted Stock Award will be withheld by the Company and credited to a Participant account; provided that any such Dividends shall vest only if and to the extent that the underlying Restricted Stock Award vests, as determined by the Committee. Any Dividends so withheld by the Committee and attributable to any particular share of Stock of a Restricted Stock Award shall be subject to the same restrictions on transferability as the share of the Restricted Stock Award with respect to which they were paid, and, if such shares are forfeited, the Participant shall have no right to such Dividends. For the avoidance of doubt, in no event shall Dividends with respect to a Restricted Stock Award be paid to a Participant unless and until the underlying Award vests.

(b) The Committee may provide in a Restricted Stock Agreement for a Restricted Stock Unit Award for the payment of Dividends or Dividend Equivalent Rights and distributions to the Participant at such times as paid to shareholders generally or at the times of vesting or other payment of the Award to the extent not inconsistent with Section 409A and Section 10.7; provided, however, that Dividend Equivalent Rights on Restricted Stock Unit Awards shall be deferred until and paid contingent upon the

vesting of the Award. Any such Dividend Equivalent Rights on Restricted Stock Unit Awards shall be subject to the same restrictions on transferability as the shares of Stock underlying the Restricted Stock Unit Awards, and, if such shares are forfeited, the Participant shall have no right to such Dividend Equivalent Rights. For the avoidance of doubt, in no event shall Dividend Equivalent Rights with respect to a Restricted Stock Unit Award be paid to a Participant unless and until the underlying Restricted Stock Unit Award vests.

5.5 Section 83(b) Election. If a Participant makes an election pursuant to Code Section 83(b) with respect to a Restricted Stock Award, the Participant shall file, within 30 days following the date of grant, a copy of such election with the Company and with the Internal Revenue Service in accordance with the regulations under Code Section 83. The Committee may provide in a Restricted Stock Agreement that the Restricted Stock Award is conditioned upon the Participant's making or refraining from making an election with respect to the Award under Code Section 83(b).

ARTICLE VI

PERFORMANCE GRANTS

6.1 Participation. Subject to the provisions of the Plan, the Committee may make Performance Grants to Key Personnel and Directors in accordance with the provisions of this Article VI.

6.2 Grant. The Committee shall have sole and complete authority to determine the Key Personnel and Directors who shall receive a Performance Grant, which shall consist of a right that is (i) denominated in cash, Stock or any other form of Award issuable under the Plan (or any combination thereof), (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish and (iii) payable at such time and in such form as the Committee shall determine. Unless otherwise determined by the Committee, any such Performance Grant shall be evidenced by a Performance Grant Agreement containing the terms of the Award, including, but not limited to, the performance criteria and such terms and conditions as may be determined, from time to time, by the Committee, in each case not inconsistent with this Plan.

6.3 Terms and Conditions.

(a) For Awards intended to be performance-based compensation under Section 162(m) of the Code, Performance Grants shall be conditioned upon the achievement of pre-established goals relating to one or more of the following performance measures, as determined in writing by the Committee and subject to such modifications as specified by the Committee: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation and amortization or some variation thereof); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; days sales outstanding on receivables; capital expenditures; debt; debt reduction; working capital (including as a percentage of sales); return on investment; return on sales; return on invested capital; net or gross sales; gross profit on sales; material gross profit (gross profit on material portion of sales); performance profit (operating income minus an allocated charge approximating the Company's cost of capital, before or after tax); purchase variance; delivery variance; quality; customer satisfaction; comparable site sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; productivity; delivery performance; safety record and/or performance; environmental record and/or performance; stock price; return on equity or capital employed; total or relative increases to shareholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating income adjusted for management fees and depreciation and amortization; pre-tax income (including on an as-adjusted basis); operating profit or net operating profit; non-performing assets; asset sale targets; value of assets; employee retention/attrition rates; investments; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; value creation; gross margin, operating margin or profit margin; completion of acquisitions, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives, any combination of the foregoing, and such other business performance criteria as may, from time to time, be established

by the Committee in the applicable Award Agreement. For the avoidance of doubt, the Committee may approve Qualified Performance-Based Awards under this Plan that are based upon the measures set forth above for Awards other than those that are intended to satisfy the qualified performance-based compensation exception under Section 162(m) of the Code.

(b) To the extent consistent with Section 162(m), the Committee may determine, at the time the performance goals are established to Qualified Performance-Based Awards, that certain adjustments shall apply, in whole or in part, in such manner as determined by the Committee, to exclude or include the effect of any of the following events that occur during a performance period: the impairment of tangible or intangible assets; litigation or claim judgments or settlements; the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; business combinations, reorganizations and/or restructuring programs, including, but not limited to, reductions in force and early retirement incentives; currency fluctuations; and any unusual, infrequent or non-recurring items, including, but not limited to, such items described in management's discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Company's annual report to shareholders for the applicable period.

(c) Performance measures may be determined either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or subsidiary entity thereof, either individually, alternatively or in any combination, and measured cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous fiscal years' results or to a designated comparison group, in each case as specified by the Committee.

6.4 Preestablished Performance Goals. For Awards intended to be performance-based compensation under Section 162(m), performance goals relating to the performance measures set forth above shall be preestablished in writing by the Committee, and achievement thereof certified in writing prior to payment of the Award, as required by Section 162(m) and treasury regulations promulgated thereunder. All such performance goals shall be established in writing by the Committee no later than the earlier of (i) ninety (90) days after the beginning of the applicable performance period or (ii) the date on which 25% of the performance period has been completed, or within such other timeframe as may be required or permitted by Section 162(m) and treasury regulations promulgated thereunder. In addition to establishing minimum performance goals below which no compensation shall be payable pursuant to a Performance Grant, the Committee, in its sole discretion, may create a performance schedule under which an amount less than or more than the target award may be paid so long as the performance goals have been achieved.

6.5 Additional Restrictions/Negative Discretion. The Committee, in its sole discretion, may also establish such additional restrictions or conditions that must be satisfied as a condition precedent to the payment of all or a portion of any Performance Grants. Such additional restrictions or conditions need not be performance-based and may include, among other things, the receipt by a Participant of a specified annual performance rating, the continued employment by the Participant and/or the achievement of specified performance goals by the Company, business unit or Participant. Furthermore, and notwithstanding any provision of this Plan to the contrary, the Committee, in its sole discretion, may retain the discretion to increase or reduce the amount of any Performance Grant payable to a Participant if it concludes that such increase or reduction is necessary or appropriate based upon: (i) an evaluation of such Participant's performance; (ii) comparisons with compensation received by other similarly-situated individuals working within the Company's industry; (iii) the Company's financial results and conditions; or (iv) such other factors or conditions that the Committee deems relevant; provided, however, that the Committee shall not use its discretionary authority to increase any Award that is intended to be performance-based compensation under Section 162(m).

6.6 Payment of Performance Awards. Payment of a Performance Grant (i) may be in cash, Stock (which may include Restricted Stock or Restricted Stock Units) or a combination thereof, as determined by the Committee in its sole discretion, (ii) may be made in a lump sum or in installments following the close of each performance period as provided by the Committee in the Performance Grant Agreement, and (iii) to the extent applicable, shall be based on the Fair Market Value of the Stock.

6.7 Rights with Respect to Stock and Other Securities. Unless otherwise determined by the Committee in its discretion in a Performance Grant Agreement, a Participant to whom an Award is made under this Article (and any Person succeeding to such Participant's rights pursuant to this Article) shall have no rights as a shareholder with respect to any Stock or as a holder with respect to other securities, if any, issuable pursuant to any such Award until the date a stock certificate evidencing such Stock or until the Participant's ownership of such Stock shall have been entered into the books of the registrar in the case of uncertificated shares. Notwithstanding the foregoing, the Committee may provide for the payment of Dividend Equivalent Rights with respect to Performance Grants, payable either in Stock or cash; provided, however, that Dividend Equivalent Rights on Performance Grants shall be deferred until and paid contingent upon the achievement of the applicable performance goals. Any such Dividend Equivalent Rights on Performance Grants shall be subject to the same restrictions on transferability as the shares of Stock underlying the Performance Grants, and, if such shares are forfeited, the Participant shall have no right to such Dividend Equivalent Rights. For the avoidance of doubt, in no event shall Dividend Equivalent Rights with respect to a Performance Grant be paid to a Participant unless and until the underlying Performance Grant vests.

Termination of a Participant. For all purposes under this Article VI, and unless otherwise determined by the Committee in a Performance Grant Agreement or an employment or severance agreement, Participants who have terminated their employment with the Company prior to the actual payment of an Award for any reason (including but not limited to death, Retirement or Disability) shall Forfeit any and all rights to payment under any Awards then outstanding under the terms of this Article and shall not be entitled to any payment for the performance period.

ARTICLE VII

STOCK APPRECIATION RIGHTS

7.1 Grant of Stock Appreciation Rights. Subject to the terms of the Plan, the Committee may grant SARs to Key Personnel or Directors, either separately or in tandem with an Option. The Committee shall determine all terms and conditions of each SAR, including but not limited to:

(a) Whether the SAR is granted independently of an Option or in tandem with an Option;

(b) The number of Shares to which the SAR relates;

(c) The date of grant, which may not be prior to the date of the Committee's approval of the grant;

(d) The grant price, provided that the grant price shall not be less than the Fair Market Value of a share of Stock as of the grant date of the SAR, except in the case of Substitute Awards;

(e) SARs shall vest in accordance with the vesting schedule specified by the Committee in the Award Agreement (and subject to the terms and conditions included therein), subject to the terms of this Plan ;

(f) The term, provided that no SAR shall be exercisable later than the tenth (10th) anniversary of the date of its grant; and

(g) Whether the SAR will be settled in cash, Shares, or a combination thereof.

7.2 Exercise of SARs. SARs may be exercised in accordance with such terms and conditions as the Committee, in its sole discretion, may specify. The Committee may (i) grant SARs that are subject to the achievement of one or more vesting conditions and (ii) accelerate the exercisability of outstanding SARs consistent with the provisions of the Plan. Tandem SARs shall be exercisable only while the Option to which the tandem SAR relates is exercisable. A SAR may provide that it shall be deemed to have been exercised at the close of business on the business day preceding the expiration date of the SAR, or such other date as specified by the Committee, if at such time such SAR has a positive value. Such deemed exercise shall be settled or paid in the same manner as a regular exercise thereof.

7.3 Tandem SARs. Unless otherwise determined by the Committee, if a SAR is granted in relation to an Option, the SAR shall be exercisable or shall mature at the same time or times, on the same conditions and to the extent and in the proportion, that the related Option is exercisable and may be exercised or mature for all or part of the shares of Stock subject to the related Option. Upon exercise of any number of SARs, the number of shares of Stock subject to the related Option shall be reduced accordingly and such Option may not be exercised with respect to that number of shares of Stock. The exercise of any number of shares of Stock underlying an Option Award that relate to a SAR shall likewise result in an equivalent reduction in the number of shares of Stock covered by the related SAR.

7.4 Payment of SARs. Upon exercise of the SAR, the holder shall be entitled to receive payment of an amount determined by multiplying: (i) the difference between the Fair Market Value of a share of Stock on the date of exercise over the base amount of the SAR as set by the Committee at the date of grant by (ii) the number of shares of Stock with respect to which the SAR is exercised.

7.5 Shareholder Rights and Privileges. A Participant shall have no rights as a shareholder with respect to any Stock covered by an SAR until the issuance of a stock certificate, or other evidence of ownership is issued, representing such SAR.

ARTICLE VIII

OTHER AWARDS

8.1 Other Awards. The Committee may, subject to limitations under applicable law, grant to Key Personnel and Directors such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of Stock (including Dividends and Dividend Equivalent Rights) or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Stock, purchase rights for shares of Stock, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Board, and Awards valued by reference to the book value of shares of Stock or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company; provided, however, that Dividends or Dividend Equivalent Rights on any such other Awards shall be deferred until and paid contingent upon the achievement of any applicable vesting condition. Any such Dividends or Dividend Equivalent Rights on such other Awards shall be subject to the same restrictions on transferability as the shares of Stock underlying the Awards, and, if such shares are forfeited, the Participant shall have no right to such Dividends or Dividend Equivalent Rights. For the avoidance of doubt, in no event shall Dividends or Dividend Equivalent Rights with respect to such other Award be paid to a Participant unless and until the underlying Award vests. The Board shall determine the terms and conditions of such Awards, which may include, but are not limited to:

(a) Stock Award. An unrestricted transfer of ownership of Stock.

(b) Awards under Deferred Compensation or Similar Plans. The right to receive Stock or a fixed or variable share denominated unit granted under this Plan or any deferred compensation or similar plan established from time to time by the Company.

(c) Cash Award. An Award denominated in cash, as separate from, an element of or supplement to any other Award granted under this Plan, that may be subject to the achievement of performance goals during a performance period determined by the Committee, or that may be earned under a Company or Subsidiary bonus or incentive plan or program.

ARTICLE IX

NON-EMPLOYEE DIRECTOR AWARDS

9.1 Limitation on Awards to Non-Employee Directors. Notwithstanding anything in this Plan to the contrary and subject to adjustment pursuant to Section 10.6 hereof, no Non-Employee Director may be

granted, in any one fiscal year of the Company, Awards specifically granted under this Plan with an aggregate maximum value, calculated as of their respective grant dates, of more than \$300,000.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Non-transferability. No Award under the Plan shall be transferable by the Participant other than by will or the laws of descent and distribution; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant and the Committee may, in its sole discretion, permit the transfer of an Award to a Permitted Transferee subject to all the terms and conditions of the Award. Except as provided in Section 4.7, Options shall be exercisable during the Participant's lifetime only by such Participant or such Participant's Personal Representative. Any transfer contrary to this Section 10.1 will nullify the Award.

10.2 Amendments. The Committee may at any time discontinue granting Awards under the Plan. The Committee may at any time amend the Plan or amend any outstanding Award Agreement (including, but not limited to, acceleration of the date of exercise or vesting of any Award and/ or payments under any Award) in accordance with the terms of the Plan and 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 would result in Rule 16b-3 under the Exchange Act becoming inapplicable to any Award or first require shareholder approval. Notwithstanding the foregoing or any provision of an Award to the contrary, the Committee may at any time (without the consent of any Participant) modify, amend or terminate any or all of the provisions of an Award to the extent necessary to conform the provisions of the Award with Section 162(m), Section 409A or any other provision of the Code or other applicable law, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment or termination of the Award shall adversely affect the rights of a Participant.

10.3 Termination. The Board may terminate the Plan at any time prior to its scheduled expiration date, but no such termination shall materially adversely affect the rights of any Participant under any Award theretofore granted in which such Participant has a vested interest without such Participant's written consent.

10.4 Non-uniform Determinations. The Committee's determinations under the Plan, including without limitation (i) the determination of the Key Personnel 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 Award Agreements evidencing the same, need not be uniform and may be made by it selectively among Key Personnel and Directors who receive, or who are eligible to receive, Awards under the Plan, whether or not such Key Personnel or Directors are similarly situated.

10.5 No Right to Employment/Service. Neither the action of the Board in establishing the Plan nor any action taken by the Committee, a Director or an Officer 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, or as an independent contractor or consultant to, the Company or any Subsidiary.

10.6 Changes in Stock. (a) In the event of any Dividend (other than a regular cash Dividend) or other distribution (whether in the form of cash, Stock, other Company securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Stock or other Company securities, issuance of warrants or other rights to purchase Stock or other Company securities or other similar corporate transaction in which the Company is the surviving corporation or other event that affects the Stock such that an adjustment is necessary in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, the number and kind of shares of Stock or securities of the Company to

be subject to the Plan and to Awards then outstanding or to be awarded thereunder, the maximum number of shares of Stock or other securities which may be issued on the exercise of Options or SARs granted under the Plan, performance goals (if applicable), the Option Price, base price of SARs and other relevant provisions shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons; provided, however, with respect to any Award subject to Section 162(m), Section 409A or Section 422 of the Code, any such adjustment shall be authorized only to the extent that such adjustment would not cause the Award to fail to comply with Section 162(m), Section 409A or Section 422 of the Code.

(b) In the event of a Change in Control, all outstanding Awards shall thereupon terminate, provided that the Committee may, prior to the effective date of any such transaction, (i) make all outstanding time-only vesting Awards immediately exercisable or vested unless assumed, or substantially equivalent rights are provided in substitution therefore by the acquiring or succeeding entity; (ii) make all performance-based Awards either vested (A) pro-rata at a target performance level based on the portion of the applicable performance period that has lapsed immediately prior to the consummation of the Change in Control and/or (B) based on actual performance as of the date of the Change in Control; or (iii) arrange to have the surviving entity grant to the Participants replacement awards (including cash) on terms which the Board shall determine to be fair and reasonable. In addition, for each Option or SAR with an Option Price or base price, as the case may be, greater than the consideration offered in connection with any such transaction or event, the Committee may in its sole discretion elect to cancel such Option or SAR without any payment to the person holding such Option or SAR.

10.7 Compliance with Code Section 409A. Notwithstanding any provision of the Plan or an Award Agreement to the contrary, if any Award or benefit provided under this Plan is subject to the provisions of Section 409A, the provisions of the Plan and any applicable Award Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A or an exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted or construed). The following provisions shall apply, as applicable:

(i) If a Participant is a Specified Employee and a payment subject to Section 409A (and not excepted therefrom) to the Participant is due as a result of the Participant's Separation from Service, such payment shall be delayed for a period of six (6) months after the date the Participant Separates from Service (or, if earlier, the death of the Participant). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the 6-month anniversary of the date of termination unless another compliant date is specified in the applicable Award Agreement.

(ii) For purposes of Section 409A, and to the extent applicable to any Award or benefit under the Plan, it is intended that distribution events qualify as permissible distribution events for purposes of Section 409A and shall be interpreted and construed accordingly. With respect to payments subject to Section 409A, the Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Whether a Participant has Separated from Service or employment will be determined based on all of the facts and circumstances and, to the extent applicable to any Award or benefit, in accordance with the guidance issued under Section 409A.

(iii) The Committee, in its discretion, may specify the conditions under which the payment of all or any portion of any Award may be deferred until a later date. Deferrals shall be for such periods or until the occurrence of such events, and upon such terms and conditions, as the Board shall determine in its discretion, in accordance with the provisions of Section 409A, the regulations and other binding guidance promulgated thereunder; provided, however, that no deferral shall be permitted with respect to Options and other stock rights subject to Section 409A. An election shall be made by filing an election with the Company (on a form provided by the Company) on or prior to December 31st of the calendar year immediately preceding the

beginning of the calendar year (or other applicable service period) to which such election relates (or at such other date as may be specified by the Board to the extent consistent with Section 409A) and shall be irrevocable for such applicable calendar year (or other applicable service period).

(iv) The grant of Options and other Stock rights subject to Section 409A shall be granted under terms and conditions consistent with Treas. Reg. § 1.409A-1(b)(5) such that any such Award does not constitute a deferral of compensation under Section 409A. Accordingly, any such Award may be granted to Employees and other service providers of the Company or any Subsidiary and affiliates in which the Company has a controlling interest. In determining whether the Company has a controlling interest, the rules of Treas. Reg. § 1.414(c)-2(b)(2)(i) shall apply; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. § 1.409A-1(b)(5)(iii)(E)(i)), the language "at least 20 percent" shall be used instead of "at least 80 percent" in each place it appears. The rules of Treas. Reg. §§ 1.414(c)-3 and 1.414(c)-4 shall apply for purposes of determining ownership interests.

(v) In no event shall any member of the Board, the Committee or the Company or any Subsidiary (or their Employees, officers or directors) have any liability to any Participant (or any other Person) due to the failure of an Award to satisfy the requirements of Section 409A.

10.8 Tax Withholding. Whenever Stock is to be delivered to a Participant pursuant to an Award granted hereunder, the Company may (i) require such Participant to remit to the Company an amount in cash sufficient to satisfy all federal, state and local tax withholding requirements related thereto, (ii) withhold such required withholding from compensation otherwise due to such Participant, (iii) do any combination of the foregoing, or (iv) employ any other acceptable method approved by the Company to facilitate the required withholding, provided such approach is permissible under applicable securities and other laws. Notwithstanding anything in this Plan to the contrary, the Committee may, in its discretion, permit a Participant (or any beneficiary or person entitled to act) to elect to pay a portion or all of the amount requested by the Company for such taxes with respect to such Award, at such time and in such manner as the Committee shall deem to be appropriate (including, but not limited to, by authorizing the Company to withhold, or agreeing to surrender to the Company on or about the date such tax liability is determinable, Stock, or property, other securities or property, or other forms of payment, or any combination thereof, owned by such person or a portion of such forms of payment that would otherwise be distributed, or have been distributed, as the case may be, pursuant to such Award to such person, having a market value equal to the amount of such taxes); provided, however, any broker-assisted cashless exercise shall comply with the requirements of Financial Accounting Standards Board, Accounting Standards Codification, Topic 718 (or any successor provision) and any withholding satisfied through a net-settlement shall be limited to the minimum statutory withholding requirements or as otherwise determined in the discretion of the Committee. No such arrangement shall be permitted that is an impermissible loan to executive officers or directors under Section 402 of Sarbanes-Oxley Act of 2002.

10.9 Delivery of Shares. The Company shall not be obligated to deliver any Stock upon the grant, exercise or payment of an Award 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 Stock 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, or any other applicable law. 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.

10.10 Status. A Participant's status as Key Personnel or a Director shall be made exclusively by the Committee, for purposes of, and as evidenced by, participation in the Plan, and determined for each Award as of the date the Award is granted to the Participant, and such determination shall be final and conclusive absent manifest error.

10.11 Unfunded. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under this Plan, and rights to the payment of Awards shall be no greater than the rights of the Company's general creditors.

10.12 Deferral of Awards. The Committee may establish one or more programs under the Plan to require or permit Participants the opportunity to elect to defer receipt of consideration upon the exercise of an Award, satisfaction of performance goals, or other event that absent the requirement or election would entitle the Participant to payment or receipt of shares of Stock or other consideration under an Award. The Committee may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Committee deems advisable for the administration of any deferral program, provided that: (a) the Participant makes any permitted election by delivering to the Company written notice of such election, at such time and in such form as the Committee may from time to time prescribe in accordance with the deferral requirements of Section 409A; (b) such election is irrevocable; (c) such deferred payment will be made in accordance with the provisions of such deferred compensation plan; and (d) the terms of the deferred compensation plan and the election to defer under this Plan comply with Section 409A.

10.13 Acceptance of Actions/Determinations. By accepting any Award or other benefit under this Plan, each Participant (and each person claiming under or through such Participant) shall be conclusively deemed to have indicated such Participant's acceptance and ratification of, and consent to, any action taken or determinations made under this Plan by the Company, the Board or the Committee, and their respective delegates.

10.14 Governing Law. The validity, construction, interpretation, administration and effect of this Plan, and of its rules and regulations, and rights relating to this Plan and to Awards granted under this Plan, shall be governed by the substantive laws of the Commonwealth of Pennsylvania without regard to its choice or conflicts of laws principles. If any provision of this Plan or any Award is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Plan or any Award, but such provision shall be fully severable, and this Plan or Award, as applicable, shall be construed and enforced as if the illegal or invalid provision had never been included in this Plan or Award, as applicable.

10.15 Non U.S. Participants. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom, to comply with applicable foreign laws or facilitate the offering and administration of this Plan in view of such foreign laws and/or to allow for tax-preferred treatment of awards. Moreover, the Committee may approve such supplements to or amendments, restatements, or alternative versions of this Plan (including, without limitation, sub-plans) and modify exercise procedures, and other terms and procedures, as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments, restatements, sub-plans or modifications, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect

unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

10.16 Shareholder Rights and Privileges. A Participant or Personal Representative shall have no rights as a shareholder with respect to any Stock covered by an Award unless and until shares of such Stock are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

10.17 Fractional Shares. The Company will not be required to issue any fractional shares of Stock pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

10.18 Enforceability. If any provision of this Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it shall be stricken and the remainder of this Plan shall remain in full force and effect.

10.19 Recoupment. Notwithstanding any other provision in this Plan, any Awards made under this Plan shall be subject to recovery under any law, governmental regulation, stock exchange listing requirement or Company policy applicable to them, including any related deductions, recoupment and/or claw-back as may be required to be made pursuant to such law, government regulation, stock exchange listing requirement, or Company policy, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to Awards and recovery of amounts relating thereto. By accepting Awards under the Plan, Participants agree and acknowledge that they are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from a Participant's accounts, or pending or future compensation or Awards.

Successors. All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets

**Certification under Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Robert P. Bauer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of L.B. Foster Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **July 31, 2018**

/s/ Robert P. Bauer

Name: Robert P. Bauer

Title: President and Chief Executive Officer

**Certification under Section 302 of the
Sarbanes-Oxley Act of 2002**

I, James P. Maloney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of L.B. Foster Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2018

/s/ James P. Maloney

Name: James P. Maloney

Title: Senior Vice President,

Chief Financial Officer, and Treasurer

**CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT
OF 2002**

In connection with the Quarterly Report of L.B. Foster Company (the "Company") on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2018

/s/ Robert P. Bauer

Name: Robert P. Bauer

Title: President and Chief Executive Officer

Date: July 31, 2018

/s/ James P. Maloney

Name: James P. Maloney

Title: Senior Vice President,
Chief Financial Officer, and Treasurer