UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 1997

OR

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

For the Transition Period from __________ to __________

Commission File Number 0-10436

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

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

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

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

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

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

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

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

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

Yes X No

The aggregate market value on March 18, 1998 of the voting stock held by nonaffiliates of the Company was $54,063,818.

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

Class	Outstanding at March 18, 1998
Class A Common Stock, Par Value $.01	9,999,801 Shares

Documents Incorporated by Reference:
Portions of the Proxy Statement prepared for the 1997 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12 and 13 of Part III.

PART I

ITEM 1. BUSINESS

Summary Description of Businesses

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

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

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

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

The Company classifies its activities into three business segments: rail products, construction products and tubular products. Financial information concerning the segments is set forth in Note 20 to the financial statements included in the Company's Annual Report to Stockholders for 1997. The following table shows for the last three fiscal years the net sales generated by each of the current business segments as a percentage of total net sales.

Percentage of Net Sales

	1997	1996	1995
Rail Products	51%	46%	42%
Construction Products	25%	32%	34%
Tubular Products	24%	22%	24%
	100%	100%	100%

RAIL PRODUCTS

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

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

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

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

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

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

CONSTRUCTION PRODUCTS

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

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

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

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

TUBULAR PRODUCTS

L. B. Foster Company is a distributor of coated pipe. Coated line pipe is used for oil and gas transmission and for refinery, petrochemical plant and power plant construction, as well as water transmission. The Company, with the exception of Fosterweld pipe, generally purchases the pipe it sells from pipe manufacturers.

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

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

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

MARKETING AND COMPETITION

L. B. Foster Company generally markets its rail, construction and tubular products directly in all major industrial areas of the United States through a national sales force of 47 salespeople. The Company maintains 9 sales offices and 15 plants or warehouses nationwide. During 1997, approximately 3% of the Company's total sales were for export.

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

RAW MATERIALS AND SUPPLIES

Most of the Company's inventory is purchased in the form of finished or semifinished product. With the exception of relay rail which is purchased from railroads or rail take-up contractors, the Company purchases most of its inventory from domestic and foreign steel producers. There are few domestic suppliers of new rail products and the Company could be adversely affected if a domestic supplier ceased making such material available to the Company. Additionally, the Company has not had a domestic sheet piling supplier since March 1997. See Note 18 to the consolidated financial statements for additional information on this matter.

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

BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 1997 and 1996 by segment follows:

(in thousands)	December 31, 1997	December 31, 1996
Rail Products	$51,584	$36,100
Construction Products	23,284	28,080
Tubular Products	3,955	11,328
	$78,823	$75,508

Approximately 95% of the December 31, 1997 backlog is expected to be shipped in 1998.

RESEARCH AND DEVELOPMENT

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

ENVIRONMENTAL DISCLOSURES

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

EMPLOYEES AND EMPLOYEE RELATIONS

The Company has 563 employees, of whom 310 are hourly production workers and 253 are salaried employees. Approximately 108 of the hourly paid employees are represented by unions. The Company has not suffered any major work stoppages during the past five years and considers its relations with its employees to be satisfactory.

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

ITEM 2. PROPERTIES

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

Location	Function	Acres	Business Segment	Lease Expires
Birmingham, Alabama	Pipe coating.	32	Tubular	2002
Doraville, Georgia	Fabrication of components for highways. Yard storage.	28	Tubular, Rail and Construction	Owned
Newport, Kentucky	Pipe coating.	20	Tubular	1999
Niles, Ohio	Rail fabrication. Yard storage.	35	Rail	Owned
Pomeroy, Ohio	Trackwork manufacturing.	5	Rail	Owned
Houston, Texas	Casing, upset tubing, threading, heat treating and painting. Yard storage.	127	Tubular, Rail and Construction	Owned
Bedford, Pennsylvania	Bridge component fabricating plant.	10	Construction	Owned
Pittsburgh, Pennsylvania	Corporate Headquarters.	-	Corporate	2007
Parkersburg, West Virginia	Fosterweld pipe manufacturing. Pipe coating and wrapping. Yard storage.	93	Tubular	1998
Georgetown, Massachusetts	Bridge component fabricating plant.	11	Construction	Owned

Including the properties listed above, the Company has 9 sales offices and 15 warehouse, plant and yard facilities located throughout the country. The Company's facilities are in good condition and the Company believes that its production facilities are adequate for its present and foreseeable requirements.

ITEM 3. LEGAL PROCEEDINGS

None.

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

None.

PART II

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

Stock Market Information

The Company had 1,156 common shareholders of record on January 30, 1998. Common stock prices are quoted daily through the National Association of Security Dealers, Inc. in its over-the-counter NASDAQ quotation service (Symbol FSTRA). The quarterly high and low bid price quotations for common shares (which represent prices between broker-dealers and do not include markup, markdown or commission and may not necessarily represent actual transactions) follow:

	1997		1996	
Quarter	High	Low	High	Low
First	$ 4 1/8	$ 3 11/16	$ 4 3/8	$ 3 3/8
Second	5	3 1/4	4 1/8	3 1/2
Third	5 7/8	4 1/2	4 1/4	3 5/8
Fourth	6	4 7/8	4 1/8	3 5/8

Dividends

No cash dividends were paid on the Company's Common stock during 1997 and 1996. Cash dividends on the Company's Common stock are restricted under the terms of the Company's Revolving Credit Agreement (see Note 8 to consolidated financial statements).

ITEM 6. SELECTED FINANCIAL DATA

(All amounts are in thousands except per share data)

Income Statement Data	Year Ended December 31, 1997(1)	1996	1995(2)	1994	1993(3)
Net sales	$220,343	$243,071	$264,985	$234,262	$212,291
Operating profit	7,164	8,195	6,769	6,184	3,103
Income before cumulative effect of change in accounting principle	3,287	3,858	5,043	5,440	899
Net income	3,287	3,858	4,824	5,440	1,569
Basic earnings per common share before cumulative effect of change in accounting principle	0.32	0.39	0.51	0.55	0.09
Basic earnings per common share	0.32	0.39	0.49	0.55	0.16
Diluted earnings per common share before cumulative effect of change in accounting principle	0.32	0.38	0.50	0.55	0.09
Diluted earnings per common share	0.32	0.38	0.48	0.55	0.16

Balance Sheet Data	December 31, 1997	1996	1995	1994	1993
Total assets	$ 126,969	$ 123,004	$ 124,423	$ 122,585	$ 108,137
Working capital	60,077	62,675	57,859	52,519	49,755
Long-term debt	17,530	21,816	25,034	22,377	25,584
Stockholders' equity	70,508	67,181	63,173	58,319	52,879

(1) In 1997, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 128, "Earnings Per Share". As required, all earnings per share amounts, where necessary, have been restated.

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

(3) Effective January 1, 1993, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes." The effect of the adoption was to increase net income by $670,000 or $0.07 per share.

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

RESULTS OF OPERATIONS
(Dollars in thousands)

	Three Months Ended December 31, 1997	Three Months Ended December 31, 1996	Twelve Months Ended December 31, 1997	Twelve Months Ended December 31, 1996	Twelve Months Ended December 31, 1995
Net Sales:					
Rail Products	$ 32,883	$ 34,184	$112,685	$111,780	$111,582
Construction Products	10,745	19,352	55,909	77,954	88,735
Tubular Products	11,570	10,949	51,749	53,337	64,668
Total Net Sales	$ 55,198	$ 64,485	$220,343	$243,071	$264,985
Gross Profit:					
Rail Products	$ 4,367	$ 4,679	$ 14,678	$ 15,770	$ 14,507
Construction Products	2,211	2,420	9,538	10,360	9,780
Tubular Products	794	857	5,426	4,830	4,928
Other	(288)		(565)		
Total Gross Profit	7,084	7,956	29,077	30,960	29,215
Expenses:					
Selling and Administrative Expenses	5,431	5,795	21,913	22,765	22,446
Interest Expense	650	584	2,495	2,365	2,840
Other (Income) Expense	(161)	(38)	(475)	(600)	(777)
Total Expenses	5,920	6,341	23,933	24,530	24,509
Income Before Income Taxes	1,164	1,615	5,144	6,430	4,706
Income Tax Expense (Benefit)	367	650	1,857	2,572	(337)
Income Before Cumulative Effect of Change in Accounting Principle	797	965	3,287	3,858	5,043
Cumulative Effect of Change in Accounting Principle					(219)
Net Income	$ 797	$ 965	$ 3,287	$ 3,858	$ 4,824
Gross Profit %:					
Rail Products	13.3%	13.7%	13.0%	14.1%	13.0%
Construction Products	20.6%	12.5%	17.1%	13.3%	11.0%
Tubular Products	6.9%	7.8%	10.5%	9.1%	7.6%
Total Gross Profit %	12.8%	12.3%	13.2%	12.7%	11.0%

Fourth Quarter of 1997 vs. Fourth Quarter of 1996

The net income for the current quarter was $0.8 million or $0.08 per share. This compares to a 1996 fourth quarter net income of $1.0 million or $0.10 per share. Net sales in 1997 were $55.2 million or 14% lower than the comparable quarter last year.

Rail products' net sales of $32.9 million decreased 4% from the 1996 fourth quarter, primarily due to lack of rail car availability. Construction products' net sales in the 1997 fourth quarter decreased 44% from the year earlier quarter. This decline was due primarily to the loss of the Company's sheet piling supplier. Tubular products' net sales increased 6% over last year's fourth quarter.

Changes in net sales are primarily the result of changes in volume rather than changes in pricing.

The gross margin percentage for the total Company increased to 13% in the 1997 fourth quarter compared to 12% from the same period last year. The gross margin percentage for the rail products segment decreased from 14% to 13% primarily due to the increase in LIFO cost. Construction products' gross margin percentage increased to 21% as a result of the limited supply of sheet piling since the Company's primary supplier ceased operations in March of 1997. The gross margin percentage for tubular products decreased to 7% from 8% primarily as a result of lower margins on Fosterweld products in the fourth quarter of 1997, due to a change in product mix.

Selling and administrative expenses decreased 6% from the same period last year as a result of cost reductions. Interest expense increased 11% as a result of higher borrowing costs associated with the acquisitions made during 1997. The income tax rate for the quarter reflects the year to date impact of the effective rate as discussed in the year comparison section below.

The Year 1997 Compared to the Year 1996

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

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

The gross profit margin percentage for the Company remained at 13% in 1997. Rail products' gross margin percentage in 1997 declined slightly to 13% from 14% in 1996. This decline is the result of increased competition in industrial and mining trackwork and transit products. The gross margin percentage for construction products in 1997 increased to 17% from 13% in 1996 as a result of a limited supply of sheet piling due to the Company's primary supplier ceasing operations in March of 1997. Tubular products' gross margin percentage increased to 10% in 1997 as a result of increased prices and improved productivity for coating products.

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

The Year 1996 Compared to the Year 1995

The net income for 1996 was $3.9 million or $0.39 per share. This compares to 1995 net income of $4.8 million or $0.49 per share. The Company's pretax income was $6.4 million in 1996 versus $4.7 million in 1995. In 1996, the Company recorded an income tax provision of $2.6 million versus an income tax benefit of $0.3 million in 1995.

Rail products' 1996 net sales were unchanged from 1995. Construction products' net sales decreased 12% in 1996 primarily due to the reduced availability of piling products. Sales of tubular products decreased 18% in 1996 as a result of the Company's withdrawal from the warehouse pipe market and a weakness in coating activity, which were partially offset by an increase in Fosterweld pipe sales. Changes in net sales are primarily the result of changes in volume rather than changes in pricing.

The gross profit margin percentage for the Company in 1996 increased to 13% from 11% in 1995. Rail products' gross margin percentage increased slightly to 14% due primarily to the higher margins in transit products business. Construction products' gross profit percentage increased to 13% in 1996 versus 11% in 1995 as a result of higher margins on fabricated highway products and a reduction in the sale of lower margin piling products. The gross margin percentage for the tubular products segment increased slightly in 1996 to 9% from 8% in 1995. Increased expenses were incurred to overcome production problems at the Birmingham pipe coating facility and volume at the Newport plant was lower than anticipated. These costs were offset by Fosterweld's increased gross profit contributions which resulted from improved market conditions.

Selling and administrative expenses for 1996 remained unchanged compared to 1995, while interest expense decreased 17% due primarily to lower borrowings. Other income in 1996 included $0.4 million of interest income. Other income in 1995 included $0.3 million of interest income and a $0.2 million gain on the sale of equipment held for disposal.

The income tax rate increased above the statutory rate in 1996 as a result of certain non-deductible expenses. In 1993, the Company recorded prior year net operating loss (NOL) carryforwards as assets to comply with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". In addition, the Company also established a valuation reserve to account for the possibility that all of the NOLs may not have been used. As the Company's taxable income has grown in recent years, the need for a reserve to reduce the value of NOLs was no longer necessary. During 1995 and 1994, the income tax rate was less than the statutory rate principally due to reductions in the valuation reserve. At December 31, 1996, the valuation reserve related to the potential non-recoverability of certain state NOLs was $150,000. Cash payments for income taxes were approximately $0.4 million. At the end of 1996, the Company had approximately $2.5 million in federal income tax NOLs and $1.1 million in Alternative Minimum Tax (AMT) credits.

The Company expects to provide for income taxes at approximately the statutory rate in 1997, while cash flow for taxes paid is expected to remain favorable until the remaining NOLs and AMT credits are used. See Note 13 to the consolidated financial statements for additional information on income taxes.

Liquidity and Capital Resources

The Company generates internal cash flow from the sale of inventory and the collection of accounts receivable. During 1997, the average turnover rate for accounts receivable was higher than in 1996 due to an increase in collection rate. The average turnover rate for inventory was slightly lower in 1997 than in 1996 due to increased stockpiled sheet piling to maintain the Company's rental program through 1998. Working capital at December 31, 1997 was $60.1 million compared to $62.7 million in 1996.

During 1997, the Company had capital expenditures of $2.1 million. In addition, the Company purchased the long-term assets of the Monitor Group for $2.5 million, Precise Fabricating Corporation for $3.7 million, Watson-Haas Lumber Company for $0.5 million, increased its investment in the Dakota, Minnesota & Eastern Railroad Corporation by $1.5 million, and repurchased $0.5 million of its common stock in accordance with the Company's previously announced buy-back program. Management anticipates completing this program in 1998. Capital expenditures in 1998 are expected to be consistent with 1997 and are anticipated to be funded by cash flows from operations.

Total revolving credit agreement borrowings at December 31, 1997, were $33.1 million or an increase of $9.1 million from the end of the prior year primarily due to the aforementioned asset acquisitions. Outstanding letters of credit at December 31, 1997, were $0.9 million. At December 31, 1997 the Company had approximately $11.0 million in unused borrowing commitment. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

Other Matters

The Company owns 13% of the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately-held, regional railroad which operates over 1,100 miles of track in five states. The Company's investment in the stock is recorded in the Company's accounts at its historical cost of $1.7 million, comprised of, $0.2 million of common stock and $1.5 million of the DM&E's Series B Preferred Stock and warrants. Although this investment's market value is not readily determinable, management believes that this investment, disregarding the DM&E's Powder River Basin project discussed below, is worth significantly more than its historical cost.

The DM&E announced in June 1997 that it plans to build an extension from the DM&E's existing line into the low sulfur coal market of the Powder River Basin in Wyoming and to rebuild approximately 600 miles of its existing track (the "Project"). The DM&E also has announced that the estimated cost of this project is $1.4 billion.

In February 1998, the DM&E filed its application with the Surface Transportation Board seeking authority to construct approximately 280 miles of new railroad line. The DM&E has indicated that this new railroad line could be available to carry Powder River Basin coal within two years after regulation approval is obtained.

Morgan Stanley & Co., Inc. has been retained by the DM&E to assist in identifying strategic partners or potential acquirers of all or a portion of the equity of the DM&E. The DM&E has stated that the DM&E could repay project debt and cover its operating costs if it captures a 5% market share in the Powder River Basin. If the Project proves to be viable, management believes that the value of the Company's investment in the DM&E should increase dramatically.

In May of 1997, the Company acquired the assets of the Monitor Group for $2,500,000. The Monitor Group designs, develops and assembles portable mass spectrometers. Mass spectrometers are used to measure gas compositions and concentrations for various applications, including monitoring air quality for the mining industry and serving as a process monitor and diagnostic tool in chemical manufacturing industries. The Company has placed instruments in various facilities for field testing and no revenues have been realized through December 31, 1997.

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

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

In February of 1998, the Company entered into a letter of intent to sell its spiralweld pipe manufacturing facility located in Parkersburg, West Virginia to Northwest Pipe Company of Portland, Oregon. The Fosterweld division generates approximately $12 million in revenues and employs approximately 50 people. Completion of the transaction is subject to due diligence and the execution of a definitive purchase agreement. The transaction is expected to close in the early spring of 1998. Management anticipates that the proceeds from this transaction will exceed its current investment of $4 million of fixed assets and $5 million of working capital.

The Company's integrated accounting and distribution software is licensed from a national vendor. The current releases of this vendor's software is year 2000 compliant. The Company expects to install the year 2000 compliant version in the first half of 1998. Management believes that this schedule is achievable and does not anticipate any adverse impact in becoming year 2000 compliant.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", and Statement of Financial Accounting Standards No. 131,"Disclosures about Segments of an Enterprise and Related Information." These statements will be adopted by the Company in 1998 and are not expected to have a material effect on the consolidated financial statements.

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

Outlook

The Company has not had a domestic sheet piling supplier since March, 1997. The Company, however, will become Chaparral Steel's exclusive domestic distributor of steel sheet piling when Chaparral Steel's manufacturing facility, to be constructed in Richmond, Virginia, begins operations in 1999.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. The Company has provided $6.4 million of working capital to this supplier in the form of loans and progress payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings and liquidity.

The Company's operations are in part dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company is also dependent on the availability of rail cars and welded rail trains to ship its products. The Company has experienced delays in certain projects due to the lack of availability of rail cars. The current merger activity in the railroads has exacerbated this problem. The Company can provide no assurances that a solution to the problem will occur in the near-term. The Company's operating results may also be affected by adverse weather conditions.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 1997, was approximately $78.8 million or 4.0% higher than the backlog at the end of the previous year. The following table provides the backlog by business segment.

(Dollars in thousands)	December 31,		
	1997	1996	1995
Backlog:			
Rail Products	$51,584	$36,100	$43,879
Construction Products	23,284	28,080	28,239
Tubular Products	3,955	11,328	8,857
Total Backlog	$78,823	$75,508	$80,975

Forward-Looking Statements

Statements relating to the potential value or viability of the DM&E or the Project, or management's belief as to such matters, are forward-looking statements and are subject to numerous contingencies and risk factors. The Company has based its assessments on information provided by the DM&E and has not independently verified such information. In addition to matters mentioned above, factors which can adversely affect the value of the DM&E, its ability to complete the Project or the viability of the Project include the following: labor disputes, any inability to obtain necessary environmental and governmental approvals for the Project in a timely fashion, an inability to obtain financing for the Project, competitors' responses to the Project, market demand for coal or electricity and changes in environmental and other laws and regulations.

The Company wishes to caution readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management's Discussion and Analysis), as well as oral statements made from time to time by representatives of the Company. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the availability of material from major suppliers, the impact of competition, the seasonality of the Company's business, taxes, inflation and governmental regulations.

/s/Roger F. Nejes
Roger F. Nejes

Senior Vice President
Finance and Administration
Chief Financial Officer

/s/Donald F. Vukmanic
Donald F. Vukmanic

Vice President
Controller

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996

ASSETS (In thousands)	1997	1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,156	$ 1,201
Accounts receivable	47,586	49,918
Inventories	43,365	42,925
Current deferred tax assets	123	362
Other current assets	557	398
Property held for resale	3,461	
Total Current Assets	96,248	94,804
PROPERTY, PLANT AND EQUIPMENT - at cost	20,775	20,467
PROPERTY HELD FOR RESALE	615	4,022
DEFERRED TAX ASSETS		458
OTHER ASSETS :		
Goodwill and intangibles	4,484	184
Investments	1,693	193
Other assets	3,154	2,876
Total Other Assets	9,331	3,253
TOTAL ASSETS	$ 126,969	$123,004

LIABILITIES AND STOCKHOLDERS' EQUITY (In thousands, except share data)	1997	1996
CURRENT LIABILITIES:		
Short-term borrowings	$ 18,111	$ 6,000
Current maturities of long-term debt	1,309	1,366
Accounts payable - trade	12,524	19,060
Accrued payroll and employee benefits	3,008	3,543
Other accrued liabilities	1,219	2,160
Total Current Liabilities	36,171	32,129
LONG-TERM DEBT	17,530	21,816
DEFERRED TAX LIABILITIES	554	
OTHER LONG-TERM LIABILITIES	2,206	1,878
COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)		
STOCKHOLDERS' EQUITY:		
Class A Common stock, issued 10,228,739 shares in 1997 and in 1996	102	102
Paid-in capital	35,434	35,276
Retained earnings	35,625	32,338
Treasury stock - at cost, Class A Common stock, 161,501 shares in 1997 and 246,001 shares in 1996	(653)	(535)
Total Stockholders' Equity	70,508	67,181
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 126,969	$ 123,004

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE YEARS ENDED
DECEMBER 31, 1997

(In thousands, except per share data)	1997	1996	1995
NET SALES	$ 220,343	$ 243,071	$ 264,985
COSTS AND EXPENSES:			
Cost of goods sold	191,266	212,111	235,770
Selling and administrative expenses	21,913	22,765	22,446
Interest expense	2,495	2,365	2,840
Other income	(475)	(600)	(777)
	215,199	236,641	260,279
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	5,144	6,430	4,706
INCOME TAX EXPENSE (BENEFIT)	1,857	2,572	(337)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	3,287	3,858	5,043
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE			(219)
NET INCOME	$ 3,287	$ 3,858	$ 4,824
BASIC EARNINGS PER COMMON SHARE:			
Income before cumulative effect of change in accounting principle	$ 0.32	$ 0.39	$ 0.51
Cumulative effect of change in accounting principle			(0.02)
BASIC EARNINGS PER COMMON SHARE	$ 0.32	$ 0.39	$ 0.49
DILUTED EARNINGS PER COMMON SHARE:			
Income before cumulative effect of change in accounting principle	$ 0.32	$ 0.38	$ 0.50
Cumulative effect of change in accounting principle			(0.02)
DILUTED EARNINGS PER COMMON SHARE	$ 0.32	$ 0.38	$ 0.48

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
CASH FLOWS FOR THE THREE YEARS
ENDED DECEMBER 31, 1997

(In thousands)	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,287	$ 3,858	$ 4,824
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Deferred income taxes	1,251	2,203	(565)
Depreciation and amortization	2,687	3,169	2,774
Gain on sale of property, plant and equipment	(112)	(540)	(532)
Impairment of long-lived assets			219
Change in operating assets and liabilities:			
Accounts receivable	3,471	(1,641)	(1,856)
Inventory	770	(2,621)	2,878
Property held for resale	(54)	1,508	
Other current assets	(159)	433	(165)
Other noncurrent assets	(340)	(1,020)	(171)
Accounts payable - trade	(8,742)	995	(1,710)
Accrued payroll and employee benefits	(537)	861	158
Other current liabilities	(941)	(945)	(174)
Other liabilites	328	530	(245)
Net Cash Provided by Operating Activities	909	6,790	5,435
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	1,578	2,277	3,880
Capital expenditures on property, plant and equipment	(2,068)	(2,336)	(4,074)
Purchase of DM&E stock	(1,500)		
Acquisition of businesses	(6,739)		
Net Cash Used by Investing Activities	(8,729)	(59)	(194)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds (repayments) of revolving credit agreement borrowings	9,111	(5,750)	(4,170)
Exercise of stock options	571	150	30
Treasury shares purchased	(531)		
Repayments of long-term debt	(1,376)	(1,255)	(956)
Net Cash Provided (Used) by Financing Activities	7,775	(6,855)	(5,096)
Net (Decrease) Increase in Cash and Cash Equivalents	(45)	(124)	145
Cash and Cash Equivalents at Beginning of Year	1,201	1,325	1,180
Cash and Cash Equivalents at End of Year	$ 1,156	$ 1,201	$ 1,325

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest Paid	$ 2,493	$ 2,376	$ 2,906
Income Taxes Paid	$ 627	$ 410	$ 188

During 1997, 1996, and 1995, the Company financed certain capital expenditures and related maintenance agreements totaling $33,500, $137,000 and $4,081,000, respectively, through the issuance of capital leases.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
FOR THE THREE YEARS ENDED
DECEMBER 31, 1997

(In thousands)	Class A Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 1995	$ 102	$ 35,118	$ 23,656	$(557)	$ 58,319
Net Income			4,824		4,824
Exercise of option to purchase 10,000 shares of Class A Common stock		30			30
Balance, December 31, 1995	102	35,148	28,480	(557)	63,173
Net Income			3,858		3,858
Exercise of option to purchase 50,000 shares of Class A Common stock		128		22	150
Balance, December 31, 1996	102	35,276	32,338	(535)	67,181
Net Income			3,287		3,287
Exercise of options to purchase 190,000 shares of Class A Common stock		158		413	571
Treasury stock purchases of 105,500 shares				(531)	(531)
Balance, December 31, 1997	$ 102	$ 35,434	$ 35,625	$(653)	$ 70,508

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1.
Summary of Significant Accounting Policies
- --

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

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

Inventories - Inventories are generally valued at the lower of the last-in, first-out (LIFO) cost or market. Other inventories of the Company, approximately 9% in 1997 and 13% in 1996, are valued at average cost or market, whichever is lower.

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

Goodwill - Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis over periods of ten years. When factors indicate that goodwill should be evaluated for impairment, the excess of the unamortized goodwill over the fair value determined using a multiple of cash flows from operations will be charged to operations.

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

Environmental remediation and compliance - Environmental remediation costs are accrued based on estimates of known environmental remediation exposures. Environmental compliance costs, which principally include the disposal of waste generated by routine operations, are expensed as incurred. Capitalized environmental costs are depreciated, when appropriate, over their useful life.

Earnings per share - In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share". Under the new provisions for calculating earnings per share, the dilutive effect of stock options has been excluded in the determination of "basic" earnings per share and only included in the "diluted" earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement No. 128 requirements.

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

Income taxes - The Company accounts for income tax expense and liabilities under the liability method.

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

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

Reclassification - Certain items previously reported in specific financial statement captions have been reclassified to conform with the 1997 presentation. The reclassifications have no effect on income.

New accounting pronouncements - In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", and Statement of Financial Accounting Standards No. 131,"Disclosures about Segments of an Enterprise and Related Information." These statements will be adopted by the Company in 1998 and are not expected to have a material effect on the consolidated financial statements.

Note 2.
Change in Accounting Principles

The Company adopted the provisions of the Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," in its financial statements for the year ended December 31, 1995. The cumulative effect as of January 1, 1995 of adopting Statement 121 decreased net income by $219,000, net of an income tax benefit of $134,000, or $0.02 per share.

Note 3.
Accounts Receivable

Accounts receivable at December 31, 1997 and 1996 are summarized as follows

(in thousands):	1997	1996
Trade	$46,490	$51,271
Allowance for doubtful accounts	(1,468)	(1,803)
Other	2,564	450
	$47,586	$49,918

The Company's customers are in the rail, construction and tubular segments of the economy. As of December 31, 1997 and 1996, trade receivables, net of allowance for doubtful accounts, from customers in these markets were as follows (in thousands):

	1997	1996
Rail	$ 26,258	$ 27,234
Construction	11,177	15,586
Tubular	7,587	6,648
	$ 45,022	$ 49,468

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

Note 4.
Inventories

Inventories at December 31, 1997 and 1996 are summarized as follows:

(in thousands)	1997	1996
Finished goods	$30,380	$31,347
Work-in-process	7,826	11,117
Raw materials	8,369	3,135
Total inventories at current costs	46,575	45,599

Less:

Current cost over LIFO stated values	(2,610)	(2,074)
Reserve for decline in market value of inventories	(600)	(600)
	$43,365	$42,925

At December 31, 1997 and 1996, the LIFO carrying value of inventories for book purposes exceeded the LIFO carrying value for tax purposes by approximately $5,418,000 and $5,170,000, respectively. During 1997, inventory quantities were reduced resulting in a liquidation of certain LIFO inventory layers carried at costs which were higher than the costs of current purchases. The effect of these reductions in 1997 and 1996 was to increase cost of goods sold by $21,000 and $217,000, respectively.

Note 5.
Property Held for Resale

Property held for resale at December 31, 1997 and 1996 consists of the following (in thousands):

Location	1997	1996
Parkersburg, WV	$3,200	$3,003
Marrero, LA	615	615
Houston, TX	261	261
Other		143
Property held for resale	4,076	4,022
Less current portion	3,461	
	$ 615	$4,022

The Parkersburg, West Virginia location produces Fosterweld spiralweld pipe used for water transmission and other applications. During 1995, the Company decided that this product did not meet the Company's long-term strategic goals. The assets of this operation include machinery and equipment, buildings and leasehold improvements. During 1997 and 1996, the location generated net sales and operating profit of approximately $12,200,000 and $1,600,000 and $13,300,000 and $2,000,000, respectively, which are included in the Company's tubular segment. The Company has entered into a letter of intent to sell this facility. Completion of the transaction is subject to due diligence and the execution of a definitive purchase agreement.

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

The Houston, Texas location was formerly a pipe coal tar coating facility. Assets of the location consist of land no longer used in the Company's business.

All negotiations for property held for resale are in excess of recorded values.

Note 6.
Property, Plant and Equipment

Property, plant and equipment at December 31, 1997 and 1996 consists of the following

(in thousands):	1997	1996
Land	$ 6,930	$ 6,700
Improvements to land and leaseholds	4,186	3,984
Buildings	3,760	2,642
Machinery and equipment, including equipment under capitalized leases of $7,295 in 1997 and $7,434 in 1996	25,905	23,774
Rental pile driving equipment	1,178	3,668
Construction in progress	175	197
	42,134	40,965
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases of $3,162 in 1997 and $2,259 in 1996	21,359	20,498
	$20,775	$20,467

The remaining rental pile driving equipment is under a lease with an option to purchase.

Property, plant and equipment include certain capitalized leases. The following is a schedule, by year, of the future minimum payments under these leases, together with the present value of the net minimum payments as of December 31, 1997:

(In thousands)	Amount
Year ending December 31,	
1998	$1,562
1999	1,194
2000	842
2001	462
2002 and thereafter	335
Total minimum lease payments	4,395
Less amount representing interest	556
Total present value of minimum payments (Note 9)	3,839
Less current portion of such obligations	1,309

Long-term obligations with interest rates ranging from 7.25% to 8.95%	$2,530

Note 7.
Other Assets and Investments

At December 31, 1997 and 1996, other assets include notes receivable and accrued interest totaling $2,258,000 and $2,072,000, respectively, from investors in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E). Additionally, the Company owns stock in the DM&E. The Company's investment in the DM&E's stock is recorded at its historical cost of $1,693,000, comprised of, $193,000 of common stock and $1,500,000 of Series B Preferred Stock and warrants. Although its market value is not readily determinable, management believes the fair value of this investment exceeds its carrying amount.

Note 8.
Short-Term Borrowings

Effective November 1995, the Company renegotiated its $45,000,000 revolving credit agreement. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate. The interest rates are adjusted quarterly based on the fixed charge coverage ratio defined in the agreement. The ranges are prime to prime plus 0.25%, the CD rate plus 0.45% to the CD rate plus 1.125%, and the Euro-bank rate plus 0.45% to the Euro-bank rate plus 1.125%. Borrowings under the agreement, which expires July 1, 1999, are secured by accounts receivable and inventory.

The agreement includes financial covenants requiring a minimum net worth, and minimum levels for the fixed charge coverage ratio, the leverage ratio and the current ratio. The agreement also restricts dividends, investments, capital expenditures, indebtedness and sales of certain assets. At December 31, 1997, $4,223,000 was available for future dividend payments.

As of December 31, 1997, the Company was in compliance with all the agreement's covenants. At December 31, 1997, the Company had borrowed $33,111,000 under the agreement of which $15,000,000 was classified as long- term (see Note 9). Under the agreement, the Company had approximately $10,972,000 in unused borrowing commitment at December 31, 1997.

Note 9.
Long-Term Debt and Related Matters

Long-term debt at December 31, 1997 and 1996 consists of the following:

(In thousands)	1997	1996
Revolving Credit Agreement with weighted average interest rate of 7.06% at December 31, 1997 and 6.42% at December 31, 1996, expiring July 1, 1999	$15,000	$18,000
Lease obligations payable in installments through 2003 with a weighted average interest rate of 7.93% at December 31, 1997 and 7.96% at December 31, 1996	3,839	5,182
	18,839	23,182
Less current maturities	1,309	1,366
	$17,530	$21,816

The $15,000,000 revolving credit borrowings included in long-term debt were obtained under the revolving loan agreement discussed in Note 8 and are subject to the same terms and conditions. This portion of the borrowings is classified as long-term because the Company does not anticipate reducing the borrowings below $15,000,000 during 1998.

During 1995, the Company entered into an interest rate swap agreement to reduce the impact of changes in interest rates on a portion of its revolving credit borrowings. The LIBOR interest rate on the $10,000,000 swap agreement, which expires June 1999, is 6.142%. The Company believes that the credit and market risks associated with this agreement are not material. Any additional interest expense incurred under the agreement is accrued and paid quarterly.

The maturities of long-term debt for each of the succeeding five years subsequent to December 31, 1997 are as follows:

1998 - $1,309,000; 1999 - $16,037,000; 2000 - $753,000; 2001 - - $418,000; 2002 - $251,000; and 2003 and beyond $71,000.

Note 10.
Stockholders' Equity

At December 31, 1997 and 1996, the number of authorized shares of the Company's Class A Common stock were 20,000,000 shares and Class B Common stock were 1,391,000 shares. No Class B Common shares were issued. The Company's Class A and Class B Common stock each have a par value of $.01 per share and are generally identical except that the Class B Common stock has no stockholder voting rights, and except that such holders shall be entitled to one vote per share on matters such as consolidation or merger of the Company. Class B Common stock may be converted at any time on a share-for-share basis into Class A Common stock.

The Company's Board of Directors declared a dividend of common share purchase rights as a part of a Stockholder Rights Plan on May 15, 1997. Under the terms of the Plan, stock purchase rights were distributed at the rate of one right for each share of Class A Common stock held as of the close of business on May 21, 1997. Stockholders did not actually receive certificates for the rights at that time, but the rights became part of each common share. The number of rights outstanding is subject to adjustment under certain circumstances and all rights expire on May 15, 2007.

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

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

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

The Company's Board of Directors authorized the purchase of up to 500,000 shares of its common stock at prevailing market prices. The timing and extent of the purchases will depend on market conditions. 500,000 shares represents approximately 5% of the Company's outstanding common stock.

No cash dividends on Common stock were paid in 1997, 1996, and 1995.

Note 11.
Stock Options

The 1985 Long-Term Incentive Plan (Plan) of the Company, as amended and restated in March 1994, provides for the award of options to key employees and directors to purchase up to 1,500,000 shares of Common stock at no less than 100% of fair market value on the date of the grant. The Plan provides for the granting of "nonqualified options" and "incentive stock options" with a duration of not more than ten years from the date of grant. The Plan also provides that, unless otherwise set forth in the option agreement, options are exercisable in installments of up to 25% annually beginning one year from date of grant. Stock to be offered under the Plan may be authorized but unissued Common stock or previously issued shares which have been reacquired by the Company and held as Treasury shares. At December 31, 1997, 1996 and 1995, Common stock options outstanding under the Plan had option prices ranging from $2.63 to $6.00, with a weighted average price of $3.71, $3.40, and $3.35 per share, respectively.

The weighted average remaining contractual life of the stock options outstanding for the three years ended December 31, 1997 are: 1997 - 5.2 years; 1996 - 4.2 years; and 1995 - 4.7 years.

The Option Committee of the Board of Directors which administers the Plan may, at its discretion, grant stock appreciation rights at any time prior to six months before an option's expiration date. Upon exercise of such rights, the participant surrenders the exercisable portion of the option in exchange for payment (in cash and/or Common stock valued at its fair market value) of an amount not greater than the spread, if any, by which the average of the high and low sales prices quoted in the Over-the-Counter Exchange on the trading day immediately preceding the date of exercise of the stock appreciation right exceeds the option price. No stock appreciation rights were issued or outstanding during 1997, 1996 or 1995.

Options exercised during 1997, 1996 and 1995 totaled 190,000, 50,000 and 10,000 shares, respectively, at an exercise price of $3.00 per share.

Certain information for the three years ended December 31, 1997 relative to employee stock options is summarized as follows:

	1997	1996	1995
Number of shares under Incentive Plan option:			
Outstanding at beginning of year	944,000	965,000	975,000
Granted	141,500	40,000	25,000
Canceled	(37,000)	(11,000)	(25,000)
Exercised	(190,000)	(50,000)	(10,000)
Outstanding at end of year	858,500	944,000	965,000
Exercisable at end of year	659,250	806,250	748,000

Number of shares available for future grant:			
Beginning of year	287,250	316,250	316,250
End of year	182,750	287,250	316,250

The weighted average fair value of options granted at December 31, 1997, 1996, and 1995 were $2.94, $2.65 and $2.56, respectively.

The Company has adopted the disclose-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," but applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized. Had compensation expense for the Company's stock option plans been determined using the method required by SFAS No. 123, the effect to the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(In thousands except per share amounts)	1997	1996	1995
Net Income	$3,248	$3,787	$4,818
Basic earnings per share	$ 0.32	$ 0.38	$ 0.49
Diluted earnings per share	$ 0.32	$ 0.38	$ 0.48

The fair value of stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Sholes option-pricing model with the following weighted-average assumptions used for grants in 1997, 1996 and 1995 respectively: risk-free interest rates of 6.29% , 6.83% and 6.51%; dividend yield of 0.0% for all three years; volatility factors of the expected market price of the Company's common stock of .38, .41 and .52; and a weighted-average expected life of the option of 10 years.

Note 12.
Earnings Per Common Share

The earnings per share amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standard No. 128, "Earnings Per Share" (SFAS No. 128). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share.

Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and certain convertible securities. Basic earnings per share are computed by dividing net income by the weighted average number of Class A Common shares outstanding during the year. The weighted average number of Class A Common shares outstanding during the years ended December 31, 1997, 1996 and 1995 were approximately 10,122,000, 9,953,000 and 9,927,000, respectively.

Diluted earnings per share uses the average market prices during the period in calculating the dilutive effect of options under the treasury stock method. Using this method, the weighted average number of Class A Common shares outstanding during 1997, 1996 and 1995 were approximately 10,287,000, 10,086,000 and 10,062,000, respectively, with the dilutive effect of option shares being approximately 165,000, 133,000 and 135,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

Note 13.
Income Taxes

At December 31, 1997, the tax benefit of net operating loss carryforwards available for state income tax purposes was approximately $821,000. The Company also has alternative minimum federal tax credit carryforwards at December 31, 1997, of approximately $1,292,000. For financial reporting purposes, a valuation allowance of $150,000 has been recognized to offset the deferred tax assets related to the state income tax carryforwards. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1997 and 1996, are as follows:

(In thousands)	1997	1996
Deferred tax liabilities:		
Depreciation	$ 1,817	$ 1,535
Inventories	1,473	1,435
Total deferred tax liabilities	3,290	2,970
Deferred tax assets:		
Net operating loss carryforwards	821	1,730
Tax credit carryforwards	1,292	1,084
Other - net	896	1,126
Total deferred tax assets	3,009	3,940
Valuation allowance for deferred tax assets	150	150
Deferred tax assets	2,859	3,790
Net deferred tax (liability) assets	$ (431)	$ 820

The valuation allowance for deferred tax assets was unchanged during 1997 and was reduced by $50,000 and $2,499,000 during 1996 and 1995, respectively.

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

(In thousands)	1997	1996	1995
Current:			
Federal	$ 466	$ 163	$ 102
State	140	206	126
Total current	606	369	228
Deferred:			
Federal	1,082	2,258	(339)
State	169	(55)	(360)
Total deferred	1,251	2,203	(699)
Total income tax expense (benefit)	$1,857	$2,572	$ (471)

Income tax expense (benefit) is included in the consolidated statements of income as follows:

(In thousands)	1997	1996	1995
Continuing operations	$1,857	$2,572	$ (337)
Cumulative effect of accounting change			(134)
	$1,857	$2,572	$ (471)

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

	1997	1996	1995
Statutory rate	34.0%	34.0%	34.0%
State income tax	4.0	1.6	(3.0)
Nondeductible expenses	1.7	2.2	3.0
Net operating loss			(22.9)
Change in valuation reserve			(30.2)
Prior period tax	(3.6)	2.0	13.2
Other		0.2	(1.3)
	36.1%	40.0%	(7.2)%

Note 14.
Rental and Lease Information
- ----------------------------

The Company leases certain plant facilities, office facilities and equipment. Rental expense for the years ended December 31, 1997, 1996 and 1995 amounted to $1,801,000, $1,814,000, and $1,867,000, respectively.

At December 31, 1997, the Company is committed to total minimal rental payments under all noncancelable operating leases of $5,734,000. Generally, these leases include escalation clauses.

The minimum future rental commitments are payable as follows: 1998 - $831,000; 1999 - $753,000; 2000 - $656,000; 2001 $570,000; 2002 - $544,000 and $2,380,000 after 2002.

Note 15.
Acquisitions
- ------------

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

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

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

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

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

(In thousands except per share amounts)	12 Months ended 12/31/97	12/31/96
Net sales	$224,703	$247,222
Net income	3,803	3,841
Basic earnings per share	$0.38	$0.39

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

The pro forma impact of the Monitor Group and Watson-Haas were not material to net sales, net income or basic earnings per share.

Note 16.
Retirement Plans

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

Benefits for hourly employees over age 21 are generally based on hours of service. The salaried plan for employees over age 21 is based on years of qualifying service.

The Company's funding policy for defined benefit plans is to contribute the minimum required by the Employee Retirement Income Security Act of 1974. Net periodic pension cost for the three years ended December 31, 1997 is summarized as follows:

(In thousands)	1997	1996	1995
Service cost	$ 82	$ 81	$ 71
Interest cost	138	136	121
Actual return on plan assets	(293)	(176)	(131)
Other	143	39	(3)
Net periodic pension cost	$ 70	$ 80	$ 58

The hourly plan assets consist of various mutual fund investments. The following table presents a reconciliation of the funded status of the defined benefit plans at December 31, 1997 and 1996 with the accrued pension cost included in other current liabilities on the Company's balance sheet:

(In thousands)	1997		1996
	Overfunded Plan	Underfunded Plan	
Projected benefit obligation:			
Vested benefits	$1,603	$ 508	$1,979
Nonvested benefits	29	23	55
Total projected benefit obligation	1,632	531	2,034
Fair value of plan assets	1,727	411	1,867
Excess (deficit) of plan assets over projected benefit obligation	95	(120)	(167)
Unrecognized net transition asset	(98)	(4)	(112)
Unrecognized prior service cost	6	83	81
Unrecognized net (gain) loss	(192)	23	6
Adjustment for minimum liability		(102)	(133)
Accrued pension cost included in accrued payroll and employee benefits on the balance sheet.	$ (189)	$(120)	$ (325)

An assumed discount rate of 7% and an expected rate of return on plan assets of 8% were used to measure the projected benefit obligation and develop net periodic pension costs for the three years ended December 31, 1997, 1996 and 1995.

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

Further, the plan requires an additional matching employer contribution, based on the ratio of the Company's pretax income to equity, up to 50% of 6% of the employee's annual compensation. Additionally, the Company contributes 1% of all salaried employees' annual compensation to the plan without regard for employee contribution. The Company may also make additional discretionary contributions to the plan. The defined contribution plan expense was: $756,000 in 1997, $827,000 in 1996 and $727,000 in 1995.

Note 17.
Commitments and Contingent Liabilities

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

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

At December 31, 1997, the Company had outstanding letters of credit of approximately $917,000.

Note 18.
Risks and Uncertainties

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

The Company has not had a domestic sheet piling supplier since March, 1997. The Company, however, will become Chaparral Steel's exclusive domestic distributor of steel sheet piling when Chaparral Steel's manufacturing facility in Richmond, Virginia begins operations. Chaparral has announced that this facility should become operational in 1999.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. The Company has provided working capital for this supplier and a revolving note receivable which total $6,400,000. If, for any reason, this supplier is unable to perform, the Company could experience a negative short term effect on earnings and liquidity.

The Company is also dependent on the availability of rail cars and welded rail trains to ship its products. The Company has experienced delays in certain projects due to the lack of availability of rail cars. The current merger activity in the railroads has exacerbated this problem. The Company can provide no assurance that a solution to the problem will occur in the near term.

The Company's operations are in part dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company.

Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company.

The Company's operations results may also be affected by adverse weather conditions.

Note 19.
Fair Values of Financial Instruments

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

The carrying amounts of the Company's financial instruments at December 31, 1997, approximate fair value.

Note 20.
Business Segments

L. B. Foster Company is engaged in the manufacture, fabrication and distribution of rail, construction and tubular products. The Company's rail segment provides a full line of new and used rail, trackwork and accessories to railroads, mines and industry. The Company also designs and produces bonded rail joints, power rail, track fasteners, catenary systems, coverboards and special accessories for mass transit and other rail systems.

The Company's construction segment sells and rents steel sheet piling and H-bearing pile for foundation and earth retention requirements. In addition, the Company sells bridge decking, expansion joints, sign structures and other products for highway construction and repair.

The Company's tubular segment supplies pipe and pipe coatings for pipelines and utilities. Additionally, the Company manufactures spiralweld pipe for water transmission lines, foundation piling and many other applications. The Company also produces pipe-related products for special markets, including water wells and irrigation.

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

A summary of revenues, operating profit, identifiable assets, depreciation and amortization, and capital expenditures of each business segment for the three years ended December 31, 1997, follows (in thousands):

1997	Net Sales	Operating Profit (Loss)	Identifiable Assets	Depreciation/ Amortization	Capital Expenditures
Rail products	$112,685	$ 5,031	$ 57,212	$ 642	$ 538
Construction products	55,909	3,076	29,746	523	663
Tubular products	51,749	2,163	30,004	1,358	841
Other		(748)	2,371	150	5
	220,343	9,522	119,333	2,673	2,047
Corporate and other			7,636	14	21
Total	$220,343	9,522	$126,969	$ 2,687	$ 2,068
Nonoperating income (expense):					
General corporate expense and unallocated other income and expense -net		(1,883)			
Interest expense		(2,495)			
Income before income taxes		5,144			

Capital expenditures for 1997 do not include capitalized leases of $34,000.

1996	Net Sales	Operating Profit	Identifiable Assets	Depreciation/ Amortization	Capital Expenditures
Rail products	$ 111,780	$ 5,865	$ 59,025	$ 626	$ 716
Construction products	77,954	3,337	29,231	936	951
Tubular products	53,337	1,147	28,414	1,439	649
	243,071	10,349	116,670	3, 001	2,316
Corporate and other			6,334	168	20
Total	$243,071	10,349	$123,004	$ 3,169	$ 2,336
Nonoperating income (expense):					
General corporate expense and unallocated other income and expense net		(1,554)			
Interest expense		(2,365)			
Income before income taxes		$ 6,430			

Capital expenditures for 1996 do not include capitalized leases of $137,000 for the tubular segment.

1995	Net Sales	Operating Profit/Loss	Identifiable Assets	Depreciation/ Amortization	Capital Expenditures
Rail products	$ 111,582	$ 5,705	$ 48,622	$ 570	$ 347
Construction products	88,735	2,592	32,652	1,018	1,346
Tubular products	64,668	720	33,658	1,160	2,375
	264,985	9,017	114,932	2,748	4,068
Corporate and other			9,491	26	6
Total	$ 264,985	9,017	$ 124,423	$ 2,774	$ 4,074
Nonoperating income (expense):					
General corporate expense and unallocated other income and expense net		(1,471)			
Interest expense		(2,840)			
Income before income taxes		$ 4,706			

Capital expenditures for 1995 do not include the following capitalized leases: rail - $1,377,000; construction - $53,000; tubular - $2,587,000; corporate and other - $64,000.

Sales to any individual customer do not exceed 10% of consolidated net sales. Sales between segments are immaterial. Identifiable assets by segment are those assets that are used exclusively by such segments. Corporate assets are principally cash and investments.

Note 21.
Quarterly Financial Information (Unaudited)

Quarterly financial information for the years ended December 31, 1997 and 1996 is presented below (in thousands, except per share amounts):

1997	First Quarter(1)	Second Quarter(1)	Third Quarter(1)	Fourth Quarter	Total
Net sales	$ 54,494	$ 53,716	$ 56,935	$ 55,198	$220,343
Gross profit	$ 6,367	$ 7,527	$ 8,099	$ 7,084	$ 29,077
Net income	$ 407	$ 871	$ 1,212	$ 797	$ 3,287
Basic earnings per common share	$ 0.04	$ 0.08	$ 0.12	$ 0.08	$ 0.32
Diluted earnings per common share	$ 0.04	$ 0.08	$ 0.12	$ 0.08	$ 0.32

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

1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$ 48,303	$ 64,758	$ 65,525	$ 64,485	$243,071
Gross profit	$ 6,199	$ 8,194	$ 8,611	$ 7,956	$ 30,960
Net income	$ 220	$ 1,255	$ 1,418	$ 965	$ 3,858
Basic earnings per common share	$ 0.02	$ 0.13	$ 0.14	$ 0.10	$ 0.39
Diluted earnings per common share	$ 0.02	$ 0.12	$ 0.14	$ 0.10	$ 0.38

The fourth quarter of 1996 includes the following: 1) a $388,000 reduction in the LIFO provision, 2) a $300,000 reduction in the accrual for employee medical expense and 3) a $200,000 provision for equipment obsolescence reserve.

REPORT OF INDEPENDENT AUDITORS AND
RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

We have audited the accompanying consolidated balance sheets of L. B. Foster Company and subsidiaries at December 31, 1997 and 1996, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedule listed in the index at Item 14 (a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L. B. Foster Company and subsidiaries at December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the financial statements, in 1995, the Company changed its methods of accounting for long-lived assets.

/s/Ernst & Young LLP

Pittsburgh, Pennsylvania
January 21, 1998

L. B. FOSTER COMPANY AND SUBSIDIARIES

To the Stockholders of L. B. Foster Company:

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

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

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

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

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

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors is set forth under "Election of Directors" in the Company's Proxy Statement for the 1998 annual meeting of stockholders ("1998 Proxy Statement"). Such information is incorporated herein by reference. Information concerning the executive officers who are not directors of the Company is set forth below. With respect to the period prior to August 18, 1977, references to the Company are to the Company's predecessor, Foster Industries, Inc.

Name	Age	Position
Anthony G. Cipicchio	51	Vice President Operations
William S. Cook, Jr.	56	Vice President Strategic Planning & Acquisitions
Paul V. Dean	66	Vice President - Piling Products
Samuel K. Fisher	45	Vice President - Rail Procurement
Dean A. Frenz	54	Senior Vice President - Rail Products
Steven L. Hart	51	Vice President
Stan L. Hasselbusch	50	Senior Vice President - Construction and Tubular Products
David L. Minor	54	Vice President - Treasurer
Roger F. Nejes	55	Senior Vice President - Finance and Administration and Chief Financial Officer
Henry M. Ortwein, Jr.	55	Group Vice President - Rail Manufactured Products
Robert W. Sigle	68	Vice President - Tubular Products
Linda M. Terpenning	52	Vice President - Human Resources
David L. Voltz	45	Vice President, General Counsel and Secretary
Donald F. Vukmanic	46	Vice President - Controller

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

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

Mr. Dean was named a Vice President in September 1987. Prior to September 1987, he served in various other capacities with the Company since his employment in 1964.

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

Mr. Frenz has served as Senior Vice President - Rail Products since December 1996, having previously served as Senior Vice President - Rail and Tubular Products from September, 1995, through November, 1996, Senior Vice President - Product Management from October 1993, Vice President - Rail Products from June 1992 to September 1993 and as Vice President - Sales from August 1987 to May 1992. Mr. Frenz joined the Company in 1966.

Mr. Hart was elected Vice President in December 1997, having previously served in various other capacities with the Company since his employment in 1977.

Mr. Hasselbusch was elected Senior Vice President - Construction and Tubular Products in December, 1996, having previously served as Senior Vice President - Construction Products since September 1995 and as Senior Vice President - Sales from October 1993. Mr. Hasselbusch was the Company's Central/Western Regional Sales Manager from September 1990 through September 1993. Mr. Hasselbusch joined the Company in 1972.

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

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

Mr. Ortwein was appointed Group Vice President - Rail Manufactured Products in March 1997. Additionally, he served as Vice President - Rail Manufacturing from October 1993, President of Allegheny Rail Products, Inc. from May 1992 and as its Chief Operating Officer from January 1992. Previously, he was Midwest Steel Corporation's Vice President of Sales from January 1991 to December 1991 and its National Sales Manager from November 1989 to December 1990. Prior to joining Midwest Steel Corporation, he was a Regional Sales Manager for Bethlehem Steel Corporation from July 1986 to October 1989.

Mr. Sigle was elected Vice President - Tubular Products in December 1990, having served as Vice President - Tubular and Coating Sales Development since September 1987, and in various capacities with the Company since his employment in 1965.

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

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

Mr. Vukmanic was elected Controller in February 1988 and was elected to the additional office of Vice President in February

1997. Mr. Vukmanic joined the Company in 1977.

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

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under "Executive Compensation" in the 1998 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under "Ownership of Securities by Management" and "Principal Stockholders" in the 1998 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under "Certain Transactions" in the 1998 Proxy Statement is incorporated herein by reference.

PART IV

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

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

1. Financial Statements

The following consolidated financial statements, accompanying notes and Report of Independent Auditors in the Company's Annual Report to Stockholders for 1997 have been included in Item 8 of this Report:

Consolidated Balance Sheets at December 31, 1997 and 1996.

Consolidated Statements of Income For the Three Years Ended December 31, 1997, 1996 and 1995.

Consolidated Statements of Cash Flows For the Three Years Ended December 31, 1997, 1996 and 1995.

Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1997, 1996 and 1995.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

2. Financial Statement Schedule

Schedules for the Three Years Ended December 31, 1997, 1996 and 1995:

II - Valuation and Qualifying Accounts.

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

3. Exhibits

The exhibits marked with an asterisk are filed herewith. All exhibits are incorporated herein by reference:

	3.1	Restated Certificate of Incorporation as amended to date, filed as Exhibit 3.1 to Form 10-Q for the quarter ended March 31, 1987.
*	3.2	Bylaws of the Registrant, as amended to date.
	4A	Rights Agreement, dated as of May 15, 1997, between L.B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4A to Form 8-A dated May 23, 1997.
	4.1	Amended and Restated Loan Agreement by and among the Registrant and Mellon Bank, N.A., NBD Bank, and Corestates Bank, N.A. dated as of November 1, 1995 and filed as Exhibit 4.1 to Form 10-K for the year ended December 31, 1995.
*	4.1.1	First Amendment to Amended and Restated Loan Agreement dated January 1, 1996.
*	4.1.2	Second Amendment to Amended and Restated Loan Agreement dated December 31, 1996.
*	4.1.3	Third Amendment to Amended and Restated Loan Agreement dated April 9, 1997.
*	4.1.4	Fourth Amendment to Amended and Restated Loan Agreement dated November 12, 1997.
	10.15	Lease between the Registrant and Amax, Inc. for manufacturing facility at Parkersburg, West Virginia, dated as of October 19, 1978, filed as Exhibit 10.15 to Registration Statement No. 2-72051.
	10.16	Lease between Registrant and Greentree Building Associates for Headquarters office, dated as of June 9, 1986, as amended to date, filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 1988.
	10.16.1	Amendment dated June 19, 1990 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.1 to Form 10-Q for the quarter ended June 30, 1990.
	10.16.2	Amendment dated May 29, 1997 to lease between Registrant and Greentree Building Associates. Filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.
	10.19	Lease Between the Registrant and American Cast Iron Pipe Company for Pipe-Coating Facility in Birmingham, Alabama dated December 11, 1991 and filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 1991.
	10.19.1	Amendment to Lease between the Registrant and American Cast Iron Pipe Company for Pipe Coating Facility in Birmingham, Alabama dated April 15, 1997.
	10.33.2	Amended and Restated 1985 Long Term Incentive Plan, as amended and restated February 26, 1997. **

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

* 10.46 Leased Vehicle Plan, as amended to date. **

10.49 Lease agreement between Newport Steel Corporation and L. B. Foster Company dated as of October 12, 1994 and filed as Exhibit 10.49 to Form 10-Q for the quarter ended September 30, 1994.

* 10.49.1 Amendment to lease between Registrant and Newport Steel Corporation dated March 13, 1998.

* 10.50 L. B. Foster Company 1998 Incentive Compensation Plan. **

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

19 Exhibits marked with an asterisk are filed herewith.

* 23.7 Consent of Independent Auditors.

* 27 Financial Date Schedule for the year ended December 31, 1997.

* 27.1 Restated Financial Data Schedules for the years ended December 31, 1996, December 31, 1995 and the quarter ended June 31, 1996.

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

(b) Reports on Form 8-K

On June 2, 1997, the Registrant filed a Current Report on Form 8-K announcing that L.B. Foster Company declared a dividend distribution of stock purchase rights.

On November 25, 1997, the Registrant filed a Current Report on Form 8-K announcing that L.B. Foster Company acquired the assets of Precise Manufacturing Corporation.

On January 21, 1998, the Registrant filed an Amended Current Report on Form 8-K/A, amending the Current Report filed on Form 8-K on November 25, 1997. The Amended Current Report provides financial statements of Precise Fabricating Corporation and pro forma financial information.

SIGNATURES

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

L. B. FOSTER COMPANY

March 27, 1998

By /s/ Lee B. Foster II
(Lee B. Foster II, President and Chief Executive Officer)

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

Name	Position	Date
By: /s/ Lee B. Foster II (Lee B. Foster II)	President, Chief Executive Officer and Director	March 27, 1998
By: /s/ Roger F. Nejes (Roger F. Nejes)	Senior Vice President - Finance & Administration and Chief Financial Officer	March 27, 1998
By: (John W. Puth)	Director	
By: (William H. Rackoff)	Director	
By: /s/ Richard L. Shaw (Richard L. Shaw)	Director	March 27, 1998
By: /s/Donald F. Vukmanic (Donald F. Vukmanic)	Vice President Controller	March 27, 1998
By: /s/ James W. Wilcock (James W. Wilcock)	Chairman of the Board	March 27, 1998

L. B. FOSTER COMPANY AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996, AND 1995
(In Thousands)

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Other	Deductions	Balance at End of Year
1997					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	$ 1,803	$ 199	$ -	$ 534(1)	$1,468
Provision for decline in market value of inventories	$ 600	$ -	$ -	$ -	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 22	$ 1	$ -	$ 11(2)	$ 12
Provision for environ-mental compliance & remediation	$ 242	$ 61	$ -	$ 19(2)	$ 284
1996					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	$ 1,800	$ 55	$ -	$ 52(1)	$1,803
Provision for decline in market value of inventories	$ 600	$ -	$ -	$ -	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 63	$ 6	$ -	$ 47(2)	$ 22
Provision for environ mental compliance & remediation	$ 260	$ 91	$ -	$ 109(2)	$ 242
1995					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	$ 1,615	$ 232	$ -	$ 47(1)	$1,800
Provision for decline in market value of inventories	$ 600	$ -	$ -	$ -	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 82	$ 10	$ -	$ 29(2)	$ 63
Provision for environ mental compliance & remediation	$ 279	$ 91	$ -	$ 110(2)	$ 260

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

L.B. FOSTER COMPANY
STANDARD PRACTICE
HUMAN RESOURCES
LEASED VEHICLE PLAN

DATE: March 1, 1998
STANDARD PRACTICE NO: SP-P-10
SUPERSEDES: SP-P-10
October 1, 1997

1. GENERAL POLICY

It is the policy of the L.B. Foster Company to provide a leased vehicle to employees holding one of the following positions:

President;
Corporate officer;
District sales manager or product manager with a job level of 12 or above;
Other manager with a job level of 15 or above;
Outside sales person or sales manager with a job level between 6 and 10 or;
An employee who drives 15,000 business miles annually.

2. PURPOSE

To provide a competitive environment in the area of employee benefits to attract and retain qualified personnel for eligible management and sales positions and to reduce Company expenses through the Leased Vehicle Plan by avoiding personal automobile mileage reimbursement for high business mileage use.

3. ELIGIBILITY

Class:	Group:	Standard equipped vehicle, choice of:	Monthly employee deduction:
A	President	Olds Aurora	$70.00
B	Corporate Officers	Buick LaSabre Limited Oldsmobile Regency Toyota Avalon Crysler Concorde	$70.00

Class:	Group:	Standard equipped vehicle, choice of:	Monthly employee deduction:
C	Sales Managers and product managers with a job level of 12 and above and other managers with a job level of 15 and above	Buick Century Limited Oldsmobile 88 Toyota Camry Dodge Intrepid ES	$65.00
D	Outside sales personnel, and sales managers with a job level between 6 and 10; other participants who drive 15,000 business miles annually	Chevrolet Lumina Ford Taurus GL Chrysler Cirrus Dodge Stratus ES	$50.00

At the driver's discretion, automobile options may be added and are available at the invoice prices quoted at the time the order is placed. The cost for driver paid options must be paid by the employee to the leasing company (prior to placing the order with the manufacturer) through the Human Resources Department. The driver shall also be responsible for any and all State Tax attributable to the options. Should the driver fail to reimburse the Company for the sales tax within 60 days following the initial request for payment, such amount will be deducted from the employee's pay check.

4. RESPONSIBILITY

A. Plan Participants

1. It shall be the responsibility of each employee to monitor and report odometer readings as of each November 1st and on the date his/her vehicle is replaced to validate the personal mileage assumption. These odometer readings are to be turned into the Payroll Department during the first week of November on the Company Automobile Odometer Form (attachment SP-P-10.1).

2. If a form is not received, mileage will be reported at 100% personal and reported as such on the employee's W-2. It shall be the responsibility of each employee to maintain records documenting all business and personal mileage

usage in accordance with record keeping requirements which may, from time to time, be required by the Internal Revenue Service, and to note this on the Company Automobile Odometer Form (attachment SP-P-10.1).

3. Any costs not covered by warranty, due to driver neglect of maintenance, will be payable by the employee.

B. Accounting and Payroll Departments

It shall be the responsibility of the Accounting and Payroll Departments to maintain and verify the records of all Leased Vehicle Plan participants with regards to payroll deductions, individual taxability calculations and W-2 reporting.

C. Human Resources Department

1. It shall be the responsibility of the Human Resources Department to monitor (including the acquisition and disposal of leased vehicles) the fleet of Company leased automobiles in service, to provide lease values, to ensure that the appropriate forms are provided to each driver, and to acquire and dispose of all Company leased automobiles.

2. The Vice President, Human Resources shall be responsible for the interpretation and application of the provisions of the Leased Vehicle Plan.

5. PRACTICE

A. Pursuant to the Tax Reform Act of 1984, the value of the personal use of an employer provided automobile must be included in the employee's income and subjected to withholding.

B. The annual lease value of an automobile shall be based on its fair market value as determined through the Black Book New Car Invoice Guide, or for vehicles with lease dates beginning in 1997 or thereafter, value as determined through the Black Book New Car Invoice Guide or the manufacture's invoice price plus 4%.

C. The percentage of personal usage of the annual lease value shall represent an additional non-cash item which shall be included as employee income.

D. The annual lease value shall include all maintenance and insurance but not fuel.

E. Fuel shall be valued at $0.055 cents per personal mile driven.

F. Driver is to use the fuel and maintenance card to charge fuel, maintenance, and repair expenses. Those expenses not charged through this program shall be reimbursed through the Weekly Expense Report. For body damage and repairs refer to 9(C)(1).

G. Monthly deductions for Company automobiles shall be reclassified on the employee pay stub as federal withholding tax.

H. The dollar value of the Company automobile personal use benefit will appear as additional earnings on the employee pay stub and W-2.

I. For participants in groups A and B any difference between the employee tax liability to the Internal Revenue Service and the employee leased car deductions will be paid by the Company to the Internal Revenue Service. For purposes of computing the federal tax liability, federal income tax will be calculated based on the federal tax table Y-1 (using the assumption that the employee is married with 2 exemptions filing jointly and reflected on the employee's W-2 as federal withholding tax.

6. TRANSFER

The transfer of any Company provided automobile between employees must be authorized by the Human Resources Department.

7. REPLACEMENT

A. Company leased vehicles shall be eligible for replacement after fifty (50) months of service or 60,000 miles, whichever comes first.

B. Automobiles ready for replacement may be purchased for 75% of the current Automotive Market Report (AMR) "clean" value, adjusted proportionally for any amount originally paid by the driver, plus any transfer taxes or other costs.

C. The automobile may be purchased by the assigned driver or a member of his/her immediate family only (spouse and children). The assigned driver is not authorized to purchase the vehicle merely for the purpose of selling the vehicle for profit to another individual.

D. Other employees may submit sealed bids for no less than 75% of the AMR "clean" value should the assigned driver refuse the purchase opportunity. The high bidder will be awarded the purchase. Notwithstanding, the bids of employees in the Company Leased Vehicle Plan will be considered only if no other employee bids for the vehicle.

E. Automobiles not purchased by employees (for use by the employee or his/her family) will be disposed of by the Human Resources Department.

F. An employee who purchases an automobile under this standard practice must provide proof of ownership for one year following the purchase. If the employee is unable to provide proof of ownership for one year then such employee will be required to pay the Company the difference between the purchase price and the Fair Market Value of the automobile at the time the car was purchased. The employee will be required to pay the Company the difference within 30 days or such amount will be deducted from his/her paycheck.

8. TERMINATION

A. At the Company's option, terminating employees may be authorized by the President or Vice President - Human Resources to purchase their assigned vehicle for themselves or members of their immediate family for 85% of the current AMR "clean" value, adjusted proportionally for any amount originally paid by the driver, plus any transfer taxes or other costs.

B. The immediate supervisor of a terminated employee shall be responsible for ensuring that the terminated employee deposits the leased vehicle and keys at the Company facility prior to or on the day of termination. If the employee wishes to purchase the automobile, he/she shall take possession of the car only when the sale has been finalized.

C. The Human Resources Department shall be responsible for authorizing the purchase price and release of the automobile to the terminated employee who has elected to purchase the vehicle.

9. ACCIDENT AND LOSS RESPONSIBILITY

A. Personal property

The Corporate Vehicle Insurance Plan does not cover personal articles. Employees must secure their own insurance in the form of a homeowner's policy attachment or specific policy to cover such articles.

B. Company property

Samples, literature, equipment, and supplies which are in the direct possession of an employee shall be the responsibility of the employee if lost, stolen, or damaged.

C. Accident and loss reports

All accidents and property losses must be reported immediately to the employee's manager and the Insurance Department by personal contact and by use of the Preliminary Property Loss Report. A sample form is attached (see SP-P-10.2).

10. TRAFFIC VIOLATIONS

It shall be the responsibility of the employee assigned the leased vehicle at the time of the traffic violation to pay any incurred traffic or parking tickets and/or fines. Should the employee fail to reimburse the Company (for any delinquent ticket) within 60 days following notification of the amount due, such amount will be deducted from the employee's paycheck.

Prepared by:	Approved by:
________________________	________________________
Linda M. Terpenning	Lee B. Foster II
Vice President - Human Resources	President & CEO

AMENDMENT

This 13th day of March, 1998, Newport Steel Corporation ("Lessor") and L.B. Foster Company ("Lessee") agree as to amend the Lease Agreement originally dated as of October 12, 1994 (the "Lease") in the manner set forth in Paragraph 1 below:

1. Section 2.1 of the Lease is hereby deleted and the following is inserted in lieu thereof:

2.1 Initial Term This Lease shall be for an initial term (the "Initial Term") commencing on July 1, 1995 and ending on January 1, 1999.

2. Except as expressly amended hereby, all provisions of the Lease shall remain in full force and effect.

3. This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

IN WITNESS THEREOF, the parties hereto have hereunto set their hands as of the day and year first above written.

SIGNED AND ACKNOWLEDGED IN THE PRESENCE OF:

LESSOR:

NEWPORT STEEL CORPORATION

By: /s/Ronald R. Noel

Name: Ronald R. Noel

Title: President

LESSEE:

L.B. FOSTER COMPANY

/s/David L. Voltz

/s/Linda J. Moore

By: /s/Lee B. Foster

Name: Lee B. Foster

Title: President and CEO

LESSOR'S ACKNOW,EDGEMENT:

COMMOMWEALTH OF KENTUCKY)
)
COUNTY OF CAMPBELL) SS:

The foregoing instrument was acknowledge before me this 16th day of March, 1998 by Ronald R. Noel, the President of Newport Steel Corporation, a Kentucky corporation, on behalf of the corporation.

/s/Patricia Montgomery

Notary Public

LESSEE'S ACKNOWLEGEMENT:

STATE OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

The foregoing instrument was acknowledge before me this 9th day of March, 1998 by Lee B. Foster II, the President of L.B. Foster Company, a Delaware corporation, on behalf of the corporation.

/s/Diane K. Close

Notary Public

L. B. FOSTER COMPANY 1998 INCENTIVE COMPENSATION PLAN

I. PURPOSE

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

II. CERTAIN DEFINITIONS

The terms below shall be defined as follows for the purposes of the L. B. Foster Company 1998 Incentive Compensation Plan. The definitions of accounting terms shall be subject to such adjustments as are approved by the Corporation's Chief Executive Officer.

2.1 "Average Unit Income" shall mean for each Operating Unit the sum of such Operating Unit's "Operating Unit Income" for the years 1995, 1996 and 1997 divided by three, subject to such adjustments as may be made by the Chief Executive Officer.

2.2 "Base Compensation" shall mean the total base salary, rounded to the nearest whole dollar, actually paid to a Participant during 1998, excluding payment of overtime, incentive compensation, commissions, severance, reimbursement of expenses incurred for the Participant's benefit, or any other payments not deemed part of a Participant's base salary; provided, however, that the Participant's contributions to the Corporation's Voluntary Investment Plan shall be included in Base Compensation. Base Compensation for employees who die, retire or are terminated shall include only such compensation paid to such employee during 1998 with respect to the period prior to death, retirement or termination.

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

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

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

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

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

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

2.9 "Operating Unit" shall mean each unit or division reported in the Company's internal financial statements: Foster Coated Pipe, Threaded Products, Fosterweld Tested, Allegheny Rail Products, New Rail, Relay Rail, Transit Products, Midwest, Piling, Equipment and Fabricated Products, subject to such adjustments as may be made by the Chief Executive Officer.

2.10 "Operating Unit Income" shall mean an Operating Unit's 1998 gross profit at actual plus (minus) other income (expense) less allocated and direct sales expense and direct administrative expense and Cost of Capital, subject to such adjustments as may be made by the Chief Executive Officer.

2.11 "Participant" shall mean a salaried employee of the

Corporation who satisfies all of the eligibility requirements set forth in Article V hereof.

2.12 "Plan" shall mean the L. B. Foster Company 1998 Incentive Compensation Plan, which Plan shall be in effect only with respect to the fiscal year ending December 31, 1998.

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

2.14 "Pre-Incentive Income" shall mean the audited pre-tax income of the Corporation for the fiscal year ending December 31, 1998 determined in accordance with generally-accepted accounting principles, excluding (i) benefits payable under this Plan; and (ii) any portion of gains or losses arising from transactions not in the ordinary course of business which the Committee, in its sole discretion, determines to exclude.

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

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

III. PLAN DESCRIPTION

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

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

3.2 Target Percentages. Subject to adjustment as set forth below, each Participant shall have a Target Percentage based upon the grade level of such Participant, unless determined otherwise by the Chief Executive Officer, on July 1, 1998, as follows:

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

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

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

Those Participants who have retired or died prior to July 1, 1998 shall have a Target Percentage based upon their grade level at death or retirement.

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

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

EXAMPLE 1:

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

(a) Determine Base Fund

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

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

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

(c) Determine Amount of Each Pool

1. General Pool

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

2. Product Pool

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

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

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

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

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

EXAMPLE 2:

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

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

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

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

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

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

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

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

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

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

EXAMPLE 3:

THE PRODUCT POOL IS $336,600. RELAY RAIL'S OPERATING UNIT INCOME IS $900,000 WHILE ITS AVERAGE UNIT INCOME IS A LOSS OF $100,000. THE SUM OF ALL OPERATING UNITS' "OPERATING UNIT INCOME" IS $6,800,000 AND THE SUM OF ALL OPERATING UNITS' IMPROVEMENT OVER THE SUM OF THEIR "AVERAGE UNIT INCOMES" IS $1,900,000. PRODUCT MANAGER SMITH HAS A TARGET AWARD OF $20,000 AND THE SUM OF ALL TARGET AWARDS ALLOCATED TO RELAY RAIL IS $120,000. TWENTY-FIVE PERCENT (25%) OF SMITH'S TARGET AWARD IS ALLOCATED TO THE GENERAL POOL, TEN PERCENT (10%) IS ALLOCATED TO MIDWEST AND SIXTY-FIVE PERCENT (65%) IS ALLOCATED TO RELAY RAIL. IT HAS BEEN DETERMINED THAT FIFTY PERCENT (50%) OF IMPROVEMENT FOR REDUCTION OF LOSSES SHALL BE COUNTED. THE PORTION OF SMITH'S INDIVIDUAL INCENTIVE AWARD ATTRIBUTABLE TO RELAY RAIL IS CALCULATED AS FOLLOWS:

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

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

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

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

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

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

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

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

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

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

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

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

   3.   $  13,000
      -------------  x  $36,757   =      $ 3,982
      $ 120,000                      (Smith's Share of Product
                                     Improvement Income Subpool)
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Smith would also be able to receive an additional award based upon Midwest's performance and a portion of the General Pool.

IV. STOCK IN LIEU OF CASH FOR EXECUTIVE OFFICERS

Notwithstanding any other provision of this Plan, the Corporation's executive officers, as determined by the Committee, shall receive shares of the Corporation's Class A Common Stock ("Stock"), subject to such restrictions on transferability as the Corporation's legal counsel may deem necessary or appropriate (such restrictions shall provide for no less than a two-year restriction on the voluntary transfer of such stock), in lieu of cash equal to 25% of the Individual Incentive Awards (without taking into account any discretionary payments under Section 3.3) that would otherwise be payable to such officers under the Plan. In the event such restriction on transferability should be violated, all proceeds derived from such transaction shall be forfeited to the Company. Such stock shall be forfeited and revert to the Company in the event the Participant's employment with the Company should cease within two (2) years after the date of grant, unless such forfeiture is waived by the Committee or said termination is attributable to the Participant's death, permanent disability, retirement with the consent of the Company's Chief Executive Officer or in the event of a "Change of Control". The amount of stock to be granted to an executive officer shall be calculated by: (a) dividing the closing price of the stock on the day preceding the date cash distributions are made under the Plan into a sum equal to 25% of the Individual Incentive Award that, but for this Article IV, would have been payable to such executive officer; and (b) multiplying the resulting quotient by 115% with fractional share interest being rounded to the nearest number of whole shares. Stock shall be deemed distributed to the executive officers on the first day of the calendar month following the date cash distributions are made or as soon thereafter as is practicable but the corporation shall retain custody of such shares until the Participant's risk of forfeiture has ended. Cash which would have been payable to executive officers, but for this Article IV, shall not be distributed and shall remain the property of the Corporation.

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

V. ELIGIBILITY

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

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

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

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

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

VI. REALLOCATIONS

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

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

VII. PAYMENT OF AWARDS

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

VIII. LIMITATIONS ON AWARDS

Notwithstanding any other provision of this Plan, Individual Incentive Awards shall normally be limited to twice the amount of a Participant's Target Award.

ADMINISTRATION AND INTERPRETATION OF THE PLAN

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

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

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

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

Consent of Independent Auditors

We consent to incorporation by reference in the Registration Statements (Form S-8 Nos. 33-17073, 33-35152, and 33-79450) pertaining to the 1985 Long-Term Incentive Plan of L. B. Foster Company, as amended and restated, of our report dated January 21, 1998, with respect to the consolidated financial statements and schedule of L. B. Foster Company included in the Form 10-K for the year ended December 31, 1997.

/s/Ernst & Young LLP

Ernst & Young LLP

Pittsburgh, Pennsylvania
March 27, 1998

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1,000

YEAR
DEC-31-1997
DEC-31-1997
1,156
0
49,054
1,468
43,365
96,248
52,187
27,336
126,969
36,171
17,530
0
0
102
70,406
126,969
220,343
220,343
191,266
191,266
0
0
2,495
5,144
1,857
3,287
0
0
0
3,287
0.32
0.32

L. B. FOSTER COMPANY
BY-LAWS

ARTICLE I
MEETING OF STOCKHOLDERS

Section 1. Place of Meeting and Notice. Meetings of the stockholders of the Corporation shall be held at such place either within or without the State of Delaware as the Board of Directors may determine.

Section 2. Annual and Special Meetings. Annual meetings of stockholders shall be held at a date, time and place fixed by the Board of Directors and stated in the notice of meeting, to elect a Board of Directors and to transact such other business as may properly come before the meeting. Special meetings of the stockholders may be called by the President for any purpose and shall be called by the President or Secretary if directed by the Board of Directors.

Section 3. Notice. Except as otherwise provided by law, at least ten (10) and not more than sixty (60) days before each meeting of stockholders, written notice of the time, date and place of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote thereat.

Section 4. Quorum. At any meeting of stockholders, the holders of record, present in person or by proxy, of a majority of the Corporation's issued and outstanding capital stock entitled to vote at the meeting, shall constitute a quorum for the transaction of business, except as otherwise provided by law. In the absence of a quorum, any officer entitled to preside at or to act as secretary or the meeting shall have power to adjourn the meeting from time to time until a quorum is present.

Section 5. Voting. Except as otherwise required by law or by the Certificate of Incorporation, in all matters, other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of Directors.

Section 6. Advance notice of nominations and proposals. A nomination of a person for election as a director or a proposal on any subject that, in either case, is made by a stockholder shall not be considered at any special or annual meeting of stockholders unless written notice thereof has been received by the Secretary not less than 90 days in advance of the meeting or, if later, the seventh calendar day following the first public announcement of the date of the meeting. The stockholder making the nomination or proposal shall, upon request, promptly furnish to the Board of Directors such information as the Board of Directors shall reasonably request to enable it to evaluate the nominee or proposal and formulate a recommendation to the stockholders with respect to the nominee or proposal. For purposes of this Section 6, a meeting that is held pursuant to the adjournment for any reason of a previous meeting shall be deemed to be the same meeting as the previous meeting, and the date by which notice must be received pursuant to this Section 6 shall be determined with reference to the date of the first meeting that was adjourned. If inspectors of election have not been appointed for a meeting, the presiding officer of the meeting may conclusively determine whether a nomination or proposal has been made in accordance with this Section 6. The procedures of this Section 6 shall not be deemed to create any right on the part of a stockholder to propose any particular business at a meeting of the stockholders.

ARTICLE II
DIRECTORS

Section 1. Number, Election and Removal of Directors. The number of Directors that shall constitute the Board of Directors shall be not less than one (1) nor more than fifteen (15). The first Board of Directors shall consist of three (3) Directors. Thereafter, within the limits specified above, the number of

Directors shall be determined by the Board of Directors or by the holders of the capital stock of the Corporation entitled to vote. The Directors shall be elected at the annual meeting of the stockholders by the holders of the capital stock of the Corporation entitled to vote. Vacancies and newly created directorships resulting from any increase in the number of Directors may be filled by a majority of the Directors then in office, although less than quorum, or by a sole remaining Director or by the stockholders. A Director may be removed with or without cause by the holders of the capital stock of the Corporation entitled to vote at an election of Directors.

Section 2. Meetings. Regular meetings of the Board of Directors shall be held at such times and places as may from time to time be fixed by the Board of Directors or as may be specified in a notice of meeting. Special meetings of the Board of Directors may be held at any time upon the call of the President and shall be called by the President or Secretary if directed by the Board of Directors. Telegraphic or written notice of each special meeting of the Board of Directors shall be sent to each Director not less than two (2) days before such meeting. A meeting of the Board of Directors may be held without notice immediately after the annual meeting of stockholders. Notice need not be given of regular meetings of the Board of Directors.

Section 3. Quorum. A majority of the total number of Directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the Board of Directors, the Directors present may adjourn the meeting, from time to time, without notice other than announcement at the meeting until such a quorum is present. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation, these By-Laws or any contract or agreement to which the Corporation is a party, the act of a majority of the Directors shall be the act of the Board of Directors.

Section 4. Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees, including, without limitation, an Executive Committee to have and exercise such power and authority as the Board of Directors shall specify. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the meeting in place of any such absent or disqualified member

ARTICLE III
OFFICERS

The officers of the Corporation shall consist of:

Chairman of the Board
President
Senior Vice President(s)
Vice President(s)
Secretary
Treasurer
Controller
General Counsel

with such designations as the Board of Directors shall determine, all of whom shall be chosen by and shall serve at the pleasure of the Board of Directors. Such officers shall have the usual powers and shall perform all of the usual duties incident to their respective offices. All officers shall be subject to the supervision and direction of the Board of Directors. The authority, duties or responsibilities of any officer of the Corporation may be suspended by the President with or without cause. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause. The Chairman of the Board and the President may appoint such other officers of the Corporation as they deem appropriate, to hold such office at the pleasure of the Chairman and President.

ARTICLE IV
INDEMNIFICATION

Section 1. To the fullest extent permitted by Delaware law, the Corporation shall, in the case of directors and/or officers, and may, at the discretion of the Board of Directors in the case of employees and/or agents of the Corporation, defend, indemnify and hold harmless any such person who was or is a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action, suit or proceeding by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. The indemnification provided by, or granted pursuant to, this Article IV shall, unless otherwise provided when authorized or ratified in the case of an employee or agent, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

ARTICLE V
GENERAL PROVISIONS

Section 1. Notices. Whenever any statute, the Certificate of Incorporation or these By-Laws require notice to be given to any Director or Stockholder, such notice may be given in writing by mail, addressed to such Director or stockholder at his address as it appears on the records of the Corporation, with postage thereon prepaid. Such notice shall be deemed to have been given when it is deposited in the United States mail. Notice to Directors may also be given by telegram.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board of Directors.

Section 3. Amendment. Except as provided in this Section 3 with respect to this Section 3 and Article I, Section 6, these By-Laws may be amended either (i) by vote of the stockholders at any duly organized annual or special meeting of stockholders, or (ii) regardless of whether the stockholders have previously adopted or approved the By-Law being amended, by action of the Board of Directors. The stockholders may amend Article I, Section 6, or this Section 3 only by the affirmative vote of not less than two-thirds of the votes that all stockholders, voting as single class, are entitled to cast thereon. The notice of a meeting of the stockholders that will act on an amendment to these By-Laws must state that one of the purposes of the meeting is to consider an amendment of the By-Laws and there shall be included in or with the notice a copy of the proposed amendment.

As Amended 2/25/98

FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment"), dated as January 1, 1996, by and among L.B. FOSTER COMPANY, a Delaware Corporation (the "Borrower"), and MELLON BANK, N.A., NBD BANK and CORESTATES BANK, N.A. (separately called a "Bank" and collectively the "Banks") and MELLON BANK, N.A., as agent for the Banks (in such capacity, the "Agent").

RECITALS:

WHEREAS the Borrower, the Banks and the Agent entered into an Amended and Restated Loan Agreement, dated as of November 1, 1995 (the "Restated Agreement"), pursuant to which the Banks have extended credit to the Borrower;

WHEREAS, the Borrower and the Banks desire to amend the Restated Agreement; and

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Restated Agreement.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby agree as follows:

Section 1. Amendments to Restated Agreement. Section 2.02(c) of the Restated Agreement is hereby deleted and replaced with the following:

(c) Letter of Credit Fees. In lieu of any letter of credit fronting fees provided for in the Applications or otherwise, the Borrower agrees to pay to the Agent upon the issuance of each Standby Letter of Credit a fee equal to 1/10 of 10-. of the face amount of such Standby Letter of Credit, and the Borrower further agrees to pay to the Agent from time to time any issuance, amendment, payment, telex, postage and courier fees, at the Agent's standard rates (a schedule of which has been provided to the Borrower), in respect of Letters of Credit. The Borrower agrees that upon and following the issuance of a Standby Letter of Credit, the Agent shall be paid a fee per annum based upon the amount of the Standby Letter of Credit issued, which fee shall be calculated at a rate per annum for each day equal to the Applicable Margin with respect to the Euro-Rate in effect pursuant to Section 2.05(h) hereof for such day. Such letter of credit commission shall be payable on the last Business Day of each calendar quarter, and on the last date on which any Standby Letter of Credit issued hereunder expires, in each case for the preceding period for which such fee has not been paid. The Borrower agrees that upon the issuance of a Documentary Letter of Credit, the Agent shall be paid a fee equal to 1/2 of 1% of the face amount of the Documentary Letter of Credit issued; provided, however, that in the case of the acceptance by the Agent of any time draft with respect to a Documentary Letter of Credit issued hereunder, the Borrower agrees to pay to the Agent an acceptance fee per annum based upon the amount of the Documentary Letter of Credit issued, which acceptance fee shall be calculated at a rate per annum for each day during the period from the acceptance of such draft through its maturity equal to the Applicable Margin with respect to the Euro-Rate in effect pursuant to Section 2.05(h) hereof at the time of the acceptance of any such time draft.

Section 2. Representations and Warranties of Borrower. The Borrower hereby represents and warrants to each Bank and the Agent that this Amendment has been duly and validly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with the terms hereof, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors, rights or by general principles of equity limiting the availability of equitable remedies.

Section 3. Miscellaneous. (a) This Amendment shall become effective as of the date hereof, upon execution and delivery hereof by the Banks, the Borrower and the Agent. The execution below by the Banks shall constitute a direction to the Agent to execute this Amendment.

(b) The Restated Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed and shall, as so amended, remain in full force and effect. From and after the date hereof, all references to the "Agreement" in the Restated Agreement and in the other Loan Documents shall be deemed to be references to the Restated Agreement as amended by this Amendment.

(c) This Amendment, and the rights and obligations of the parties hereto, shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, excluding its rules relating to the conflict of laws.

(d) This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement as of the date first above written.

L. B. FOSTER COMPANY

By: /s/Roger F. Nejes

Title: Sr. VP Finance Admin CFO

Mellon BANK, N. A., individually and as Agent

By:

Title:

NBD BANK

By:

Title:

CORESTATES BANK, N.A.

By:

Title:

SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment"), dated as of December 31, 1996, by and among L.B. FOSTER COMPANY, a Delaware corporation (the "Borrower"), and MELLON BANK, N.A., PNC BANK, NATIONAL ASSOCIATION and CORESTATES BANK, N.A. (separately called a "Bank" and collectively the "Banks") and MELLON BANK, N.A., as agent for the Banks (in such capacity, the "Agent").

RECITALS:

WHEREAS the Borrower, the Banks and the Agent entered into an Amended and Restated Loan Agreement, dated as of November 1, 1995, which has been amended by a First Amendment to Amended and Restated Loan Agreement, dated as of January 1, 1996 (as so amended, the "Restated Agreement"), pursuant to which the Banks have extended credit to the Borrower;

WHEREAS, the Borrower and the Banks desire to amend the Restated Agreement; and

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Restated Agreement.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby agree as follows:

Section 1. Amendment to Section 5.02(f) of the Restated Agreement. Section 5.02(f) of the Restated Agreement is hereby amended by replacing the word "and" immediately prior to clause (viii) thereof with a ",11 and by adding the following new clause at the end of Section 5.02(f):

"and (ix) after notice to the Agent and the Banks, and with the approval of the Borrower's board of directors, the sale of all or any portion of the Borrower's Parkersburg, West Virginia manufacturing plant, and the equipment, inventory, books and records and other property related thereto at any time on or prior to June 30, 1997.11

Section 2. Amendment to 5.02(g) (7) of the Restated Agreement. Section 5.02(g)(7) of the Restated Agreement is hereby amended to read in its entirety as follows:

"(7) Advances to RPF under the Loan and Security Agreement, dated June 8, 1995, between the Borrower and RPF, aggregating, on a cumulative basis, not more than $2,500,000. At the option of the Borrower and RPF, all or any portion of such advances, once made to RPF, may be converted into equity interests in RPF at any time thereafter, but such conversions, if any, shall not have the effect of increasing the cumulative amount of advances permitted under this Section 5.02(g)(7) above $2,500,000 in the aggregate. If requested by the Agent or the Banks, the Borrower will cause RPF's repayment obligation to be evidenced by a promissory note; and"

Section 3. Amendment to Section 5.02(g) of the Restated Agreement. Section 5.02(g) of the Restated Agreement is hereby amended by adding a new subsection (8) thereto, to read as follows:

" (8) loans to officers of the Borrower and its Subsidiaries for the sole purpose of purchasing common stock of the Borrower, such loans (i) not to exceed $1,200,000 in the aggregate and $60,000 per officer, (ii) to be made pursuant to a plan approved by the board of directors of the Borrower and (iii) to be secured by the common stock purchased with the proceeds thereof."

Section 4. Amendment to 5.02(i) of the Restated Agreement. Section 5.02(i) of the Restated Agreement is hereby amended by adding the following clause at the end thereof:

"and Borrower may make loans to officers of the Borrower and its Subsidiaries for the sole purpose of purchasing common stock of the Borrower, such loans (i) not to exceed $1,200,000 in the aggregate and $60,000 per officer, (ii) to be made pursuant to a plan approved by the board of directors of the Borrower and (iii) to be secured by the common stock purchased with the proceeds thereof."

Section 5. Representations and Warranties of Borrower. The Borrower hereby represents and warrants to each Bank and the Agent that this Amendment has been duly and validly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with the terms hereof, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

Section 6. Miscellaneous.

(a) This Amendment shall become effective as of the date hereof, upon execution and delivery hereof by the Banks, the Borrower and the Agent. The execution below by the Banks shall constitute a direction to the Agent to execute this Amendment.

(b) The Restated Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed and shall, as so amended, remain in full force and effect. From and after the date hereof, all references to the "Agreement" in the Restated Agreement and in the other Loan Documents shall be deemed to be references to the Restated Agreement as amended by this Amendment.

(c) This Amendment, and the rights and obligations of the parties hereto, shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, excluding its rules relating to the conflict of laws.

(d) This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Amendment as of the date first above written.

L.B. FOSTER COMPANY

By: /s/D. Minor

Title: Treasurer

MELLON BANK, N.A., individually and as Agent

Title:

PNC BANK, NATIONAL ASSOCIATION

By:

Title:

THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment"), dated as of April 9, 1997, by and among L.B. FOSTER COMPANY, a Delaware corporation (the "Borrower), and MELLON BANK, N.A., PNC BANK, NATIONAL ASSOCIATION and CORESTATES BANK, N.A. (separately called a "Bank" and collectively the "Banks;,") and MELLON BANK, N.A., as agent for the Banks (in such capacity, the "Agent").

RECITALS:

WHEREAS the Borrower, the Banks and the Agent entered into an Amended and Restated Loan Agreement, dated as of November 1, 1995, which has been amended by a First Amendment to Amended and Restated Loan Agreement, dated as of January 1, 1996 and by a Second Amendment to Amended and Restated Loan Agreement, dated as of December 31, 1996 (as so amended, the "Restated Agreement"), pursuant to which the Banks have extended credit to the Borrower;

WHEREAS, the Borrower and the Banks desire to amend the Restated Agreement; and

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Restated Agreement.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby agree as follows:

Section 1. Amendment to Section 5.02(g) of the Restated Agreement. Section 5.02(g) of the Restated Agreement is hereby amended by adding new subsections (9) and (10) thereto, to read as follows:

"(9) an Investment, the amount of which shall not exceed $2,500,000, consisting of all of the assets of The Monitor Group, purchased from Industrial Scientific Corporation an or before December 31, 1997, and any contribution of some or all of such assets to a Subsidiary; and

(10) an additional equity Investment, the amount of which shall not exceed $2,500,000, made on or before December 31, 1997 in The Dakota, Minnesota & Eastern Railroad Corporation.

Section 2. Representations and Warranties of Borrower. The Borrower hereby represents and warrants to each Bank and the Agent that this Amendment has been duly and validly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with the terms hereof, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

Section 3. Miscellaneous

(a) This Amendment shall become effective as of the date hereof, upon execution and delivery hereof by the Banks, the Borrower and the Agent. The execution below by the Banks shall constitute a direction to the Agent to execute this Amendment.

(b) The Restated Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed and shall, as so amended, remain in full force and effect. From and after the date hereof, all references to the "Agreement" in the Restated Agreement and in the other Loan Documents shall be deemed to be references to the Restated Agreement as amended by this Amendment.

(c) This Amendment, and the rights and obligations of the parties hereto, shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, excluding its rules relating to the conflict of laws.

(d) This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment"), dated as of November 12, 1997, by and among L.B. FOSTER COMPANY, a Delaware corporation ("Foster" or the "Borrower"), and Mellon Bank, N.A., PNC BANK, NATIONAL ASSOCIATION and CORESTATES BANK, N.A. (separately, a "Bank", and collectively, the "Banks") and MELLON BANK, N.A., as agent for the Banks (in such capacity, the "Agent").

RECITALS:

WHEREAS, the Borrower, the Banks and the Agent entered into that certain Amended and Restated Loan Agreement, dated as of November 1, 1995 (as amended by that certain First Amendment to Amended and Restated Loan Agreement, dated as of January 1, 1996, that certain Second Amendment to Amended and Restated Loan Agreement, dated as of December 31, 1996, and that certain Third Amendment to Amended and Restated Loan Agreement, dated as of April 9, 1997, the "Restated Agreement");

WHEREAS, the Borrower and the Banks desire to further amend the Restated Agreement; and

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Restated Agreement.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound, hereby agree as follows:

Section 1. Amendment to Section 1.01 of Restated Agreement. Section 1.01 of the Restated Agreement is hereby amended by adding after the definition of "CD Rate Portion" a definition of "Change of Control", such definition to read in its entirety as follows:

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

Section 2. Amendment to Section 3.05 of Restated Agreement. Section 3.05 of the Restated Agreement is hereby amended to read in its entirety as follows:

"Section 3.05. Material Adverse Change. Since December 31, 1994, there has been no material adverse change in the business, assets or financial condition of the total enterprise represented by Foster and its Subsidiaries on a consolidated basis."

Section 3. Amendment to Section 5.02(b) of the Restated Agreement. Section 5.02(b) of the Restated Agreement is hereby amended by adding thereto a new subsection (8) to read as follows:

" (8) Indebtedness assumed by Foster not exceeding $2,000,000 principal amount evidenced by, or in connection with, industrial development revenue bonds relatIng to facilities of Precise Fabricating Corporation acquired by Foster."

Section 4. Amendment to Section 5.02(g) of the Restated Agreement. Section 5.02(g) of the Restated Agreement is hereby amended by adding thereto a new subsection (11) to read as follows:

" (11) an Investment not exceeding $6,000,000 (minus the principal amount of any Indebtedness assumed) in certain assets acquired from Precise Fabricating Corporation and an Investment not exceeding $1,000,000 in certain assets acquired from Watson-Haas Lumber Company."

Section 5. Amendment to Section 5.02(h) of the Restated Agreement. Section 5.02(h) of the Restated Agreement is hereby amended to read in its entirety as follows:

"(h) Restrictions on Distributions and Retirements, Purchases and Redemptions. Directly or indirectly, or through any of its Subsidiaries, declare, pay, make or incur any liability to make any Distribution, except for (i) Distributions made by any Subsidiary to Borrower, and (ii) (A) Distributions made in the form of Dividends in respect of common stock of Foster at any time on or after January 1, 1997, and (B) purchases, redemptions, acquisitions or other retirements, directly or indirectly, of any sha2~es of any class of capital stock of Foster at any time on or after January 1, 1997; provided, that the aggregate cumulative amount of all such transactions permitted under clause (A) and (B) above and of payments and redemptions contemplated by Section 5.02(j) hereof, other than payments or redemptions of Indebtedness at stated redemption dates or stated maturity dates, shall not exceed the sum of $3,410,000 plus 25% of any Consolidated Net Income for the period from January 1, 1997, to and including the end of the fiscal quarter most recently ended at the time in question."

Section 6. Amendment to Section 5.02 of Restated Agreement. Section 5.U2(j) of the Restated Agreement is hereby amended to read in its entirety as follows:

"(j) Debt Retirement, Purchases and Redemptions. (i) Voluntarily purchase, prepay, redeem or otherwise retire any preferred or preference stock, subordinated debentures, sinking fund debentures, promissory notes or other securities issued by Borrower or any subsidiary, or agree to the rescheduling to shorten scheduled maturities or principal payments of or to increase the rate of interest payable on outstanding indebtedness under any agreement or instrument evidencing an obligation for borrowed money of Borrower or any Subsidiary, or permit any of its subsidiaries to do so, other than the Indebtedness referred to in paragraph (8) of Section 5.02(b) hereof or (ii) purchase, redeem, acquire or otherwise retire, directly or indirectly, any shares of common stock of Foster, or permit any of its Subsidiaries to do so. Notwithstanding clauses (i) and (ii) above, Foster may purchase, redeem, acquire or otherwise retire shares of common stock of Foster, preferred or preference stock of Foster, subordinated indentures of Foster, sinking fund debentures of Foster, promissory notes of Foster or other securities of Foster or stock purchase rights of Foster if, and only if, the aggregate amount of all such payments or redemptions, other than payments or redemptions at stated redemption dates or stated maturity dates, does not exceed the limits set forth in Section 5.02(h).

Section 7. Amendment to Section 5.02 of Restated Agreement. Section 5.02 of the Restated Agreement is hereby amended by adding a new subsection (m) thereto, such new subsection (m) to read in its entirety as follows:

"(m) Change of Control. Enter into any merger, consolidation, reorganization, corporation restructuring or other transaction, or take any other action, that shall cause or result in, or for any reason suffer, a Change of Control."

Section 8. Amendment to Section 6.01(d) of the Restated Agreement. Section 6.01(d) of the Restated Agreement is hereby amended to read in its entirety as follows:

11(d) A Default shall occur under Section 5.01(h), 5.01(i), 5.01(i), 5.02(a), 5.02(e), 5.02(h), 5.02(i), 5.02(j), 5.02(k) or 5.02(m) hereof or an Event of Default shall occur under the Security Agreement, the Pledge Agreement, or the Guaranty and Suretyship Agreements; or"

Section 9. Representations and Warranties of Borrower. The Borrower hereby represents and warrants to each Bank and the Agent that this Amendment has been duly and validly executed and delivered by Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with the terms hereof, except as the enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by genera'l principles of equity limiting the availability of equitable remedies.

Section 10. Miscellaneous.

(a) This Amendment shall become effective as of the date hereof, upon execution and delivery hereof by the Banks or the Required Banks as permitted or required by Section 8.01 of the Restated Agreement, the Borrower and the Agent. The execution below by the Banks or Required Banks (as the case may be) shall constitute a direction to the Agent to execute this Amendment.

(b) The Restated Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed and shall, as so amended, remain in full force and effect. From and after the date hereof, all references to the "Agreement" in the Restated Agreement and in the other Loan Documents shall be deemed to be references to the Restated Agreement as amended by this Amendment.

(c) This Amendment, and the rights and obligations of the parties hereto, shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, exclusive of choice and conflict of law principles.

(d) This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

5

Restated Financial Data Schedules to reflect the adoption of FAS 128, "Earnings Per Share" for affected periods.

1,000

6-MOS	YEAR	YEAR
DEC-31-1996	DEC-31-1996	DEC-31-1995
JUN-30-1996	DEC-31-1996	DEC-31-1995
1537	1201	1325
0	0	0
49891	49918	48277
1770	1803	1800
46577	42925	40304
99569	95656	92727
61597	52717	61465
33270	28228	33330
125950	123398	124423
35284	32129	34868
24505	21816	25034
0	0	0
0	0	0
102	102	102
64606	67079	63071
125950	123398	124423
113061	243071	264985
113061	243071	264985
98668	212111	235770
98668	212111	235770
0	0	0
0	0	0
1175	2365	2840
2541	6430	4706
1066	2572	(337)
1475	3858	5043
0	0	0
0	0	0
0	0	(219)
1475	3858	4824
0.15	0.39	0.49
0.14	0.38	0.48