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, 1996

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 20, 1997 of the voting stock held by nonaffiliates of the Company was $37,784,153.

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 20, 1997
Class A Common Stock, Par Value $.01	10,162,738 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, pile driving equipment, 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 and pile driving equipment and accessories for driving piling. 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. Foster manufactures spiralweld pipe for water transmission lines, foundation piling, slurry lines and many other applications. In addition, 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 19 to the financial statements included in the Company's Annual Report to Stockholders for 1996. 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		
	1996	1995	1994
Rail Products	46%	42%	38%
Construction Products	32%	34%	36%
Tubular Products	22%	24%	26%
	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 Midwest Steel Division in Pomeroy, Ohio is the country's leading manufacturer of light trackwork for the mining industry. It also produces new heavy trackwork for industrial and export markets.

CONSTRUCTION PRODUCTS

L. B. Foster Company's construction products consist of sheet and bearing piling, fabricated highway products and pile driving/extracting and related equipment.

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 and pile driving/extracting equipment. 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.

Two types of pile driving equipment, diesel and vibratory, have historically been sold or leased by the Company. Vibratory pile drivers also function as pile extractors. The majority of the Company's sales and leases of pile drivers, extractors and other construction equipment are to contractors. The Company also distributes a hydraulic pile driving hammer manufactured by a company located in the Netherlands.

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 includes within the tubular products segment, manufactured Fosterweld pipe and oil country tubular goods. Generally, 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.

By converting purchased steel coils into pipe in continuous forming mills, Fosterweld pipe can be produced in sizes up to 120 inches in diameter and 100 feet or more in length for use in water transmission lines and other applications such as dredge pipe, slurry lines, pneumatic lines, ventilation pipe, foundation piling and caissons.

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 49 salespeople. The Company maintains 10 sales offices and 14 plants or warehouses nationwide. During 1996, approximately 7% 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 and piling products and the Company could be adversely affected if a domestic supplier ceased making such material available to the Company. Approximately 62% of the materials sold by the construction products segment are purchased from Bethlehem Structural Products Corporation which has announced the shutdown of its hot rolled sheet piling facility in the first quarter of 1997. See Note 17 to the consolidated financial statements for additional information on this matter.

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

BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 1996 and 1995 by segment follows (in thousands):

	December 31, 1996	December 31, 1995
Rail Products	$36,100	$43,879
Construction Products	28,080	28,239
Tubular Products	11,328	8,857
	$75,508	$80,975

Approximately 95% of the December 31, 1996 backlog is expected to be shipped in 1997.

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 526 employees, of whom 276 are hourly production workers and 250 are salaried employees. Approximately 82 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	1997
Doraville, Georgia	Fabrication of components for highways. Yard storage.	28	Tubular, Rail and Construction	Owned
Newport, Kentucky	Pipe coating.	20	Tubular	1998
Niles, Ohio	Rail fabrication. Yard storage.	35	Rail	Owned
Pomeroy, Ohio	Trackwork manufac-turing.	5	Rail	Owned
Houston, Texas	Casing, upset tub-ing, 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 Head-quarters.	-	Corporate	1997
Parkersburg, West Virginia	Fosterweld pipe manufacturing. Pipe coating and wrapping. Yard storage.	93	Tubular	1998

Including the properties listed above, the Company has 10 sales offices and 14 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 1,249 common shareholders of record on January 28, 1997. 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:

	1996		1995	
Quarter	High	Low	High	Low
First	$ 4 3/8	$ 3 3/8	$ 4	$ 3
Second	4 1/8	3 1/2	4 1/8	3 1/2
Third	4 1/4	3 5/8	4 3/4	4
Fourth	4 1/8	3 5/8	4 1/2	4

DIVIDENDS
No dividends were paid on the Company's Common stock during 1996 and 1995. 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, 1996	1995(1)	1994	1993(2)	1992
Net sales	$ 243,071	$ 264,985	$ 234,262	$212,291	$ 204,961
Operating Profit	8,195	6,769	6,184	3,103	1,100
Income before cumulative effect of change in accounting principle	3,858	5,043	5,440	899	411
Net income	3,858	4,824	5,440	1,569	411
Earnings per common share before cumulative effect of change in accounting principle	0.39	0.51	0.55	0.09	0.04
Earnings per common share	0.39	0.49	0.55	0.16	0.04

Balance Sheet Data	December 31, 1996	1995(1)	1994	1993(2)	1992
Total assets	$ 123,398	$ 124,423	$ 122,585	$108,137	$ 104,952
Working capital	63,527	57,859	52,519	49,755	48,163
Long-term debt	21,816	25,034	22,377	25,584	26,072
Stockholders' equity	67,181	63,173	58,319	52,879	51,310

(1) Effective January 1, 1995, the Company adopted Financial Accounting Standards Board (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.

(2) 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. As permitted, prior periods were not restated.

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

RESULTS OF OPERATIONS
(Dollars in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,		
	1996	1995	1996	1995	1994
Net Sales:					
Rail Products	$ 34,184	$ 29,262	$ 111,780	$111,582	$ 88,862
Construction Products	19,352	19,161	77,954	88,735	85,488
Tubular Products	10,949	12,880	53,337	64,668	59,912
Total Net Sales	$ 64,485	$ 61,303	$ 243,071	$264,985	$234,262
Gross Profit:					
Rail Products	$ 4,679	$ 4,178	$ 15,770	$ 14,507	$ 13,745
Construction Products	2,420	2,222	10,360	9,780	10,350
Tubular Products	857	360	4,830	4,928	3,502
Total Gross Profit	7,956	6,760	30,960	29,215	27,597
Expenses:					
Selling and Admin-istrative Expenses	5,795	5,694	22,765	22,446	21,413
Interest Expense	584	697	2,365	2,840	2,067
Other (Income) Expense	(38)	(186)	(600)	(777)	(274)
Total Expenses	6,341	6,205	24,530	24,509	23,206
Income Before Income Taxes	1,615	555	6,430	4,706	4,391
Income Tax Expense (Benefit)	650	(337)	2,572	(337)	(1,049)
Income Before Cumulative Effect of Changes in Accounting Principles	965	892	3,858	5,043	5,440
Cumulative Effect of Changes in Accounting Principles				(219)	
Net Income	$ 965	$ 892	$ 3,858	$ 4,824	$ 5,440

FOURTH QUARTER of 1996 VS. FOURTH QUARTER of 1995

The net income for the current quarter was $1.0 million or $0.10 per share. This compares to a 1995 fourth quarter net income of $0.9 million or $0.09 per share. The Company's fourth quarter pretax income climbed to $1.6 million in 1996 versus $0.6 million in 1995. Net sales in 1996 were $64.5 million or 5% higher than the comparable quarter last year.

Rail products' net sales of $34.2 million increased 17% from the comparable period last year due to three large December shipments of new rail products, a general increase in relay rail business, and an increase in volume of Allegheny Rail Products' business. Construction products' net sales in the 1996 fourth quarter remained relatively unchanged in comparison to the fourth quarter of 1995. Tubular products' net sales declined 15% from 1995 as a result of the Company's withdrawal from the warehouse pipe market and lower sales of coated and Fosterweld pipe. 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 in the 1996 fourth quarter increased to 12% versus 11% in the same quarter of 1995. The gross margin percentage for the Company's rail products segment remained relatively unchanged at 14% in both the 1996 and 1995 fourth quarters. Construction products' gross margin percentage in the fourth quarter of 1996 increased slightly to 13% as a result of higher margins on fabricated highway products. The gross profit margin percentage for tubular products increased to 8% in the 1996 fourth quarter from 3% in the year earlier quarter. The increase was primarily due to the continued improvement in Fosterweld pipe margins.

In the 1996 fourth quarter, selling and administrative expenses increased 2% from the same period in the prior year. Interest expense decreased 16% due primarily to lower borrowings. The income tax rate increased above the statutory rate in 1996 due to certain non-deductible expenses. The income tax rate was less than the statutory rate in 1995 principally as a result of a reduction in the deferred tax asset valuation reserve. See the year comparison section for a more detailed discussion of the income tax provisions.

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 products 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.

THE YEAR 1995 COMPARED TO THE YEAR 1994

The net income for 1995 was $4.8 million or $0.49 per share. This compares to 1994 net income of $5.4 million or $0.55 per share. Net sales in 1995 were $265.0 million or 13% higher than in 1994.

Rail products' net sales improved 26% in 1995 to $111.6 million as sales of new rail products increased. Despite a fourth quarter weakness in piling products, construction products' net sales for 1995 of $88.7 million were 4% higher than 1994 as increased shipments of piling and fabricated products offset reductions in pile driving equipment revenue. Tubular products' net sales in 1995 increased to $64.7 million or 8% from the prior year due to increased pipe coating volume at the Company's Birmingham, Alabama facility. Changes in net sales are primarily the result of changes in volume rather than changes in prices.

The gross margin percentage for the total company declined to 11% from 12% in 1994. Rail products' gross margin percentage decreased to 13% from approximately 16% in 1994 as a result of lower margins on running rail and used rail products. Construction products' gross margin percentage declined to 11% from 12% in 1994 as a result of lower margins on fabricated products and vibratory pile driving equipment. The gross margin percentage for the Company's tubular products increased to 8% from 6% last year. The increase was the result of a change in the mix of pipe coating products sold and improved Fosterweld pipe margins.

Selling and administrative expenses in 1995 of $22.4 million increased 5% from the prior year primarily as a result of the change in the employee vacation policy which reduced 1994 expense. Interest expense increased 37% principally as a result of higher borrowings. 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. Other income in 1994 included a gain of $0.3 million from the sale of the Company's Houston, Texas sales office and equipment depot.

The income tax rate is less than the statutory rate in both the 1995 and 1994 periods principally as a result of changes in net deferred tax assets and liabilities. The Company's deferred tax assets include net operating loss (NOL) carryforwards. In 1993, the Company recorded all available NOL carryforwards as assets net of a valuation reserve which reduced the carrying value of the NOL carryforwards to the amount projected to actually be used in future years (i.e. the net realizable value) in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". The net realizable value of the Company's NOL carryforwards is computed based on the average taxable income for the most recent three years projected forward for three years. During 1995 and 1994, the net realizable value of the NOL carryforwards increased and the Company reduced the valuation reserve related to the NOL carryforwards by $2.5 million and $2.4 million, respectively. These favorable adjustments of the valuation reserve were recorded as reductions of income tax expense. Expected utilization of the net deferred tax assets is contingent upon the Company earning in the aggregate approximately $11 million of taxable income in future years.

Effective January 1, 1995, the Company adopted 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," and recorded a charge of $0.2 million, net of income tax benefit, principally related to a Fosterweld facility held for sale (see Note 2 to consolidated financial statements).

LIQUIDITY AND CAPITAL RESOURCES

The Company generates internal cash flow ("liquidity") from the sale of inventory and the collection of accounts receivable. During 1996, the average turnover rates for accounts receivables and inventories were relatively unchanged from the prior year. Working capital at December 31, 1996 was $63.5 million compared to $57.9 million at December 31, 1995.

During 1996, the Company had capital expenditures of $2.3 million. Capital expenditures in 1997 are expected to be approximately $3 million and are anticipated to be funded by cash flows from operations.

Total revolving credit agreement borrowings at December 31, 1996 were $24.0 million or a decrease of $5.8 million from the end of the prior year. Outstanding letters of credit at December 31, 1996 were $0.8 million. At December 31, 1996, the Company had approximately $20.2 million in unused borrowing commitment. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

OTHER MATTERS

The Company currently owns stock with a book value of approximately $2.0 million in a privately-held corporation. The market value of the stock is not readily determinable and, therefore, the investment is recorded in the Company's accounts at its historical cost of $0.2 million (see Note 7 to consolidated financial statements). If this business is sold, the Company believes that the potential sales price could significantly exceed the privately-held corporation's book value.

As stated previously, the Company has made a decision to divest its Fosterweld operations at the Parkersburg, West Virginia facility, which has fixed assets with a carrying value of $3.0 million. Currently, discussions are taking place with several potential buyers. (See Note 5 to consolidated financial statements). Additionally, the Company is considering the divestiture of its $3.0 million pile driving equipment product line. These actions are not expected to have a material impact on the financial condition of the Company.

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's primary supplier of piling products, Bethlehem Structural Products Corporation, has announced that its hot rolled sheet piling and structural products facility in Bethlehem, Pennsylvania, will be shut down in the first quarter of 1997. The Company has agreed to purchase Bethlehem's remaining piling production. A portion of this inventory will enable the Company to maintain its rental piling business beyond 1997. The Company is actively pursuing other options to preserve its position in the piling distribution market. Gross profit of the Bethlehem Structural Products Corporation's piling distribution business accounted for less than 10% of the Company's 1996 gross profit.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. The Company has provided $5,000,000 of working capital to this supplier in the form of loans and advance payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short term effect on earnings.

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 the weather.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 1996 was approximately $76 million or 7.0% lower than the backlog at the end of the previous year. The following table provides the backlog by business segment.

	December 31,		
	1996	1995	1994
	(Dollars in thousands)		
Backlog:			
Rail Products	$36,100	$43,879	$47,582
Construction Products	28,080	28,239	18,574
Tubular Products	11,328	8,857	14,776
Total Backlog	$75,508	$80,975	$80,932

FORWARD-LOOKING STATEMENTS

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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1996 AND 1995

ASSETS (In thousands)	1996	1995
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,201	$ 1,325
Accounts receivable (Note 3)	49,918	48,277
Inventories (Note 4)	42,925	40,304
Current deferred tax assets (Note 13)	1,214	1,005
Other current assets	398	831
Property held for resale (Note 5)		985
Total Current Assets	95,656	92,727
PROPERTY, PLANT AND EQUIPMENT - at cost (Note 6)	20,467	22,605
PROPERTY HELD FOR RESALE (Note 5)	4,022	4,545
DEFERRED TAX ASSETS (Note 13)		2,018
OTHER ASSETS (Note 7)	3,253	2,528
TOTAL ASSETS	$ 123,398	$ 124,423

LIABILITIES AND STOCKHOLDERS' EQUITY (In thousands, except share data)	1996	1995
CURRENT LIABILITIES:		
Short-term borrowings (Note 8)	$ 6,000	$ 9,750
Current maturities of long-term debt (Note 9)	1,366	1,266
Accounts payable - trade	19,060	18,065
Accrued payroll and employee benefits	3,543	2,682
Other accrued liabilities	2,160	3,105
Total Current Liabilities	32,129	34,868
LONG-TERM DEBT (Note 9)	21,816	25,034
DEFERRED TAX LIABILITIES (Note 13)	394	
OTHER LONG-TERM LIABILITIES	1,878	1,348
COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)		
STOCKHOLDERS' EQUITY (Notes 8, 10 and 11):		
Class A Common stock, issued 10,228,739 shares in 1996 and 10,188,739 shares in 1995	102	102
Paid-in capital	35,276	35,148
Retained earnings	32,338	28,480
Treasury stock - at cost, Class A Common stock, 246,001 shares in 1996 and 256,001 shares in 1995	(535)	(557)
Total Stockholders' Equity	67,181	63,173
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 123,398	$ 124,423

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE YEARS ENDED
DECEMBER 31, 1996

(In thousands, except per share data)	1996	1995	1994
NET SALES	$ 243,071	$ 264,985	$ 234,262
COSTS AND EXPENSES:			
Cost of goods sold	212,111	235,770	206,665
Selling and administrative expenses	22,765	22,446	21,413
Interest expense	2,365	2,840	2,067
Other (income) expense	(600)	(777)	(274)
	236,641	260,279	229,871
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	6,430	4,706	4,391
INCOME TAX EXPENSE (BENEFIT) (Note 13)	2,572	(337)	(1,049)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	3,858	5,043	5,440
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note 2)		(219)	
NET INCOME	$ 3,858	$ 4,824	$ 5,440
EARNINGS PER COMMON SHARE:			
Income before cumulative effect of change in accounting principle	$ 0.39	$ 0.51	$ 0.55
Cumulative effect of change in accounting principle		(0.02)	
EARNINGS PER COMMON SHARE (Note 12)	$ 0.39	$ 0.49	$ 0.55

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
CASH FLOWS FOR THE THREE YEARS
ENDED DECEMBER 31, 1996

(In thousands)	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,858	$ 4,824	$ 5,440
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Deferred income taxes	2,203	(565)	(1,228)
Depreciation and amortization	3,169	2,774	2,932
Gain on sale of property, plant and equipment	(540)	(532)	(635)
Cumulative effect of change in accounting principle		219	
Change in operating assets and liabilities:			
Accounts receivable	(1,641)	(1,856)	(10,560)
Inventory	(2,621)	2,878	(4,240)
Property held for resale	1,508		
Other current assets	433	(165)	49
Other noncurrent assets	(1,020)	(171)	309
Accounts payable - trade	995	(1,710)	2,526
Accrued payroll and employee benefits	861	158	354
Other current liabilities	(945)	(174)	(238)
Other liabilites	530	(245)	(384)
Net Cash Provided (Used) by Operating Activities	6,790	5,435	(5,675)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	2,277	3,880	2,107
Capital expenditures on property, plant and equipment	(2,336)	(4,074)	(2,800)
Net Cash Used by Investing Activities	(59)	(194)	(693)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayments) proceeds of revolving credit agreement borrowings	(3,750)	(4,170)	7,420
Exercise of stock options	150	30	
Repayments of long-term debt (Note 9)	(3,255)	(956)	(1,085)
Net Cash (Used) Provided by Financing Activities	(6,855)	(5,096)	6,335
Net (Decrease) Increase in Cash and Cash Equivalents	(124)	145	(33)
Cash and Cash Equivalents at Beginning of Year	1,325	1,180	1,213
Cash and Cash Equivalents at End of Year	$ 1,201	$ 1,325	$ 1,180
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest Paid	$ 2,376	$2,906	$ 1,933
Income Taxes Paid	$ 410	$ 188	$ 78

During 1996, 1995, and 1994, the Company financed certain capital expenditures and related maintenance agreements totaling $137,000, $4,081,000 and $415,000, 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, 1996

(In thousands)	Class A Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 1994	$ 102	$ 35,118	$ 18,216	$ (557)	$ 52,879
Net Income			5,440		5,440
Balance, December 31, 1994	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 (Note 11)		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 (Note 11)		128		22	150
Balance, December 31, 1996	$ 102	$ 35,276	$ 32,338	$ (535)	$ 67,181

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 13 % in 1996 and 11% in 1995, 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 based upon the estimated useful lives principally under the straight-line method. Leasehold improvements are amortized over 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.

Financial derivatives - To hedge against 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, except to the extent costs can be capitalized, 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.

The Company is required to adopt Statement of Position 96-1, "Environmental Remediation Liabilities" as of January 1, 1997. The effect of the adoption will not be material.

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, but provides, when material, the pro forma disclosures required by the Statement of Financial Accounting Standards (SFAS) Statement No. 123, "Accounting for Stock-Based Compensation."

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, 1996 and 1995 are summarized as follows (in thousands):

	1996	1995
Trade	$ 51,271	$ 49,966
Allowance for doubtful accounts	(1,803)	(1,800)
Other	450	111
	$ 49,918	$ 48,277

The Company's customers are in the rail, construction and tubular segments of the economy. As of December 31, 1996 and

1995, trade receivables, net of allowance for doubtful accounts, from customers in these markets were as follows (in thousands):

	1996	1995
Rail	$ 27,234	$ 21,366
Construction	15,586	17,169
Tubular	6,648	9,631
	$ 49,468	$ 48,166

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, 1996 and 1995 are summarized as follows (in thousands):

	1996	1995
Finished goods	$ 31,347	$ 33,570
Work-in-process	11,117	6,687
Raw materials	3,135	2,659
Total inventories at current costs	45,599	42,916
Less:		
Current cost over LIFO stated values	(2,074)	(2,012)
Reserve for decline in market value of inventories	(600)	(600)
	$ 42,925	$ 40,304

At December 31, 1996 and 1995, the LIFO carrying value of inventories for book purposes exceeded the LIFO carrying value for tax purposes by approximately $5,241,000 and $5,441,000, respectively. During 1996, 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 1996 and 1995 was to increase cost of goods sold by $217,000 and $287,000, respectively.

NOTE 5.
PROPERTY HELD FOR RESALE

Property held for resale at December 31, 1996 and 1995 consists of the following (in thousands):

Location	1996	1995
Parkersburg, WV	$ 3,003	$ 2,920
Windsor, NJ		985
Marrero, LA	615	615
Houston, TX	261	261
Navasota, TX		356
Other	143	393
Property held for resale	4,022	5,530
Assets having sales commitments within one year		985
	$ 4,022	$ 4,545

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 1996 and 1995, the location generated net sales and operating profit of approximately $13,300,000 and $2,000,000 and $10,300,000 and $300,000, respectively, which are included in the Company's tubular segment. The Company is currently negotiating with several buyers. However, the outcome of these discussions is uncertain at this time.

The Windsor, New Jersey, location formerly produced Fosterweld pipe and was used for yard storage. Assets of the location consisted of land and land improvements. During 1995, the effect of adopting SFAS No. 121 included an impairment loss of $268,000 based on the estimated sales value of the assets. The Company disposed of these assets in 1996 and received proceeds equal to the net book value of these assets.

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 does not anticipate disposing of the land during 1997.

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. The land has been listed for sale, although no assurances can be given that the land will be sold during 1997.

The Navasota, Texas, location produced couplings used in the Company's threaded products business and was included in the tubular products business segment. The assets of this operation included machinery and equipment, buildings and land. Seperate net sales and operating profits for this location can not be identified. During 1996, the Company disposed of these assets through a capitalized lease and is recognizing the gain on these assets by using the installment method of accounting for this capitalized lease. The gain recognized was immaterial in 1996.

NOTE 6.
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1996 and 1995 consists of the following (in thousands):

	1996	1995
Land	$ 6,700	$ 6,700
Improvements to land and leaseholds	3,984	3,867
Buildings	2,642	2,563
Machinery and equipment, including equipment under capitalized leases of $7,434 in 1996 and $7,728 in 1995	23,774	23,862
Rental pile driving equipment	3,668	6,251
Construction in progress	197	318
	40,965	43,561
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases of $2,259 in 1996 and $1,663 in 1995	20,498	20,956
	$ 20,467	$ 22,605

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, 1996 (in thousands):

Year ending December 31,	Amount
1997	$ 2,004
1998	1,907
1999	1,299
2000	842
2001 and thereafter	797
Total minimum lease payments	6,849
Less amount representing interest	1,667
Total present value of minimum payments (Note 9)	5,182
Less current portion of such obligations	1,366
Long-term obligations with interest rates ranging from 7.25% to 9.75%	$ 3,816

NOTE 7.
OTHER ASSETS

At December 31, 1996 and 1995, other assets include notes receivable and accrued interest totaling $2,072,000 and $1,896,000, respectively, from investors in a private corporation. The notes, which are recorded at face value, are due if there is a change in ownership of the private corporation or March 1997, whichever occurs earlier. However, the Company has agreed, in principle, subject to the execution of satisfactory documentation, to extend the due date until August 1998. Additionally, the Company owns stock in the private corporation which is recorded at historical cost of $193,000.

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.

As of December 31, 1996, the Company was in compliance with all the agreement's covenants. At December 31, 1996, the Company had borrowed $24,000,000 under the agreement of which $18,000,000 was classified as long-term (see Note 9). Under the agreement, the Company had approximately $20,154,000 in unused borrowing commitment at December 31, 1996. At December 31, 1996, $3,436,000 was available for future dividend payments.

NOTE 9.
LONG-TERM DEBT AND RELATED MATTERS

Long-term debt at December 31, 1996 and 1995 consists of the following (in thousands):

	1996	1995
Revolving Credit Agreement with weighted average interest rate of 6.42% at December 31, 1996 and 6.57% at December 31, 1995, expiring July 1, 1999	$ 18,000	$ 20,000
Lease obligations payable in installments through 2003 with a weighted average interest rate of 8.0% at December 31, 1996 and 1995	5,182	6,300
	23,182	26,300
Less current maturities	1,366	1,266
	$ 21,816	$ 25,034

The $18,000,000 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 $18,000,000 during 1997.

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 currently and paid quarterly.

The maturities of long-term debt for each of the succeeding five years subsequent to December 31, 1996 are as follows:

1997 - $1,366,000; 1998 - $1,299,000; 1999 - $19,025,000; 2000 - $753,000; 2001 - $418,000; and 2002 and beyond - $321,000.

NOTE 10.
STOCKHOLDERS' EQUITY

At December 31, 1996 and 1995, 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.

No cash dividends on Common stock were paid in 1996, 1995, and 1994.

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, 1996, 1995 and 1994, Common stock options outstanding under the Plan had option prices ranging from $2.63 to $6.00, with a weighted average price of $3.40, $3.35, and $3.33 per share, respectively.

The weighted average remaining contractual life of the stock options outstanding for the three years ended December 31, 1996 are: 1996 - 4.2 years; 1995 - 4.7 years; and 1994 - 5.7 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 the 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 1996, 1995 or 1994.

Options exercised during 1996 and 1995 totaled 50,000 and 10,000 shares, respectively, at an exercise price of $3.00 per share. There were no options exercised during 1994.

Certain information for the three years ended December 31, 1996 relative to employee stock options is summarized as follows:

	1996	1995	1994

Number of shares under Incentive Plan option:			
Outstanding at beginning of year	965,000	975,000	725,000
Granted	40,000	25,000	256,000
Canceled	(11,000)	(25,000)	(6,000)
Exercised	(50,000)	(10,000)	
Outstanding at end of year	944,000	965,000	975,000
Exercisable at end of year	806,250	748,000	712,500
Number of shares available for future grant:			
Beginning of year	316,250	316,250	66,250
End of year	287,250	316,250	316,250

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 not be material.

NOTE 12.
EARNINGS PER COMMON SHARE

Earnings per common share are computed by dividing net income by the average number of Class A Common shares and common stock equivalents outstanding during the year. The weighted average number of Class A Common shares outstanding during the year ended December 31, 1996 were approximately 9,953,000 and approximately 9,927,000 and 9,923,000, respectively, during the years ended 1995 and 1994.

Common stock equivalents are the net additional number of shares which would be issuable upon the exercise of the outstanding common stock options (see Note 11), assuming that the Company used the proceeds to purchase additional shares at market value. Common stock equivalents had no material effect on the computation of earnings per share for the three years ended December 31, 1996.

NOTE 13.
INCOME TAXES

At December 31, 1996, the Company has available net operating loss carryforwards of approximately $2,450,000 for federal income tax purposes that expire in 2001. The federal carryforwards resulted from losses generated in 1986. The tax benefit of net operating loss carryforwards available for state income tax purposes was approximately $898,000 as of December 31, 1996. The Company also has alternative minimum federal tax credit carryforwards at December 31, 1996 of approximately $1,084,000. For financial purposes, a valuation allowance of $150,000 has been recognized to offset the deferred tax assets related to the state income 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 income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1996 and 1995 are as follows (in thousands):

	1996	1995
Deferred tax liabilities:		
Depreciation	$ 1,535	$ 1,227
Other - net	309	(60)
Total deferred tax liabilities	1,844	1,167
Deferred tax assets:		
Net operating loss carryforwards	1,730	3,419
Tax credit carryforwards	1,084	971
Total deferred tax assets	2,814	4,390
Valuation allowance for deferred tax assets	150	200
Deferred tax assets	2,664	4,190
Net deferred tax assets	$ 820	$ 3,023

The valuation allowance for deferred tax assets was reduced by $50,000, $2,499,000 and $2,374,000 during 1996, 1995 and 1994, respectively.

Significant components of the provision for income taxes are as follows (in thousands):

	1996	1995	1994
Current:			
Federal	$ 163	$ 102	$ 81
State	206	126	98
Total current	369	228	179

	1996	1995	1994
Deferred:			
Federal	2,258	(339)	(1,182)
State	(55)	(360)	(46)
Total deferred	2,203	(699)	(1,228)
Total income tax expense (benefit)	$ 2,572	$ (471)	$(1,049)

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

	1996	1995	1994
Continuing operations	$ 2,572	$ (337)	$(1,049)
Cumulative effect of accounting change		(134)	
	$ 2,572	$ (471)	$(1,049)

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

	1996	1995	1994
Statutory rate	34.0%	34.0%	34.0%
State income tax	1.6	(3.0)	0.7
Nondeductible expenses	2.2	3.0	3.1
Net operating loss		(22.9)	(28.6)
Change in valuation reserve		(30.2)	(25.5)
Prior period tax	2.0	13.2	(11.5)
Other	.2	(1.3)	3.9
	40.0%	(7.2)%	(23.9)%

NOTE 14.
RENTAL AND LEASE INFORMATION

The Company leases certain plant facilities, office facilities and equipment. Rental expense for the years ended December 31, 1996, 1995 and 1994 amounted to $1,814,000, $1,867,000, and $1,693,000, respectively.

At December 31, 1996, the Company is committed to total minimal rental payments under all noncancelable operating leases of $968,000. Generally, these leases include escalation clauses.

The minimum future rental commitments are payable as follows: 1997 - $548,000; 1998 - $211,000; 1999 - $133,000; 2000 - $65,000; and 2001 - $11,000.

NOTE 15.
RETIREMENT PLANS

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

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, 1996 is summarized as follows (in thousands):

	1996	1995	1994
Service cost	$ 81	$ 71	$ 78
Interest cost	136	121	110
Actual return on plan assets	(176)	(131)	(120)
Other	39	(3)	(3)
Net periodic pension cost	$ 80	$ 58	$ 65

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, 1996 and 1995 with the accrued pension cost included in other current liabilities on the Company's balance sheet:

(in thousands)	1996	1995
Projected benefit obligation:		
Vested benefits	$ 1,979	$ 1,810
Nonvested benefits	55	67
Total projected benefit obligation	2,034	1,877
Fair value of plan assets	1,867	1,718
Deficit of plan assets over projected benefit obligation	(167)	(159)
Unrecognized net transition asset	(112)	(121)

Unrecognized prior service cost	81	88
Unrecognized net loss	6	31
Adjustment for minimum liability	(133)	(126)
Accrued pension cost included in accrued payroll and employee benefits on the balance sheet.	$ (325)	$ (287)

Assumptions used to measure the projected benefit obligation and develop net periodic pension costs for the three years ended December 31, 1996 were:

	1996	1995	1994
Assumed discount rate	7%	7%	8%
Expected rate of return on plan assets	8%	8%	8%

There was no change to the discount rate in 1996. As a result of the change in the discount rate in 1995, the projected benefit obligation as of December 31, 1995 was approximately $270,000 more than it would have been using the previous 8% discount rate. The change had no effect on net pension cost in 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: $827,000 in 1996, $727,000 in 1995 and $710,000 in 1994.

NOTE 16.
COMMITMENTS AND CONTINGENT LIABILITIES

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

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

At December 31, 1996, the Company had outstanding letters of credit of approximately $846,000.

NOTE 17.
RISKS AND UNCERTAINTIES

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

The Company's primary supplier of piling products, Bethlehem Structural Products Corporation, has announced that their hot rolled sheet piling and structural products facility in Bethlehem, Pennsylvania, will be shut down in the first quarter of 1997. The Company has agreed to purchase Bethlehem's remaining piling production. A portion of this inventory will enable the Company to maintain its rental piling business beyond 1997. The Company is actively pursuing other options to preserve its position in the piling distribution market. Gross profit of the Bethlehem Structural Products Corporation's piling distribution business accounted for less than 10% of the Company's 1996 gross profit.

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 $5,000,000. If, for any reason, this supplier is unable to perform, the Company could experience a negative short term effect on earnings.

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 the weather.

NOTE 18.
FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The carrying amounts of the Company's financial instruments at December 31, 1996, approximate fair value with the exception of the interest rate swap agreement. At December 31, 1996, the interest rate swap agreement had no book value but had an intrinsic value of $(32,000) if the swap agreement had been canceled according to its terms on December 31, 1996.

NOTE 19.
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 and pile driving equipment and accessories for driving piling. 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, slurry lines 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 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, 1996, follows (in thousands):

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			6,728	168	20
Total	$243,071	10,349	$123,398	$ 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	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.

1994

	Net Sales	Operating Profit/Loss	Identifiable Assets	Depreciation/ Amortization	Capital Expenditures
Rail products	$ 88,862	$ 6,052	$ 46,426	$ 357	$ 319
Construction products	85,488	4,245	34,923	1,079	1,709
Tubular products	59,912	(2,063)	33,579	1,347	763
	234,262	8,234	114,928	2,783	2,791

Corporate and other			7,657	149	9
Total	$234,262	8,234	$122,585	$ 2,932	$ 2,800
Nonoperating income (expense):					
General corporate expense and unallocated other income and expense - net		(1,776)			
Interest expense		(2,067)			
Income before income taxes		$ 4,391			

Capital expenditures for 1994 do not include capitalized leases of $415,000 for corporate and other.

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, investments and deferred tax assets.

Depreciation and capital expenditure amounts for the construction products segment include the regular replacement and depreciation of rental pool assets.

NOTE 20.
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for the years ended December 31, 1996 and 1995 is presented below (in thousands, except per share amounts):

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
Earnings per common share	$ 0.02	$ 0.13	$ 0.14	$ 0.10	$ 0.39

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.

1995

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$ 55,456	$ 72,564	$ 75,662	$ 61,303	$264,985
Gross profit	$ 6,424	$ 7,748	$ 8,283	$ 6,760	$ 29,215
Income before cumulative effect of change in accounting principle	$ 402	$ 1,724	$ 2,025	$ 892	$ 5,043
Net income	$ 183	$ 1,724	$ 2,025	$ 892	$ 4,824
Earnings per common share before cumulative effect of change in accounting principle	$ 0.04	$ 0.17	$ 0.21	$ 0.09	$ 0.51
Earnings per common share	$ 0.02	$ 0.17	$ 0.21	$ 0.09	$ 0.49

Effective January 1, 1995, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This change in accounting reduced net income reported for the first quarter of 1995 by $219,000 or $0.02 per share and increased income from continuing operations in the third quarter of 1995 by $250,000 or $0.03 per share. The second quarter of 1995 includes a change in estimate with respect to interest income of $197,000. The third quarter of 1995 includes a gain of $180,000 from the sale of equipment held for disposal. The fourth quarter of 1995 includes a tax benefit of $337,000 principally for changes in net operating loss recognition and the valuation 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, 1996 and 1995, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, 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.

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

January 24, 1997
Pittsburgh, PA

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 1997 annual meeting of stockholders ("1997 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
William S. Cook, Jr.	55	Vice President - Strategic Planning & Acquisitions

Paul V. Dean	65	Vice President - Piling Products
Dean A. Frenz	53	Senior Vice President - Rail Products
Samuel K. Fisher	44	Vice President - Relay Rail
Stan L. Hasselbusch	49	Senior Vice President - Construction and Tubular Products
David L. Minor	53	Vice President - Treasurer
Roger F. Nejes	54	Senior Vice President - Finance and Administration and Chief Financial Officer
Henry M. Ortwein, Jr.	54	Group Vice President - Rail Manufacturing Products
John L. Rice	49	Vice President - Rail Distribution
Robert W. Sigle	67	Vice President - Tubular Products
Linda M. Terpenning	51	Vice President - Human Resources
David L. Voltz	44	Vice President, General Counsel and Secretary
Donald F. Vukmanic	45	Vice President - Controller

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 - Relay Rail in 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. 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 Manufacturing 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. Rice was elected Vice President - Rail Distribution in October 1993, after having served as Manager - New Rail Products since 1985. Mr. Rice joined the Company in 1972.

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 1997 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 1997 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under "Certain Transactions" in the 1997 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 1996 have been included in Item 8 of this Report:

Consolidated Balance Sheets at December 31, 1996 and 1995.

Consolidated Statements of Income For the Three Years Ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Cash Flows For the Three Years Ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1996, 1995 and 1994.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

2. Financial Statement Schedule

Schedules for the Three Years Ended December 31, 1996, 1995 and 1994:

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, filed as Exhibit 3.2 to Form 10-K for the year ended December 31, 1993.
	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.
	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.
	10.19	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.
*	10.33.2	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. Filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 1993. **
	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.
*	10.50	L. B. Foster Company 1997 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. **
	10.52	L. B. Foster Company Officer Loan Program. Filed as Exhibit 10.52 to Form 10-Q quarter ended September 30, 1996.
*	10.53	Amendment to L. B. Foster Company Officer Loan Program.
	19	Exhibits marked with an asterisk are filed herewith.
*	23.7	Consent of Independent Auditors.
*	27	Financial Data Schedule
	**	Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 1996.

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 26, 1997

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 26, 1997
By: /s/ Roger F. Nejes (Roger F. Nejes)	Senior Vice President - Finance & Administration and Chief Financial Officer	March 26, 1997
By: /s/ John W. Puth (John W. Puth)	Director	March 26, 1997
By: /s/ William H. Rackoff (William H. Rackoff)	Director	March 26, 1997
By: /s/ Richard L. Shaw (Richard L. Shaw)	Director	March 26, 1997
By: /s/Donald F. Vukmanic (Donald F. Vukmanic)	Vice President - Controller	March 26, 1997
By: /s/ James W. Wilcock (James W. Wilcock)	Chairman of the Board	March 26, 1997

L. B. FOSTER COMPANY AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994
(In Thousands)

		Additions			
	Balance at Beginning of Year	Charged to Costs and Expenses	Other	Deductions	Balance at End of Year
1996					
Deduct from assets to which they apply:					
Allowance for doubtful accounts	$ 1,800	$ 55	$	$ 52 (1)	$ 1,803
Provision for the decline in market value of inventories	$ 600	$	$	$	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 63	$ 6	$	$ 47 (3)	$ 22
Provision for environmental compliance & remediation	$ 260	$ 91	$	$ 109 (3)	$ 242
1995					
Deduct from assets to which they apply:					
Allowance for doubtful accounts	$ 1,615	$ 232	$	$ 47 (1)	$ 1,800
Provision for the decline in market value of inventories	$ 600	$	$	$	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 82	$ 10	$	$ 29 (3)	$ 63
Provision for environmental compliance & remediation	$ 279	$ 91	$	$ 110 (3)	$ 260
1994					
Deduct from assets to which they apply:					
Allowance for doubtful accounts	$ 1,598	$ 345	$	$ 328 (1)	$1,615
Provision for the decline in market value of inventories	$ 999	$	$	$ 399 (2)	$ 600
Not deducted from assets:					
Provision for special termination benefits	$ 113	$ 12	$	$ 43 (3)	$ 82
Provision for environmental compliance & remediation	$ 452	$ 172	$	$ 345 (3)	$ 279

(1) Notes and accounts receivable written off as uncollectible.
(2) The deduction is a result of a reduction in the specific tubular inventories to which the reserve applies.
(3) Payments made on amounts accrued and reversals of accruals.

L.B. FOSTER COMPANY

1985 LONG-TERM INCENTIVE PLAN AS AMENDED AND RESTATED *

ARTICLE I

PURPOSE, EFFECTIVE DATE AND AVAILABLE SHARES

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

1.2 Effective Date and Expiration of Plan. The Plan is subject to approval by the Board of Directors of the Company, and, if so approved, shall be effective January 1, 1985. Unless earlier terminated by the Board pursuant to Section 5.3, the Plan shall terminate on the twentieth anniversary of its Effective Date. No Award shall be made pursuant to the Plan after its termination date, but Awards made prior to the termination date may extend beyond that date.

1.3 Shares Available Under the Plan. L.B. Foster Company stock to be offered under the Plan pursuant to Options and SARs may be authorized but unissued common stock or previously issued shares of common stock which have been reacquired by the Company and are held in its treasury. Subject to adjustment under Section 5.6, no more than 1,500,000 shares of common stock shall be issuable upon the exercise of Options or SARs. Any shares of stock subject to an Option which for any reason is cancelled (excluding shares subject to an Option cancelled upon the exercise of a related SAR) or terminated without having been exercised shall again be available for Awards under the Plan. Shares subject to an Option cancelled upon the exercise of an SAR shall not again be available for Awards under the Plan.

* As amended July 30, 1992, March 2, 1994 and February 26, 1997.

ARTICLE II

DEFINITIONS

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

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

2.3 "Committee" means Directors, not to be less than two, appointed by the Board, each of whom is a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

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

2.5 "Director" means a director of the Company.

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

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

2.8 "Incentive Stock Option" means an option within the meaning of Section 422 of the Internal Revenue Code (i) of 1986, as amended, if granted after December 31, 1986 or (ii) of 1954, as amended, if granted before January 1, 1987.

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

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

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

2.12 "Option Price" means the price at which common stock of the Company may be purchased under an Option as provided in Section 4.6.

2.13 "Participant" means a person to whom an Award is made under the Plan.

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

2.15 "Plan" means the Company's 1985 Long-Term Incentive Plan as Amended and Restated, as amended.

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

2.17 "Stock" means common stock of the Company.

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

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

ARTICLE III

ADMINISTRATION

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

(b) A majority of the members of the Committee shall constitute a quorum for the conduct of business at any meeting. The Committee shall act by majority vote of the members present at a duly convened meeting. Action may be taken without a meeting if written consent thereto is given in accordance with applicable law.

3.2 Powers of Committee. (a) Subject to the provisions of the Plan, the Committee shall have authority, in its discretion, to determine those Key Personnel and Directors who shall receive Awards, the time or times when each such Award shall be made and the type of Award to be made, whether an Incentive Stock Option or a Nonqualified Stock Option shall be granted and the number of shares to be subject to each Option.

(b) A Director shall not participate in a vote granting himself an Option or SAR.

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

ARTICLE IV

AWARDS

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

4.2 Eligibility for Awards. Awards may be made to Key Personnel and Directors. Employees must be in Grade Level 15 or above unless otherwise selected by the Committee. In selecting Participants and in determining the form and amount of the Award, the Committee may give consideration to his or her functions and responsibilities, his or her present and potential contributions to the success of the Company, the value of his or her services to the Company, and other factors deemed relevant by the Committee.

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

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

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

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

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

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

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

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

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

4.6 Option Price and Exercise. (a) The Option Price of Stock under each Option shall be determined by the Committee but shall be not less than the higher of (i) the Fair Market Value of the Stock at the date such Option is granted or (ii) the average of the Fair Market Value of the Stock for 30 consecutive trading days commencing 45 trading days before the date of grant, as determined by the Committee.

(b) Options may be exercised from time to time by giving written notice of exercise to the Company specifying the number of shares to be purchased. The notice of exercise shall be accompanied by (i) payment in full of the Option Price in cash, certified check or cashier's check or (ii) a copy of irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds sufficient to cover the Option Price.

4.7 Delivery of Option Shares. The Company shall not be obligated to deliver any shares upon the exercise of an Option unless and until, in the opinion of the Company's counsel, all applicable federal, state and other laws and regulations have been complied with. In the event the outstanding Stock is at the time listed on any stock exchange, no delivery shall be made unless and until the shares to be delivered have been listed or authorized to be added to the list upon official notice of issuance on such exchange. No delivery shall be made until all other legal matters in connection with the issuance and delivery of shares have been approved by the Company's counsel.

Without limiting the generality of the foregoing, the Company may require from the Participant or other person purchasing shares of Stock under the Plan such investment representation or such agreement, if any, as counsel for the Company may consider necessary in order to comply with the Securities Act of 1933, as amended, and the regulations thereunder. Certificates evidencing the shares may be required to bear a restrictive legend. A stop transfer order may be required to be placed with the transfer agent, and the Company may require that the Participant or such other person agree that any sale of the shares will be made only on one or more specified stock exchanges or in such other manner as permitted by the Committee.

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

4.8 Limitations on Incentive Stock Options. (a) The aggregate Fair Market Value (determined at the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Participant's employer corporation and its parent and subsidiary corporations) shall not exceed $100,000. The foregoing sentence shall apply only to Incentive Stock Options granted after December 31, 1986.

(b) Each Incentive Stock Option granted prior to January 1, 1987 shall not be exercisable while there is outstanding any Incentive Stock Option that was previously granted to the Participant by the Company or a Subsidiary (determined as of the time such Option is granted) or a predecessor of any of such corporations. An Incentive Stock Option shall be treated as outstanding for this purpose until it is deemed exercised in full or expires by reason of lapse of time.

(c) An Incentive Stock Option shall not be granted to any Key Personnel who, at the time of grant, own stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Subsidiary.

(d) No Incentive Stock Option may be exercisable more than three months after termination of the Participant's employment with the Company or with a parent or Subsidiary of the Company, except that where such employment is terminated because of permanent and total disability, within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986 ("Permanent Disability"), or death, such period may be one year.

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

For the purpose of the Plan, termination for Cause shall mean (i) termination due to (a) willful or gross neglect of duties or (b) willful misconduct in the performance of such duties, so as to cause material harm to the Company or any Subsidiary as determined by the Board of Directors, (ii) termination due to the Participant committing fraud, misappropriation or embezzlement in the performance of his or her duties or (iii) termination due to the Participant committing any felony he is convicted of and which, as determined in good faith by the Board of Directors, constitutes a crime involving moral turpitude and results in material harm to the Company or a Subsidiary.

4.10 Death. Except as otherwise provided in the applicable Stock Option Agreement, if a Participant dies at a time when his Option is not fully exercised, then at any time or times within such period after his death, not to exceed 12 months, as may be provided in the Stock Option Agreement, such Option may be exercised as to any or all of the shares which the Participant was entitled to purchase under the Option immediately prior to his death, by his executor or administrator or the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

MISCELLANEOUS PROVISIONS

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

5.2 Amendments. The Committee may at any time discontinue granting Awards under the Plan. The Board may at any time amend the Plan or amend any outstanding Option for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law; provided that no such amendment shall result in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, becoming inapplicable to any Options or without the approval of the stockholders of the Company (a) increase the maximum number of shares of Stock available under the Plan (subject to adjustment as provided in Section 5.6), (b) reduce the exercise price of Options below the prices provided for in the Plan, (c) extend the time within which Options or SARs may be granted, (d) extend the period of an outstanding Option beyond ten (10) years from the date of grant or (e) change the designation of the persons or classes of persons eligible to receive Awards under the Plan. No amendment shall adversely affect the right of any Participant under any Award theretofore granted to him except upon his written consent to such amendment. Amendments requiring the approval of stockholders may be effected by the Board subject to such approval.

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

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

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

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

L. B. FOSTER COMPANY
1997 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 1997 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 1994, 1995 and 1996 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 1997, 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 1996 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.

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, Pomeroy, 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 1997 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 1997 Incentive Compensation Plan, which Plan shall be in effect only with respect to the fiscal year ending December 31, 1997.

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, 1997 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. 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, 1997, 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.

Those Participants who have retired or died prior to July 1, 1997 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 POMEROY AND SIXTY-FIVE PERCENT (65%) IS ALLOCATED TO RELAY RAIL.

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

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

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

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

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

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

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

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

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

     2.   $  900,000 + ($100,000 X 50%)
         ------------  x   $ 73,513  =   $36,757
          $1,900,000                     (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)
```

Smith would also be able to receive an additional award based upon Pomeroy's performance and a portion of the Genberal 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 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 or retirement with the consent of the Company's Chief Executive Officer. The amount of stock to be so distributed 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 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. 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.

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.

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, 1998, except that the timing of the distribution of stock pursuant to Article IV shall be governed by Article IV.

VIII. LIMITATIONS ON AWARDS

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

IX. ADMINISTRATION AND INTERPRETATION OF THE PLAN

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

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

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

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

L. B. FOSTER COMPANY
OFFICER LOAN PROGRAM

The Loan Program shall operate as follows:

1. Subject to the limitations of paragraph 2 below, Officers elected by the Board of Directors may borrow less than Sixty Thousand Dollars ($60,000) from the Company for the sole purpose of purchasing the Company's Class A Common Stock, either on the open market or through the exercise of a stock option granted by the Company. Assistant Secretaries and Assistant Treasurers are not eligible to participate in this Program.

2. Officers may borrow only once in any six-month period and an Officer's total outstanding borrowing at any time may not equal or exceed $60,000. The total borrowing outstanding at any time under this Program shall not exceed $1,200,000.

3. This Loan Program will be administered by the Company's Treasurer acting for the Company and subject to review by the Personnel & Compensation Committee of the Board of Directors. Officers who wish to purchase stock under the Program shall inform the Treasurer of the dollar amount or number of shares that he or she would like to purchase. If the shares are to be purchased on the open market (Nasdaq National Market), the order will be placed by the Officer, through the Treasurer, with a brokerage firm or firms from time to time selected by the Company (the "Broker") and the shares will be purchased and maintained by the Company, as pledgee. If the shares are to be purchased under a stock option, the Company will obtain possession of the stock certificate for the shares purchased, as pledgee. The officer will be the beneficial owner and pledgor of the shares so held and the Company will be the pledgee of the shares.

4. The Company will pay the cost of shares purchased on the open market for the participating Officer (including brokerage commissions and other standard charges) or the cost of shares purchased under a stock option, and such payment will constitute a loan to the Officer under the Loan Program. Such loan, and all other loans made to the Officer under this Program, will be secured by the pledge of the acquired shares. When the Officer wishes to sell any of the shares, he or she must issue appropriate directions to the Treasurer, who will arrange for the shares to be sold in the open market. The net proceeds of the sale (after brokerage commissions and other standard charges) first will be applied by the Company to the payment of outstanding loans to the Officer under this Program as the Treasurer shall determine.

5. The loans will be for the earlier of (i) five (5) years after the loan is made; or (ii) fifteen (15) days after cessation of employment, with interest accruing at the applicable Federal Rate in effect at the inception of the loan. Interest will be collected monthly via payroll deduction. A Borrower may prepay the loan in full or in part at any time and may elect at the time the loan is made to fully or partially amortize the loan via payroll deductions. Except for payments made from the proceeds of stock sales under paragraph 4 above, voluntary prepayments must be in minimum increments of One Thousand Dollars ($1,000), unless the prepayment pays the loan in full. The Company must consent to any change in the payment plan initially selected by the Borrower. Upon default, the interest rate shall increase to Mellon Bank, N.A.'s prime rate of interest, plus one percent (1%). Upon payment in full of all loans made to the Borrower under this Program, any shares of the Borrower remaining in the Pledge Account will be returned to the Borrower.

6. In the event of default, the Company may pursue any and all remedies available to it under applicable law, including without limitation, a public or private sale of the shares securing the defaulted loan, with the Borrower remaining liable for payment of any deficiency.

7. This Loan Program will be administered and interpreted by the Company's Treasurer, subject to the review of the Personnel & Compensation Committee of the Board of Directors. In connection with his administration of this Loan Program, the Treasurer shall require the Borrowers execute documents to ensure the Borrowers comply with their obligations. Such documents shall include, without limitation, for each borrowing: a loan application, a promissory note, a pledge agreement and such documents as the Company's General Counsel shall deem advisable to comply with applicable law.

8. This Loan Program may be amended or terminated at any time and for any reason.

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 24, 1997, 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, 1996.

/s/ Ernst & Young LLP

Ernst & Young LLP

Pittsburgh, Pennsylvania
March 26, 1997

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