UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

For Quarter Ended September 30, 2004

Commission File Number 0-10436

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

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

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

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

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

Yes [X] No [ ]

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

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

Class	Outstanding at November 2, 2004
Common Stock, Par Value $.01	10,034,395 Shares

L.B. FOSTER COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 183	$ 4,134
Accounts and notes receivable:		
Trade	49,495	34,668
Other	39	105
	49,534	34,773
Inventories	46,034	36,894
Current deferred tax assets	1,413	1,413
Other current assets	916	877
Property held for resale	-	446
Total Current Assets	98,080	78,537
Property, Plant & Equipment - At Cost	70,709	70,814
Less Accumulated Depreciation	(39,472)	(37,679)
	31,237	33,135
Other Assets:		
Goodwill	350	350
Other intangibles - net	470	585
Investments	14,450	13,707
Deferred tax assets	4,107	4,095
Other assets	72	750
Total Other Assets	19,449	19,487
TOTAL ASSETS	$148,766	$131,159
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 459	$ 611
Short-term borrowings expected to be refinanced, due September 2005	22,775	-
Accounts payable - trade	32,160	23,874
Accrued payroll and employee benefits	3,448	2,909
Current deferred tax liabilities	1,749	1,749
Other accrued liabilities	3,603	2,550
Total Current Liabilities	64,194	31,693
Long-Term Borrowings	-	17,000
Other Long-Term Debt	3,505	3,858
Deferred Tax Liabilities	3,653	3,653
Other Long-Term Liabilites	2,707	4,411
STOCKHOLDERS' EQUITY:		
Common stock	102	102
Paid-in capital	35,100	35,018
Retained earnings	40,923	38,399
Treasury stock	(724)	(2,304)
Accumulated other comprehensive loss	(694)	(671)
Total Stockholders' Equity	74,707	70,544
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$148,766	$131,159

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Net Sales	$ 85,858	$ 75,802	$ 228,137	$ 211,117
Cost of Goods Sold	76,534	66,261	203,498	185,447
Gross Profit	9,324	9,541	24,639	25,670
Selling and Administrative Expenses	6,993	7,096	20,448	20,493
Interest Expense	452	576	1,384	1,733
Other Income	(222)	(381)	(1,266)	(755)
	7,223	7,291	20,566	21,471
Income From Continuing Operations Before Income Taxes	2,101	2,250	4,073	4,199
Income Taxes	759	871	1,549	1,633
Income From Continuing Operations	1,342	1,379	2,524	2,566
Discontinued Operations:				
Loss From Operations of Foster Technologies	-	(70)	-	(510)
Income Tax Benefit	-	(1,616)	-	(1,789)
Income From Discontinued Operations	-	1,546	-	1,279
Net Income	$ 1,342	$ 2,925	$ 2,524	$ 3,845
Basic & Diluted Earnings Per Common Share:				
From Continuing Operations	$ 0.13	$ 0.14	$ 0.25	$ 0.27
From Discontinued Operations, Net of Tax	-	0.16	-	0.13
Basic & Diluted Earnings Per Common Share	$ 0.13	$ 0.30	$ 0.25	$ 0.40

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2004	2003
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from continuing operations	$ 2,524	$ 2,566
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	3,915	3,831
(Gain) loss on sale of property, plant and equipment	(302)	211
Unrealized gain on derivative mark-to-market	(406)	(217)
Change in operating assets and liabilities:		
Accounts receivable	(14,761)	(10,522)
Inventories	(9,140)	(3,774)
Other current assets	(39)	(348)
Other noncurrent assets	(66)	(548)
Accounts payable - trade	8,286	6,396
Accrued payroll and employee benefits	539	759
Other current liabilities	1,053	1,457
Other liabilities	(1,333)	(379)
Net Cash Used by Operating Activities	(9,730)	(568)
Net Cash Provided by Discontinued Operations	-	147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	982	9
Capital expenditures on property, plant and equipment	(2,135)	(2,037)
Net Cash Used by Investing Activities	(1,153)	(2,028)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds (repayments) of revolving credit agreement borrowings	5,775	(828)
Exercise of stock options and stock awards	1,662	304
Repayments of long-term debt	(505)	(663)
Net Cash Provided (Used) by Financing Activities	6,932	(1,187)
Net Decrease in Cash and Cash Equivalents	(3,951)	(3,636)
Cash and Cash Equivalents at Beginning of Period	4,134	3,653
Cash and Cash Equivalents at End of Period	$ 183	$ 17
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 1,208	$ 1,559
Income Taxes Paid	$ 185	$ 269

During the first nine months of 2003, the Company financed $186,000 of capital expenditures through the execution of capital leases.

See Notes to Condensed Consolidated Financial Statements.

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

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. However, actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2004. Amounts included in the balance sheet as of December 31, 2003 were derived from our audited balance sheet. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2003.

2. ACCOUNTING PRINCIPLES

In December 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 132 (Revised 2003) - "Employers' Disclosures about Pensions and Other Post-retirement Benefits" (SFAS 132R), that replaces existing FASB disclosure requirements for pensions and other post-retirement benefit plans. SFAS 132R requires companies to provide more complete details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. In addition to expanded disclosures, the standard improves information available to investors in interim financial statements. With certain exceptions, SFAS 132R was effective for fiscal years ending after December 31, 2003 and for quarters beginning after December 31, 2003. See Note 6 for the additional disclosures required by SFAS 132R.

Stock-based compensation

The Company has adopted the disclosure provisions of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) and applies the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized.

The following table illustrates the effect on the Company's income from continuing operations and earnings per share had compensation expense for the Company's stock option plans been applied using the method required by SFAS 123.

In thousands, except per share amounts	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net income from continuing operations, as reported	$1,342	$1,379	$2,524	$2,566
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	-	-	-	-
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	40	61	185	203
Pro forma income from continuing operations	$1,302	$1,318	$2,339	$2,363
Earnings per share from continuing operations:				
Basic, as reported	$0.13	$0.14	$0.25	$0.27
Basic, pro forma	$0.13	$0.14	$0.24	$0.25
Diluted, as reported	$0.13	$0.14	$0.25	$0.27
Diluted, pro forma	$0.13	$0.13	$0.23	$0.24

Pro forma information regarding net income and earnings per share for options granted has been determined as if the Company had accounted for its employee stock options under the fair value method of Statement No. 123. The fair value of stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model. There were no stock options granted to employees in the third quarter of 2004 or 2003. The following weighted-average assumptions were used for grants in the nine months ending September 30, 2004 and 2003, respectively: risk-free interest rates of 4.74% and 3.56%; dividend yield of 0.0% for both periods; volatility factors of the expected market price of the Company's Common stock of .28 and .32; and a weighted-average expected life of the option of ten years. The weighted-average fair value of the options granted in the nine months ending September 30, 2004 and 2003 was $3.91 and $2.11, respectively.

3. ACCOUNTS RECEIVABLE

Credit is extended on an evaluation of the customer's financial condition and, generally, collateral is not required. Credit terms are consistent with industry standards and practices. Trade accounts receivable at September 30, 2004 and December 31, 2003 have been reduced by an allowance for doubtful accounts of ($970,000) and ($827,000), respectively. Bad debt expense was $143,000 and $123,000 for the nine-month periods ended September 30, 2004 and 2003, respectively.

4. INVENTORIES

Inventories of the Company at September 30, 2004 and December 31, 2003 are summarized as follows in thousands:

	September 30, 2004	December 31, 2003
Finished goods	$ 27,258	$ 20,216
Work-in-process	11,024	7,379
Raw materials	10,696	11,133
Total inventories at current costs	48,978	38,728
(Less):		
LIFO reserve	(2,344)	(1,234)
Inventory valuation reserve	(600)	(600)
	$ 46,034	$ 36,894

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

5. PROPERTY HELD FOR RESALE

In August 2003, the Company reached an agreement to sell, modify, and install the Company's former Newport, KY pipe coating machinery and equipment and reclassified these assets as "held for resale". During the first quarter of 2004, the Company recognized a $493,000 gain on net proceeds of $939,000 from the sale of these assets.

6. RETIREMENT PLANS

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

The Company's funding policy for defined benefit plans is to contribute the minimum required by the Employee Retirement Income Security Act of 1974. Net periodic pension costs for the three months and nine months ended September 30, 2004 and 2003 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2004	2003	2004	2003
Service cost	$ 14	$ 15	$ 42	$ 44
Interest cost	51	49	152	147
Expected return on plan assets	(44)	(34)	(132)	(100)
Amortization of prior service cost	2	2	6	6
Recognized net actuarial loss	13	13	39	39
Net periodic benefit cost	$ 36	$ 45	$ 107	$ 136

The Company expects to contribute $360,000 to its defined benefit plans in 2004. As of September 30, 2004, $338,000 of contributions have been made.

The Company's defined contribution plan for the salaried employees allows all eligible participants to contribute up to 41% (30% maximum on a pre-tax basis and 11% maximum on an after-tax basis, subject to IRS limitations) of their compensation to the Plan. The Plan calls for the Company to contribute 1% of the employee's compensation plus $0.50 for each $1.00 contributed by the employee, subject to a maximum of from 4% to 6% of the employee's compensation, based on the years of service.

The expense associated with the defined contribution plans for the nine months ended September 30 was $452,000 in 2004 and $404,000 in 2003.

7. BORROWINGS

On September 26, 2002, the Company entered into a new credit agreement with a syndicate of three banks led by PNC Bank, N.A. The agreement provides for a revolving credit facility of up to $60,000,000 in borrowings to support the Company's working capital and other liquidity requirements.

The revolving credit facility, which matures in September 2005, is secured by substantially all of the inventory and trade receivables owned by the Company. Availability under the agreement is limited by the amount of eligible inventory and accounts receivable applied against certain advance rates. At September 30, 2004, the remaining available borrowings under this agreement were approximately $23,957,000. Interest on the credit facility is based on LIBOR plus a spread ranging from 1.75% to 2.50%. The balance outstanding on this facility is $22,775,000 and has been reclassified as "short-term borrowings expected to be refinanced" in the current liability section of the September 30, 2004 Condensed Consolidated Balance Sheets, since the agreement expires in less than twelve months. The Company has already received proposals and intends to renew or replace this credit agreement prior to its expiration in September 2005.

The agreement includes financial covenants requiring a minimum net worth and a minimum level for the fixed charge coverage ratio. The agreement also restricts dividends, investments, indebtedness, and the sale of certain assets. On September 8, 2003, the first amendment to this agreement allowed for the sale of the Company's equity interest in a specialty trackwork supplier. For more information regarding the transaction, see "Other Matters" in the Management's Discussion and Analysis section of this report. As of September 30, 2004, the Company was in compliance with all of the agreement's covenants.

8. DISCONTINUED OPERATIONS

In February 2003, substantially all of the assets of Rail segment's rail signaling and communication device business were sold for $300,000. The operations of the rail signaling and communication device business qualified as a "component of an entity" under Statement of Financial Accounting Standards No 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and thus, the operations were classified as discontinued and prior periods have been restated. During the third quarter of 2003, the Company recognized a $1,616,000 income tax benefit from the release of a valuation allowance against foreign net operating losses that were utilized as a result of the dissolution of this subsidiary.

Net sales and the results from discontinued operations were as follows:

In thousands	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Net sales	$ -	$ 1
Pretax operating loss	$ (70)	$ (440)
Pretax loss on disposal	-	(70)
Income tax benefit	1,616	1,789
Income from discontinued operations	$ 1,546	$ 1,279

9. EARNINGS PER COMMON SHARE

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

(in thousands, except earnings per share)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Numerator:				
Numerator for basic and diluted earnings per common share - net income available to common stockholders:				
Income from continuing operations	$ 1,342	$ 1,379	$ 2,524	$ 2,566
Income from discontinued operations	-	1,546	-	1,279
Net income	$ 1,342	$ 2,925	$ 2,524	$ 3,845
Denominator:				
Weighted average shares	10,018	9,593	9,924	9,562
Denominator for basic earnings per common share	10,018	9,593	9,924	9,562
Effect of dilutive securities:				
Contingent issuable shares	-	-	-	1
Employee stock options	288	181	313	119
Dilutive potential common shares	288	181	313	120
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	10,306	9,774	10,237	9,682
Basic and diluted earnings per common share:				
Continuing operations	$ 0.13	$ 0.14	$ 0.25	$ 0.27
Discontinued operations	-	0.16	-	0.13
Basic and diluted earnings per common share	$ 0.13	$ 0.30	$ 0.25	$ 0.40

10. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

In 2000, the Company's subsidiary sold concrete railroad crossing panels to a general contractor on a Texas transit project. Due to a variety of factors, including deficiencies in the owner's project specifications, the panels have deteriorated and the owner either has replaced or is in the process of replacing these panels. The general contractor and the owner are currently engaged in dispute resolution procedures, which probably will continue through the second quarter of 2005. The general contractor has notified the Company that, depending on the outcome of these proceedings, it may file a suit against the Company's subsidiary. Although no assurances can be given, the Company believes that it has meritorious defenses to such claims and will vigorously defend against such a suit.

In the second quarter of 2004, a gas company filed a complaint against the Company in Allegheny County, PA, alleging that in 1989 the Company had applied epoxy coating on 25,000 feet of pipe and that, as a result of inadequate surface preparation of the pipe, the coating had blistered and deteriorated. The Company does not believe that the gas company's alleged problems are the Company's responsibility. Although no assurances can be given, the Company believes that it has meritorious defenses to such claims and will vigorously defend against such a suit.

Another gas supply company filed suit against the Company in August, 2004, in Erie County, NY alleging that pipe coating which the Company furnished in 1989 had deteriorated and that the gas supply company has incurred $1,000,000 in damages. The Company does not, however, believe that the gas supply company's alleged problem is the Company's responsibility. Although no assurances can be given, the Company believes that it has meritorious defenses to such claims and will vigorously defend against such a suit.

At September 30, 2004, the Company had outstanding letters of credit of approximately $2,913,000.

11. BUSINESS SEGMENTS

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

	Three Months Ended September 30, 2004		Nine Months Ended September 30, 2004	
(in thousands)	Net Sales	Segment Profit	Net Sales	Segment Profit
Rail products	$ 40,996	$ 1,258	$115,682	$ 3,252
Construction products	40,535	1,517	99,731	618
Tubular products	4,327	511	12,724	1,270
Total	$ 85,858	$ 3,286	$228,137	$ 5,140

(in thousands)	Three Months Ended September 30, 2003 Net Sales	Three Months Ended September 30, 2003 Segment Profit	Nine Months Ended September 30, 2003 Net Sales	Nine Months Ended September 30, 2003 Segment Profit
Rail products	$ 35,790	$ 546	$105,125	$ 2,422
Construction products	35,228	1,553	92,661	1,834
Tubular products	4,784	840	13,331	1,763
Total	$ 75,802	$ 2,939	$211,117	$ 6,019

Segment profits, as shown above, include internal cost of capital charges for assets used in the segment at a rate of, generally, 1-% per month. There has been no change in the measurement of segment profit from December 31, 2003.

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

(in thousands)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Income for reportable segments	$ 3,286	$ 2,939	$ 5,140	$ 6,019
Cost of capital for reportable segments	2,732	2,552	7,812	7,639
Interest expense	(452)	(576)	(1,384)	(1,733)
Other income	222	381	1,266	755
Corporate expense and other unallocated charges	(3,687)	(3,046)	(8,761)	(8,481)
Income from continuing operations, before income taxes	$ 2,101	$ 2,250	$ 4,073	$ 4,199

12. COMPREHENSIVE INCOME

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

(in thousands)	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net income	$1,342	$2,925	$2,524	$3,845
Unrealized derivative gains on cash flow hedges	9	17	37	41
Foreign currency translation (losses) gains	(66)	-	(60)	8
Reclassification adjustment for foreign currency translation losses included in net income	-	-	-	48
Comprehensive income	$1,285	$2,942	$2,501	$3,942

13. RISKS AND UNCERTAINTIES

The Company's CXT Rail operations and Allegheny Rail Products division are dependent on a Class I railroad for a significant portion of their business. An agreement to supply concrete ties to this railroad expired in September 2003. The Company is still selling ties to this customer, although there are no longer annual minimum quantity requirements. In December 2003, the Company bid on a new concrete tie supply

agreement. If the bid is successful, the Company will be required to establish a new facility and to substantially renovate an existing facility to service this agreement, which would require a significant capital investment. Depending on the results of the bidding process, the value of our two existing tie facilities with total net assets of approximately $6,565,000 may become partially impaired. The results of this process are expected to be finalized in the fourth quarter of 2004.

14. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses derivative financial instruments to manage interest rate exposure on variable-rate debt, primarily by using interest rate collars and variable interest rate swaps. The Company's primary source of variable-rate debt comes from its revolving credit agreement. In conjunction with the Company's debt refinancing in the third quarter of 2002, the Company discontinued cash flow hedge accounting treatment for its interest rate collars and has applied mark-to-market accounting prospectively.

The Company has a LIBOR-based interest rate collar agreement, which became effective in March 2001 and expires in March 2006, with a notional value of $15,000,000, a maximum annual interest rate of 5.60% and a minimum annual interest rate of 5.00%. The counterparty to the collar agreement has the option, on March 6, 2005, to convert the $15,000,000 collar to a one-year, fixed-rate instrument with interest payable at an annual rate of 5.49%. The fair value of this collar agreement was a liability of $579,000 as of September 30, 2004. The Company also had a LIBOR-based interest rate collar agreement, which became effective in April 2001 and would have expired in April 2006, with a notional value of $10,000,000, a maximum annual interest rate of 5.14%, and a minimum annual interest rate of 4.97%. The counter-party to the collar agreement had the option, on April 18, 2004, to convert the $10,000,000 collar to a two-year fixed-rate instrument with interest payable at an annual rate of 5.48%. In April 2004, prior to the counter-party option, the Company terminated this interest rate collar agreement by purchasing it for its fair value of $707,000.

Although these derivatives are not deemed to be effective hedges of the new credit facility in accordance with the provisions of SFAS 133, the Company retained these instruments as protection against interest rate risk associated with the new credit agreement and the Company records the mark-to-market adjustments on these interest rate collars in its consolidated statements of operations. During the third quarter of 2004 and 2003, the Company recognized $31,000 of income and $327,000 of income, respectively, to adjust these instruments to fair value. For the nine months ended September 2004 and 2003, the Company recognized $406,000 of income and $217,000 of income, respectively, to adjust these instruments to fair value. The Company continues to apply cash flow hedge accounting to interest rate swaps.

The Company recognizes all derivative instruments on the balance sheet at fair value. Fluctuations in the fair values of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income, and reclassified into earnings as the underlying hedged items affect earnings. To the extent that a change in interest rate derivative does not perfectly offset the change in value of the interest rate being hedged, the ineffective portion is recognized in earnings immediately.

The Company is not subject to significant exposures to changes in foreign currency exchange rates. The Company will, however, manage its exposure to changes in foreign currency exchange rates on firm sales and purchase commitments by entering into foreign currency exchange contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transaction.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

General

L. B. Foster Company is a manufacturer, fabricator and distributor of products utilized in the transportation infrastructure, construction and utility markets. The Company is comprised of three business segments: Rail products, Construction products and Tubular products.

Recent Developments

Due to the escalation of steel prices, the Company recorded a $1.0 million LIFO provision in the third quarter of 2004. A number of factors, including product mix, ending inventory levels, and steel prices will determine the additional LIFO provision to be recorded in the fourth quarter.

Critical Accounting Policies

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company's specific circumstances. Application of these accounting principles requires management to make estimates about the future resolution of existing uncertainties. As a result, actual results could differ from these estimates. In preparing these financial statements, management has made its best estimates and judgments of the amounts and disclosures included in the financial statements giving due regard to materiality. There have been no material changes in the Company's policies or estimates since December 31, 2003. For more information regarding the Company's critical accounting policies, please see the Management's Discussion & Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2003.

New Accounting Pronouncements

In December 2003, the FASB issued Statement of Financial Accounting Standard No. 132 (Revised 2003) - "Employers' Disclosures about Pensions and Other Post-retirement Benefits" (SFAS 132R), that replaces existing FASB disclosure requirements for pensions and other post-retirement benefit plans. SFAS 132R requires companies to provide more complete details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. In addition to expanded disclosures, the standard improves information available to investors in interim financial statements. With certain exceptions, SFAS 132R is effective for fiscal years ending after December 31, 2003 and for quarters beginning after December 31, 2003. See Note 6 to the consolidated financial statements in this 10-Q which presents the additional disclosures required by SFAS 132R.

On October 13, 2004, the FASB concluded that Statement 123R, "Share-Based Payment, an Amendment of FASB Statements No. 123 and 95" (SFAS 123R), which would require all companies to measure compensation cost for all shared-based payments (including employee stock options) at fair value, would be effective for public companies for interim or annual periods beginning after June 15, 2005. This Statement would eliminate the ability to account for stock-based compensation transactions using APB 25 and, generally, would require instead that such transactions be accounted for using a fair-value based method, with a binomial or lattice model preferred to the Black-Scholes valuation model. The FASB's current plan is to issue a final Statement on or around December 15, 2004. The Company is currently evaluating the impact of SFAS 123R.

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(Dollars in thousands)			
Net Sales:				
Rail Products	$ 40,996	$ 35,790	$115,682	$105,125
Construction Products	40,535	35,228	99,731	92,661
Tubular Products	4,327	4,784	12,724	13,331
Total Net Sales	$ 85,858	$ 75,802	$228,137	$211,117
Gross Profit:				
Rail Products	$ 4,344	$ 3,727	$ 12,442	$ 11,735
Construction Products	5,383	5,144	11,908	12,307
Tubular Products	921	1,224	2,561	3,076
Other	(1,324)	(554)	(2,272)	(1,448)
Total Gross Profit	9,324	9,541	24,639	25,670
Expenses:				
Selling and administrative expenses	6,993	7,096	20,448	20,493
Interest expense	452	576	1,384	1,733
Other income	(222)	(381)	(1,266)	(755)
Total Expenses	7,223	7,291	20,566	21,471
Income From Continuing Operations Before Income Taxes	2,101	2,250	4,073	4,199
Income Tax Expense	759	871	1,549	1,633
Income From Continuing Operations	1,342	1,379	2,524	2,566
Discontinued Operations:				
Loss From Operations of Foster Technologies	-	(70)	-	(510)
Income Tax Benefit	-	(1,616)	-	(1,789)
Income From Discontinued Operations	-	1,546	-	1,279
Net Income	$ 1,342	$ 2,925	$ 2,524	$ 3,845
Gross Profit %:				
Rail Products	10.6%	10.4%	10.8%	11.2%
Construction Products	13.3%	14.6%	11.9%	13.3%
Tubular Products	21.3%	25.6%	20.1%	23.1%
Total Gross Profit	10.9%	12.6%	10.8%	12.2%

Third Quarter 2004 Results of Operations

Net income for the third quarter of 2004 was $1.3 million ($0.13 per share) on net sales of $85.9 million. Net income for the third quarter of 2003 was $2.9 million ($0.30 per share) and included $1.5 million ($0.16 per share) from discontinued operations primarily related to tax benefits from the dissolution of the Company's Foster Technologies subsidiary. The third quarter of 2003 income from continuing operations was $1.4 million ($0.14 per share) on net sales of $75.8 million.

Net sales for the third quarter of 2004 were $10.1 million higher than in the same period of 2003. The improvement came from our Rail and Construction segments. Rail segment sales increased almost 15% due primarily to an increase in sales of rail distribution products. Construction products' net sales also increased 15% due to an increase in sales of piling products, primarily H-beam piling. Tubular products' sales declined almost 10% due to a reduction in pipe coating service sales as certain pipeline projects have been delayed due to rising steel costs.

The Company's gross profit margin declined to 10.9% in the third quarter of 2004 compared to 12.6% in the same period of 2003. Rail products' profit margin remained steady in the third quarter comparison. The 1.3 percentage point decline in Construction products' margin was due primarily to decreased margins in our fabricated products business as heightened competition for less business has decreased selling prices, and lower volumes have created plant inefficiencies at our fabricated products facilities. Tubular products' gross profit margin fell 4.3 percentage points as volumes through our Birmingham, AL pipe-coating plant decreased and resulted in unabsorbed plant expenses. The Company uses the LIFO method to value its inventory and accordingly, an estimated LIFO provision of $1.0 million was recorded as a result of escalating steel prices. The LIFO charge reduced the consolidated gross profit margin by 1.1 percentage points.

Selling and administrative expenses declined 1% from the same prior year period. Interest expense declined 21.5% from the prior year period due principally to the April 2004 retirement of a $10.0 million notional amount LIBOR-based interest rate collar agreement. See "Market Risk and Risk Management Policies" for more details on this matter. Other income decreased almost 42%, or $0.2 million, primarily as a result of a decrease in the mark-to-market income adjustment recorded in the third quarter of 2004 related to our remaining interest rate collar.

First Nine Months of 2004 Results of Operations

For the first nine months of 2004, net income was $2.5 million ($0.25 per share) on net sales of $228.1 million. Net income for the first nine months of 2003 was $3.8 million ($0.40 per share) on net sales of $211.1 million. The prior year results included income from discontinued operations of $1.3 million ($0.13 per share) primarily related to tax benefits from the dissolution of the Company's Foster Technologies subsidiary.

Net sales for 2004 increased 8.1% over the first nine months of 2003. Rail segment sales increased 10.0% due primarily to an increase in rail distribution and concrete tie sales. Construction products' net sales increased 7.6% due to an increase in H-beam piling sales. Tubular products' sales declined 4.6% from last year's first nine months. As previously mentioned, the high cost of steel has caused certain pipeline project delays and, in turn, our pipe-coating service sales have declined.

The Company's gross profit margin declined 1.4 percentage points to 10.8%. All three of the Company's segments contributed to the decline. Rail products' profit margin declined 0.4 percentage points due to the write-down of slow-moving inventory for trackwork and transit products, and scrap variances recorded in the concrete tie operations. The 1.4 percentage point decline in Construction products' margin was due, in part, to the previously-mentioned decline in margins for our fabricated products businesses, as well as low volume inefficiency costs at our Spokane, WA concrete buildings plant during the first half of 2004. Tubular products' gross profit margin declined 3.0 percentage points due to unabsorbed plant expenses that resulted from the decline in pipe coating sales, mentioned above. As a result of escalating steel prices, the

Company recorded an estimated LIFO provision of $1.1 million that reduced its consolidated gross profit margin by 0.5 percentage points.

Selling and administrative expenses remained at 2003 levels. Interest expense declined 20.0% from the prior year as a result of the previously mentioned collar retirement and a reduction in average borrowing levels during the current year. Other income increased $0.5 million primarily as a result of the year-to-date mark-to-market adjustment recorded by the Company related to our remaining interest rate collar and the first quarter gain on the sale of the Company's former Newport, KY pipe coating machinery and equipment which had been classified as "held for resale."

Liquidity and Capital Resources

The Company's capitalization is as follows:

(in thousands)	September 30, 2004	December 31, 2003
Debt:		
Revolving credit facility	$ 22,775	$ 17,000
Capital leases	1,248	1,616
Other (primarily revenue bonds)	2,716	2,853
Total Debt	26,739	21,469
Equity	74,707	70,544
Total Capitalization	$ 101,446	$ 92,013

Debt as a percentage of capitalization (debt plus equity) increased to 26% from 23% at the 2003 year end. Working capital was $33.9 million at September 30, 2004 compared to $46.8 million at December 31, 2003. This decrease is mainly attributable to the reclassification of the Company's revolving credit facility, which expires in September 2005, to "short-term borrowings expected to be refinanced." The Company has already received proposals and intends to renew or replace this credit agreement prior to its expiration.

The Company's liquidity needs arise from seasonal working capital requirements, capital expenditures, acquisitions and debt service obligations. The following table summarized the impact of these items:

(in thousands)	September 30, 2004	2003
Liquidity needs:		
Working capital and other assets and liabilities	$ (15,461)	$ (6,959)
Capital expenditures, net of asset sales	(1,153)	(2,028)
Scheduled debt service obligations - net	(505)	(663)
Cash interest	(1,208)	(1,559)
Net liquidity requirements	(18,327)	(11,209)
Liquidity sources (uses):		
Internally generated cash flows before interest	6,939	7,950
Credit facility activity	5,775	(828)
Equity transactions	1,662	304
Other	-	147
Net liquidity sources	14,376	7,573
Net Change in Cash	$ (3,951)	$ (3,636)

Capital expenditures were $2.1 million for the first nine months of 2004 compared to $2.0 million in the same period of 2003. The amount of capital spending in 2004 will depend upon the outcome of the Company's bid on a concrete tie contract. A successful outcome will require the Company to establish a

new facility and to substantially renovate an existing facility. Excluding business acquisitions and the potential concrete tie facilities, capital expenditures for 2004 are expected to be approximately $4.0 million, and funded by cash flow from operations and available external financing sources.

The Company's Board of Directors has authorized the purchase of up to 1,500,000 shares of its Common stock at prevailing market prices. No purchases have been made since the first quarter of 2001. From August 1997 through March 2001, the Company had repurchased 973,398 shares at a cost of approximately $5.0 million. The timing and extent of future purchases will depend on market conditions and options available to the Company for alternate uses of its resources.

The Company has an agreement that provides for a revolving credit facility of up to $60.0 million in borrowings to support the Company's working capital and other liquidity requirements. The revolving credit facility, which matures in September 2005, is secured by substantially all of the Company's inventory and trade receivables. Availability under this agreement is limited by the amount of eligible inventory and accounts receivable applied against certain advance rates. Interest on the credit facility is based on LIBOR plus a spread ranging from 1.75% to 2.5%. Total revolving credit agreement borrowings at September 30, 2004 were $22.8 million, an increase of $5.8 million from December 31, 2003. At September 30, 2004, remaining available borrowings under this facility were approximately $24.0 million. The balance outstanding on this facility has been reclassified as "short-term borrowings expected to be refinanced" in the current liability section of the September 30, 2004 Condensed Consolidated Balance Sheets, since the agreement expires in less than twelve months. The Company has already received proposals and intends to renew or replace this credit agreement prior to its expiration in September 2005.

The credit agreement includes financial covenants requiring a minimum net worth and a minimum fixed charge coverage ratio. The primary restrictions to this agreement include investments, indebtedness, and the sale of certain assets. On September 8, 2003, the first amendment to this agreement allowed for the sale of the Company's equity interest in a specialty trackwork supplier. For more information regarding this transaction, see "Other Matters". As of September 30, 2004, the Company was in compliance with all of the agreement's covenants.

Outstanding letters of credit at September 30, 2004 were approximately $2.9 million. The letters of credit expire annually and are subject to renewal. Management believes its internal and external sources of funds are adequate to meet anticipated needs for the foreseeable future.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements include operating leases, purchase obligations and standby letters of credit. A schedule of the Company's required payments under financial instruments and other commitments as of December 31, 2003 are included in "Liquidity and Capital Resources" section of the Company's 2003 Annual Report filed on Form 10-K. There have been no significant changes to the Company's contractual obligations relative to the information presented in the Form 10-K. These arrangements provide the Company with increased flexibility relative to the utilization and investment of cash resources.

Dakota, Minnesota & Eastern Railroad

The Company maintains a significant investment in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately held, regional railroad, which controls over 2,500 miles of track in eight states.

At September 30, 2004, the Company's investment was comprised of $0.2 million of DM&E common stock, $1.5 million of Series B Preferred Stock and warrants, $6.0 million of Series C Preferred Stock and warrants, $0.8 million of Preferred Series C-1 Stock and warrants, and $0.5 million of Series D Preferred Stock and warrants. In addition, the Company has a receivable for accrued dividend income on Preferred Stock of approximately $5.5 million. The Company owns approximately 13.6% of the DM&E.

In December 1998, in conjunction with the issuance of Series C Preferred Stock and warrants, the DM&E ceased paying dividends on the Series B shares. The terms of the Series B Preferred Stock state in the event that regular dividends are not paid timely, dividends accrue at an accelerated rate until those dividends are paid. In addition, penalty interest accrues and compounds annually until such dividends are paid. Subsequent issuances of Series C, C-1, and D Preferred Stock have all assumed distribution priority over the previous series, with series D not redeemable until 2008. As subsequent preferred series were issued, the Company, using its own valuation estimate, began reserving against the accelerated, penalty and compounded dividends on all preferred series given the delay in anticipated realization of the asset and the priority of redemption of the various issuances. At September 30, 2004, this reserve was approximately $3.5 million. The Company continues to evaluate the adequacy of this reserve.

In June 1997, the DM&E announced its plan to build an extension from the DM&E's existing line into the low sulfur coal market of the Powder River Basin in Wyoming and to rebuild approximately 600 miles of its existing track (the Project). The estimated cost of this project is expected to exceed $2.0 billion. The Surface Transportation Board (STB) approved the Project in January 2002. In October 2003, however, the 8th U.S. Circuit Court of Appeals remanded the matter to the STB and instructed the STB to address, in its environmental impact statement, the Project's effects on air quality, noise and vibration, and preservation of historic sites. On January 30, 2004, the 8th U. S. Circuit Court of Appeals denied petitions seeking a rehearing of the case.

If the Project proves to be viable, management believes that the value of the Company's investment in the DM&E could increase significantly. If the Project does not come to fruition, management believes that the value of the Company's investment is supported by the DM&E's existing business.

In December 2003, the DM&E received a Railroad Rehabilitation and Improvement Financing (RRIF) Loan in the amount of $233.0 million from the Federal Railroad Administration. Funding provided by the 25-year loan was used to refinance debt and upgrade infrastructure along parts of its existing route.

Other Matters

Specialty trackwork sales of the Company's Rail segment have declined since a decision was made to terminate our relationship with a principal trackwork supplier during the third quarter of 2002. In the third quarter of 2003, we exchanged our minority ownership interest and advances to this supplier for a $5.5 million promissory note from the supplier's owner, with principal and accrued interest to be repaid beginning in January 2008. The value of this note has been fully reserved and no gain or loss was recorded on this transaction. During the first nine months of 2004 and 2003, the volume of business the supplier conducted with the Company was approximately $1.5 million and $7.9 million, respectively. Substantially all of the order backlog has been completed.

During the first quarter of 2003, the Company sold certain assets and liabilities of its Foster Technologies subsidiary, engaged in the rail signaling and communication device business, for $0.3 million. This subsidiary had been classified as a discontinued operation in December 2002. During the first nine months of 2003, losses from this business were principally due to losses incurred up to the sale date, as well as certain charges taken primarily related to employee severance costs and an accrual for the remaining lease obligation. Income from this business during the third quarter of 2003 consisted of a tax benefit which resulted primarily from the release of a $1.6 million valuation allowance against foreign net operating losses.

We continue to evaluate the overall performance of our operations. A decision to down-size or terminate an existing operation could have a material adverse effect on near-term earnings but would not be expected to have a material adverse effect on the financial condition of the Company.

Outlook

Our CXT Rail operations and Allegheny Rail Products division are dependent on a Class I railroad for a significant portion of their business. Our agreement to supply concrete ties to this railroad expired in September 2003. We are still selling ties to this customer, although there are no longer annual minimum quantity requirements. In December 2003, we bid on a new concrete tie supply agreement. If our bid is successful, we will be required to establish a new facility and to substantially renovate an existing facility to service this agreement, which would require a significant capital investment. Depending on the results of the bidding process, the value of our two existing tie facilities with total net assets of approximately $6.6 million may become partially impaired. The results of this process are expected to be finalized in the fourth quarter of 2004.

Steel is a key component in the products that we sell. The high price of scrap steel, which is used by mini-mills to manufacture many steel products, continues to play a significant role in our businesses. Producers and other suppliers continue to quote high prices or are quoting monthly price surcharges. Some of our suppliers are experiencing supply problems. Since many of the Company's projects can be six months to twenty-four months in duration, we have, on occasion, found ourselves caught in the middle of some of these pricing and availability issues. While we believe this highly unusual situation to be temporary in nature, it could have a negative impact on the Company's sales volumes, results of operations and cash flows until the market normalizes.

In 2003, we received an increased but still limited supply of sheet piling from our exclusive supplier. While insufficient sheet piling was available for the first half of 2004, the supply has improved during the third quarter.

A substantial portion of the Company's operations is heavily dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. The most recent extension of the federal highway and transit bill (TEA-21) is to expire in May, 2005, as reauthorization of a successor bill continues to be delayed. A new highway and transit bill is important to the future growth and profitability of many of the Company's businesses. Our fabricated products and rail transit businesses continue to be slow and are experiencing more competitive pressure due to the lack of new legislation. Additionally, government actions concerning taxation, tariffs, the environment, or other matters could impact the operating results of the Company. The Company's operating results may also be affected negatively by adverse weather conditions.

Although backlog is not necessarily indicative of future operating results, total Company backlog at September 30, 2004, was approximately $102.8 million. The following table provides the backlog by business segment:

	Backlog		
(In thousands)	September 30, 2004	December 31, 2003	September 30, 2003
Rail Products	$ 26,620	$ 37,529	$ 25,084
Construction Products	73,460	67,100	74,219
Tubular Products	2,687	1,035	1,731
Total	$ 102,767	$ 105,664	$ 101,034

Market Risk and Risk Management Policies

The Company does not purchase or hold any derivative financial instruments for trading purposes. The Company uses derivative financial instruments to manage interest rate exposure on variable-rate debt, primarily by using interest rate collars and variable interest rate swaps. The Company's primary source of variable-rate debt comes from its revolving credit agreement. In conjunction with the Company's debt

refinancing in the third quarter of 2002, the Company discontinued cash flow hedge accounting treatment for its interest rate collars and has applied mark-to-market accounting prospectively. The Company has a LIBOR-based interest rate collar agreement, which became effective in March 2001 and expires in March 2006, with a notional value of $15,000,000, a maximum annual interest rate of 5.60% and a minimum annual interest rate of 5.00%. The counterparty to the collar agreement has the option, on March 6, 2005, to convert the $15,000,000 collar to a one-year, fixed-rate instrument with interest payable at an annual rate of 5.49%. The fair value of this collar agreement was a liability of $579,000 as of September 30, 2004. The Company also had a LIBOR-based interest rate collar agreement, which became effective in April 2001 and expires in April 2006, with a notional value of $10,000,000, a maximum annual interest rate of 5.14%, and a minimum annual interest rate of 4.97%. The counter-party to the collar agreement had the option, on April 18, 2004, to convert the $10,000,000 collar to a two-year fixed-rate instrument with interest payable at an annual rate of 5.48%. In April 2004, prior to the counter-party option, the Company terminated this interest rate collar agreement by purchasing it for its fair value of $707,000.

Although these derivatives are not deemed to be effective hedges of the new credit facility in accordance with the provisions of SFAS 133, the Company retained these instruments as protection against interest rate risk associated with the new credit agreement and the Company records the mark-to-market adjustments on these interest rate collars in its consolidated statements of operations. During the third quarter of 2004 and 2003, the Company recognized $31,000 of income and $327,000 of income, respectively, to adjust these instruments to fair value. For the nine months ended September 2004 and 2003, the Company recognized $406,000 of income and $217,000 of income, respectively, to adjust these instruments to fair value. The Company continues to apply cash flow hedge accounting to interest rate swaps.

The Company recognizes all derivative instruments on the balance sheet at fair value. Fluctuations in the fair values of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income, and reclassified into earnings as the underlying hedged items affect earnings. To the extent that a change in interest rate derivative does not perfectly offset the change in value of the interest rate being hedged, the ineffective portion is recognized in earnings immediately.

The remaining interest rate collar agreement has a minimum annual interest rate of 5.00% to a maximum annual interest rate of 5.60%. Since the interest rate on the revolving credit agreement floats with the short-term market rate of interest, the Company is exposed to the risk that these interest rates may decrease below the minimum annual interest rate on the interest rate collar agreement. The effect of a 1% decrease in rate of interest below the 5.00% minimum annual interest rate on $22.0 million of outstanding floating rate debt would result in increased annual interest costs of approximately $0.2 million.

The Company is not subject to significant exposures to changes in foreign currency exchange rates. The Company will, however, manage its exposure to changes in foreign currency exchange rates on firm sales and purchase commitments by entering into foreign currency exchange contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transaction.

Forward-Looking Statements

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

The Company cautions readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements 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, such as references made to the future profitability, made from time to time by representatives of the Company. Additional delays in a Virginia steel mill's production of sheet piling products, or failure to produce substantial quantities of sheet piling products could adversely impact the Company's earnings. The inability to successfully negotiate a new sales contract with a current Class I railroad customer could have a negative impact on the operating results of the Company. The Company's businesses could be affected adversely by continued price increases in the steel scrap market. 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, the adequacy of internal and external sources of funds to meet financing needs, taxes, inflation and governmental regulations. Sentences containing words such as "believes," "intends," "anticipates," "expects," or "will" generally should be considered forward-looking statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the "Market Risk and Risk Management Policies" section under Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. CONTROLS AND PROCEDURES

a) As of the end of the period covered by this report, L. B. Foster Company (the Company) carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a - 15(e) and 15d - 15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to timely alert them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

b) There have been no significant changes in the Company's internal controls over financial reporting that occurred in the period covered by this report that have materially affected or are likely to materially affect the Company's internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 10, "Commitments and Contingent Liabilities", to the Condensed Consolidated Financial Statements.

Item 6. EXHIBITS

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

3.1 Restated Certificate of Incorporation, filed as Exhibit 3.1 to Form 10-Q for the quarter ended March 31, 2003.

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, 2002.

4.0 Rights Amendment, dated as of May 15, 1997 between L. B.Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4.0 to Form 10-K for the year ended December 31, 2002.

4.0.1 Amended Rights Agreement dated as of May 14, 1998 between L.B. Foster Company and American Stock Transfer and Trust Company, filed as Exhibit 4.0.1 to Form 10-Q for the quarter ended March 31, 2003.

4.0.2 Revolving Credit and Security Agreement dated as of September 26, 2002, between L. B. Foster Company and PNC Bank, N. A., filed as Exhibit 4.0.2 to Form 10-Q for the quarter ended September 30, 2002.

4.0.3 First Amendment to Revolving Credit and Security Agreement dated September 8, 2003, between the Registrant and PNC Bank, N.A, filed as Exhibit 4.0.3 to Form 10-Q for the quarter ended September 30, 2003.

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

10.12.1 Second Amendment dated March 12, 1996 to lease between CXT Incorporated and Crown West Realty, LLC, successor, filed as Exhibit 10.12.1 to Form 10-K for the year ended December 31, 1999.

10.12.2 Third Amendment dated November 7, 2002 to lease between CXT Incorporated and Crown West Realty, LLC, filed as Exhibit 10.12.2 to Form 10-K for the year ended December 31, 2002.

10.12.3 Fourth Amendment dated December 15, 2003 to lease between CXT Incorporated and Crown West Realty, LLC, filed as Exhibit 10.12.3 to Form 10-K for the year ended December 31, 2003.

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

10.13.1 Amendment dated June 29, 2001 between CXT Incorporated and Crown West Realty, filed as Exhibit 10.13.1 to Form 10-K for the year ended December 31, 2002.

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

10.15.1 Renewal Rider for lease between CXT Incorporated, Union Pacific Railroad Company and Nevada Railroad Materials, Inc., dated December 17, 2003, and filed as Exhibit 10.15.1 to Form 10-K for the year ended December 31, 2003.

10.15.2 Renewal Rider for lease between CXT Incorporated and Union Pacific Railroad Company dated December 17, 2003 and filed as Exhibit 10.15.2 to Form 10-K for the year ended December 31, 2003.

10.16 Lease between Registrant and Suwanee Creek Business Center, LLC dated February 13, 2004, and filed as Exhibit 10.16 to Form 10-Q for the quarter ended June 30, 2004.

10.17 Lease between Registrant and the City of Hillsboro, TX dated February 22, 2002, filed as Exhibit 10.17 to Form 10-K for the year ended December 31, 2002.

10.19 Lease between Registrant and American Cast Iron Pipe Company for pipe-coating facility in Birmingham, AL dated December 11, 1991, filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 2002.

10.19.1 Amendment to Lease between Registrant and American Cast Iron Pipe Company for pipe-coating facility in Birmingham, AL dated November 15, 2000, and filed as Exhibit 10.19.2 to Form 10-K for the year ended December 31, 2000.

10.20 Equipment Purchase and Service Agreement by and between the Registrant and LaBarge Coating LLC, dated July 31, 2003, and filed as Exhibit 10.20 to Form 10-Q for the quarter ended September 30, 2003.

10.33.2 Amended and Restated 1985 Long-Term Incentive Plan as of February 26, 1997, filed as Exhibit 10.33.2 to Form 10-Q for the quarter ended March 31, 2003. **

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

10.45 Medical Reimbursement Plan effective January 1, 2004, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 2003. **

10.46 Leased Vehicle Plan as amended and restated on June 9, 2004, filed as Exhibit 10.46 to Form 10-Q for the quarter ended June 30, 2004. **

10.51 Supplemental Executive Retirement Plan, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 2002. **

10.52 Outside Directors' Stock Award Plan, filed as Exhibit 10.52 to Form 10-K for the year ended December 31, 2002. **

10.53 Directors' resolutions dated May 13, 2003, under which directors' compensation was established, filed as Exhibit 10.53 to Form 10-Q for the quarter ended June 30, 2003. **

10.55 2004 Management Incentive Compensation Plan, filed as Exhibit 10.55 to Form 10-K for the year ended December 31, 2003. **

19 Exhibits marked with an asterisk are filed herewith.

* 31.1 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.

* 31.2 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.

* 32.0 Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

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

SIGNATURE

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

L.B. FOSTER COMPANY
(Registrant)

Date: November 12, 2004

By: /s/David J.Russo
David J. Russo
Senior Vice President,
Chief Financial Officer and Treasurer
(Duly Authorized Officer of Registrant)

Exhibit 31.1

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

I, Stan L. Hasselbusch, President and Chief Executive Officer of L. B. Foster Company, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of L. B. Foster Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d - 15(e)) for the registrant and we have:

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

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

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

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

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

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

November 12, 2004

/s/ Stan L. Hasselbusch

Name: Stan L. Hasselbusch
Title: President and Chief Executive Officer

Exhibit 31.2

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

I, David J. Russo, Senior Vice President, Chief Financial Officer and Treasurer of L. B. Foster Company, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of L. B. Foster Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d - 15(e)) for the registrant and we have:

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

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

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

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

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

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

November 12, 2004

/s/ David J. Russo

Name: David J. Russo
Title: Senior Vice President,
Chief Financial Officer and Treasurer

Exhibit 32.0

CERTIFICATE PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of L. B. Foster Company does hereby certify to the best of their knowledge and belief that:

(1) The quarterly report on Form 10-Q for the quarter ended September 30, 2004, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this quarterly report on Form 10-Q for the quarter ended September 30, 2004, fairly presents, in all material respects, the financial condition and results of operations of L. B. Foster Company.

Date: November 12, 2004

By: Stan L. Hasselbusch

Stan L. Hasselbusch
President and
Chief Executive Officer

Date: November 12, 2004

By: David J. Russo

David J. Russo
Senior Vice President,
Chief Financial Officer and
Treasurer