FOSTER L B CO
Form 10-K
March 13, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 0-10436
L. B. FOSTER COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania	**25-1324733**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*
415 Holiday Drive, **Pittsburgh, Pennsylvania**	**15220**
(Address of principal executive offices)	*(Zip Code)*

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value $0.01	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. o Yes þ No

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. þ Yes o No

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 of this Form 10-K or any amendment to this form 10-K. o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter was $343,236,606.

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 February 17, 2009**
Common Stock, Par Value $0.01	10,225,855 shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 2009 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12 and 14 of Part III.

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PART I

ITEM 1. *BUSINESS*

Summary Description of Businesses

L. B. Foster Company is a leading manufacturer, fabricator and distributor of products and services for the rail, construction, energy and utility markets. 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 concrete railroad ties, insulated rail joints, power rail, track fasteners, coverboards and special accessories for mass transit and other rail systems worldwide.

For the construction industry, the Company sells steel sheet piling, H-bearing piling, pipe piling and provides rental sheet piling for foundation requirements. In addition, Foster supplies precast concrete buildings, fabricated structural steel, bridge decking, bridge railing, expansion joints and other products for highway construction and repair.

For tubular markets, the Company supplies pipe coatings for natural gas pipelines and utilities. The Company also produces threaded pipe products for industrial water well and irrigation markets and sells micropiles for construction foundation repair and slope stabilization.

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 Item 8, Note 20. 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		
	2008	**2007**	**2006**
Rail Products	**46%**	51%	49%
Construction Products	**47%**	42%	46%
Tubular Products	**7%**	7%	5%
	100%	100%	100%

RAIL PRODUCTS

L. B. Foster Company s rail products include heavy and light rail, relay rail, concrete ties, 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 sells some 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, industrial customers, and transit agencies 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. Insulated joints are manufactured at the Company s facilities in Pueblo, CO and Niles, OH.

The Company s Transit Products division supplies power rail, direct fixation fasteners, 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 Trackwork division produces new and relay trackwork for industrial and export markets.

The Company s CXT subsidiary manufactures engineered concrete railroad ties for the railroad and transit industries at its facilities in Spokane, WA, Grand Island, NE and Tucson, AZ.

CONSTRUCTION PRODUCTS

L. B. Foster Company s construction products consist of sheet, pipe and bearing piling, fabricated highway products, and precast concrete buildings.

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 rented and bearing piling is sold principally to public projects as well as the private sector.

Other construction products consist of precast concrete buildings, sold principally to national and state parks, and fabricated highway products. Fabricated highway products consist principally of fabricated structural steel, bridge decking, aluminum and steel bridge rail and other bridge products, which are fabricated by the Company. The major purchasers of these products are contractors for state, municipal and other governmental projects.

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

TUBULAR PRODUCTS

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. In addition, the Company sells micropiles for construction foundation repair and slope stabilization.

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 50 people, including outside sales, inside sales, and customer service representatives. The Company maintains 14 sales offices and 15 warehouses, plant and yard facilities located throughout the country. During 2008, approximately 6% 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 semi-finished product. With the exception of relay rail which is purchased from railroads or rail take-up contractors, the Company purchases most of its inventory from domestic and foreign steel producers. There are few domestic suppliers of new rail products and the Company could be adversely affected if a domestic supplier ceased making such material available to the Company.

Additionally, the Company has an agreement with a steel mill to distribute steel sheet piling and bearing pile in North America. The Company also purchases cement and aggregate used in its concrete railroad tie and precast concrete building businesses from a variety of suppliers. 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 anti-dumping duties if products are sold in the United States below certain prices.

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BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 2008 and 2007 from continuing operations by business segment follows:

	December 31, 2008	2007
	In thousands	
Rail Products	**$ 68,438**	$ 61,597
Construction Products	**57,626**	70,342
Tubular Products	**6,524**	6,375
Total from Continuing Operations	**$ 132,588**	$ 138,314

Approximately 3% of the December 31, 2008 backlog is related to projects that will extend beyond 2009.

RESEARCH AND DEVELOPMENT

The Company s expenditures for research and development are not material.

ENVIRONMENTAL DISCLOSURES

It is not possible to quantify 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 stringent environmental regulations may have an adverse effect on the Company s future earnings.

In December 2008, the Company received a Third-Party Complaint, filed in the U.S. District Court for the Western District of Oklahoma, alleging that the Company and others were responsible for certain contamination which migrated to adjacent properties in Payne County, Oklahoma. The Company is alleged to have owned the initially contaminated property pursuant to a 1978 quit claim deed. The Company sold, by quit claim deed, its interests, if any, in this property in 1979. The Company has referred this matter to its insurance carrier and, subject to reservations, the insurance carrier is defending this claim.

EMPLOYEES AND EMPLOYEE RELATIONS

As of December 2008, the Company had 641 employees, of whom 379 are hourly production workers and 262 are salaried employees. Approximately 140 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 or defined contribution plans. Substantially all of the Company s salaried employees are covered by a defined contribution plan.

ITEM 1A. *RISK FACTORS*

Forward Looking Statements

We make forward looking statements in this report based upon management s understanding of our business and markets and on information currently available to us. Such statements include information regarding future events and expectations and frequently include words such as believes, expects, anticipates, intends, plans, estimates, or similar expressions.

Forward looking statements include known and unknown risks and uncertainties. Actual future results may differ greatly from these statements and expectations that we express in this report. We encourage all readers to carefully consider the Risk Factors below and all the information presented in our 2008 Annual Report on Form 10-K and caution you not to rely unduly on any forward looking statements.

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

Risks and Uncertainties

General Economic Conditions

We could be adversely impacted by prolonged negative changes in economic conditions affecting either our suppliers or customers as well as the capital markets. No assurances can be given that we will be able to successfully mitigate various prolonged uncertainties including materials cost variability, delayed or reduced customer payments and access to available capital resources outside of operations.

Markets and Competition

We face strong competition in all of the markets in which we participate. Our response to competitor pricing actions and new competitor entries into our product lines, could negatively impact our overall pricing in the marketplace. Efforts to improve pricing could negatively impact our sales volume in all product categories. Significant negative developments in these areas could adversely affect our financial results and condition.

Customer Reliance

Foster could be adversely affected by changes in the business or financial condition of a customer or customers. No assurances can be given that a significant downturn in the business or financial condition of a customer, or customers, would not impact our results of operations and /or financial condition.

A significant decrease in capital spending by our railroad customers could negatively impact our product revenue. The Company s CXT Rail operation and Allegheny Rail Products division are dependent on the Union Pacific Railroad (UPRR) for a significant portion of their business. The CXT Rail operation was awarded a long-term contract from the UPRR for the supply of prestressed concrete railroad ties. CXT Rail expanded and modernized its Grand Island, NE plant in 2005, and completed construction of a new facility in Tucson, AZ in 2006 to accommodate the contract s requirements. UPRR has agreed to purchase minimum annual quantities from the Grand Island, NE facility through December 2010, and the Tucson, AZ facility through December 2012.

A substantial portion of our operations are heavily dependent on governmental funding of infrastructure projects. Many of these projects have Buy America or Buy American provisions. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on our operating results. Additionally, government actions concerning Buy America provisions, taxation, tariffs, the environment, or other matters could impact our operating results.

Supplier Reliance

In our rail and piling distributed products businesses, we rely on one or two suppliers for key products that we sell to our customers. No assurances can be given that a significant downturn in the business of one of these suppliers, a disruption in their manufacturing operations, an unwillingness to continue to sell to us or a disruption in the availability of existing and new piling and rail products would not adversely impact our financial results.

A significant portion of our Construction segment net sales and profits are related to the purchase and resale of piling products. Our primary supplier relationship with Gerdau Ameristeel Corporation remains intact. However, no assurances can be given and if we are unable to continue to distribute the products of Gerdau Ameristeel Corporation, our results of operations and liquidity could be adversely affected.

Raw Material Costs and Availability

Most of Foster s businesses utilize steel as a significant product component. The steel industry is cyclical and prices as well as availability are subject to international market forces. We also use significant amounts of cement and aggregate in our concrete railroad tie and our precast concrete building businesses. Cement and aggregate prices

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have been increasing over recent years. This has not yet had a significant impact on the Company. No assurances can be given that our financial results would not be adversely affected if prices or availability of these materials were to change in a significantly unfavorable manner.

Acquisition Growth Strategy

We continue to evaluate acquisition opportunities that have the potential to support and strengthen our business. We can give no assurances that any opportunity will arise or if they do, that they will be consummated or that potential additional financing will be available. In addition, acquisitions involve inherent risks that the acquired business will not perform in accordance with our expectations. We may not be able to achieve the synergies and other benefits we expect from the integration as successfully or rapidly as projected, if at all. Our failure to integrate newly acquired operations could prevent us from realizing our expected rate of return on an acquired business and could have a material or adverse effect on our results of operations and financial condition.

Union Workforce and Labor Relations

Three of the Company s manufacturing facilities are staffed by employees represented by labor unions. These 135 employees are currently working under two separate collective bargaining agreements.

In October 2007, we negotiated the renewal of the collective bargaining agreement with our Spokane, WA workforce represented by the United Steelworkers Local Number 338. This agreement, covering approximately 110 employees, expires in September 2011.

In March 2008, we negotiated the renewal of the collective bargaining agreement with our Bedford, PA workforce represented by the Shopman s Local Union Number 527. This agreement, covering approximately 30 employees, expires in March 2011.

Additionally, the existing collective bargaining agreements may not prevent a work stoppage at L. B. Foster s facilities.

Legal Contingencies

Changes in our expectations of the outcome of certain legal actions could vary materially from our current expectations and adversely affect our financial results and/or financial condition.

DM&E Contingent Payments

As part of the 2007 sale of our investment in the Dakota, Minnesota and Eastern Railroad (DM&E) to the Canadian Pacific Railway Limited (CP), we exchanged our investment in the common stock and warrants for future contingent payments based on (i) construction commencing on the Powder River Basin Expansion Project (PRB) and (ii) certain PRB tonnage thresholds being surpassed. The CP is obligated to pay the DM&E s former equity holders an aggregate of $350.0 million, plus interest at 5% per annum, if the CP commences construction of the PRB expansion prior to December 31, 2025. Additionally, CP shall cause the equity holders to receive certain payments not to exceed $707.0 million if the CP attains milestones, as set forth in the sales agreement, related to PRB coal tonnage thresholds prior to December 31, 2025.

Our share of any of this construction milestone payment or individual future coal milestone payments, if any such payments are made, prior to expenses and any offsets, is approximately 121/4%. No assurances can be given that any of these payments will be made and the CP has stated that it may take several years for it to determine whether to construct the PRB expansion. For more information regarding the sale of our investment in the DM&E, please see our Management s Discussion and Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2007.

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Unexpected Events

Unexpected events including fires or explosions at facilities, natural disasters, war, unplanned outages, equipment failures, failure to meet product specifications, or a disruption in certain of our operations may cause our operating costs to increase or otherwise impact our financial performance.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

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
Bedford, PA	Bridge component fabricating plant.	10	Construction	Owned
Birmingham, AL	Pipe coating facility.	32	Tubular	2017
Georgetown, MA	Bridge component fabricating plant.	11	Construction	Owned
Grand Island, NE	CXT concrete tie plant.	9	Rail	2010
Hillsboro, TX	Precast concrete facility.	9	Construction	2012
Houston, TX	Casing, upset tubing, threading, heat treating and painting. Yard storage.	20	Tubular, Rail and Construction	2018
Niles, OH	Rail fabrication. Trackwork manufacturing. Yard storage.	35	Rail	Owned
Petersburg, VA	Piling storage facility.	48	Construction	Owned
Pueblo, CO	Rail joint manufacturing and lubricator assembly.	9	Rail	Owned
Spokane, WA	CXT concrete tie plant.	13	Rail	2010
Spokane, WA	Precast concrete facility.	5	Construction	2012
Tucson, AZ	CXT concrete tie plant.	19	Rail	2012

Including the properties listed above, the Company has 14 sales offices, including its headquarters in Pittsburgh, PA, and 15 warehouses, plant and yard facilities located throughout the country. The Company s facilities are in good condition.

ITEM 3. ***LEGAL PROCEEDINGS***

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. The Company s insurance carrier, although it reserved its right to deny coverage, has undertaken the defense of this claim.

In November 2005, the City of Clearfield, Utah, filed suit in the Second District Court, Davis County, Utah, against the Utah Department of Transportation, a general contractor, four design engineers and/or consultants, a bonding company and the Company. The City alleged that the design and engineering of an overpass in 2000 had been faulty and that the Company had provided the mechanical stabilized earth wall system for the project. The City

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alleged that the embankment to the overpass began, in 2001, to fail and slide away from the stabilized earth wall system, resulting in damage in excess of $3.0 million. The Company believes that it has meritorious defenses to these claims, that the Company s products complied with all applicable specifications and that other factors accounted for any alleged failure. The Company has referred this matter to its insurance carrier, which, although it reserved its right to deny coverage, has undertaken the defense of this claim.

In December 2008, the Company received a Third-Party Complaint, filed in the US. District Court for the Western District of Oklahoma, alleging that the Company and others were responsible for certain contamination which migrated to adjacent properties in Payne County, Oklahoma. The Company is alleged to have owned the initially contaminated property pursuant to a 1978 quit claim deed. The Company sold, by quit claim deed, its interests, if any, in this property in 1979. The Company has referred this matter to its insurance carrier and, subject to reservations, the insurance carrier is defending this claim.

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

None.

ITEM 4A. ***EXECUTIVE OFFICERS OF THE REGISTRANT***

Information concerning the executive officers of the Company is set forth below.

Name	Age	Position
Stan L. Hasselbusch	61	President and Chief Executive Officer
Merry L. Brumbaugh	51	Vice President Tubular Products
Samuel K. Fisher	56	Senior Vice President Rail
Donald L. Foster	53	Senior Vice President Construction Products
Kevin R. Haugh	52	Vice President CXT Concrete Products
John F. Kasel	44	Senior Vice President Operations and Manufacturing
Brian H. Kelly	49	Vice President Human Resources
Gregory W. Lippard	40	Vice President Rail Product Sales
Linda K. Patterson	59	Controller
David J. Russo	50	Senior Vice President, Chief Financial Officer and Treasurer
David R. Sauder	38	Vice President Global Business Development
David L. Voltz	56	Vice President, General Counsel and Secretary

Mr. Hasselbusch has been Chief Executive Officer and a director of the Company since January 2002, and President of the Company since March 2000. He served as Vice President Construction and Tubular Products from December 1996 to December 1998 and as Chief Operating Officer from January 1999 until he was named Chief Executive Officer in January 2002.

Ms. Brumbaugh was elected Vice President Tubular Products in November 2004, having previously served as General Manager, Coated Products since 1996. Ms. Brumbaugh has served in various capacities with the Company since her initial employment in 1980.

Mr. Fisher was elected Senior Vice President Rail in October 2002, having previously served as Senior Vice President Product Management since June 2000. From October 1997 until June 2000, Mr. Fisher served as Vice

President Rail Procurement. Prior to October 1997, Mr. Fisher served in various other capacities with the Company since his employment in 1977.

Mr. Donald Foster was elected Senior Vice President Construction Products in February 2005, after having served as Vice President Piling Products since November 2004 and General Manager of Piling since September 2004. Prior to joining the Company, Mr. Foster was President of Metalsbridge, a financed supply chain logistics entity. He served U.S. Steel Corporation as an officer from 1999 to 2003. During that time, Mr. Foster functioned as

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Vice President International, President of UEC Technologies and President, United States Steel International, Inc. Since joining U.S. Steel Corporation in 1979 he served in a number of general management roles in the distribution and construction markets.

Mr. Haugh was elected Vice President CXT Concrete Products in March 2008 after joining the organization in February 2008. Prior to joining the Company, Mr. Haugh served as Executive Vice President of CANAC, Inc., a subsidiary of Savage Services, and Senior Vice President of Savage Services from 2001 to 2008. His career also included President of Railserve, Inc. prior to 2001.

Mr. Kasel was elected Senior Vice President Operations and Manufacturing in May 2005 having previously served as Vice President Operations and Manufacturing since April 2003. Mr. Kasel served as Vice President of Operations for Mammoth, Inc., a Nortek company from 2000 to 2003. His career also included General Manager of Robertshaw Controls and Operations Manager of Shizuki America prior to 2000.

Mr. Kelly was elected Vice President, Human Resources in October 2006 after joining the organization in September 2006. Prior to joining the Company, Mr. Kelly headed Human Resources for 84 Lumber Company from June 2004. Previously, he served as a Director of Human Resources for American Greetings Corp from June 1994 to June 2004, and he began his career with Nabisco in 1984, serving in progressively responsible generalist human resources positions in both plants and the headquarters.

Mr. Lippard was elected Vice President Rail Product Sales in June 2000. Prior to re-joining the Company in 2000, Mr. Lippard served as Vice President International Trading for Tube City, Inc. from June 1998. Mr. Lippard served in various other capacities with the Company since his initial employment in 1991.

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

Mr. Russo was elected Senior Vice President, Chief Financial Officer and Treasurer in December 2002, having previously served as Vice President and Chief Financial Officer since July 2002. Mr. Russo was Corporate Controller of WESCO International Inc., a distributor of electrical and industrial MRO supplies and integrated supply services, from 1999 until joining the Company in 2002. Mr. Russo also served as Corporate Controller of Life Fitness Inc., an international designer, manufacturer and distributor of aerobic and strength training fitness equipment.

Mr. Sauder was elected Vice President Global Business Development upon joining the Company in November 2008. Prior to joining the Company, Mr. Sauder was Director, Global Business Development at Joy Mining Machinery where he was responsible for leading mergers and acquisitions and new business initiatives from December 2007. Prior to that, he was Manager, Business Development for Eaton Corporation from April 2006 to December 2007. He previously held various positions of increasing responsibility at Duquesne Light Company from August 1998 to April 2006 and PNC Bank from February 1993 to August 1998.

Mr. Voltz was elected Vice President, General Counsel and Secretary in December 1987. Mr. Voltz joined the Company in 1981.

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

Code of Ethics

L. B. Foster Company has a legal and ethical conduct policy applicable to all directors and employees, including its Chief Executive Officer, Chief Financial Officer and Controller. This policy is posted on the Company s website, *www.lbfoster.com*. The Company intends to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its policy by posting such information on the Company s website.

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PART II

ITEM 5. *MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Stock Market Information

The Company had 546 common shareholders of record on January 31, 2009. Common stock prices are quoted daily through the NASDAQ Global Select Market quotation service (Symbol FSTR). The quarterly high and low bid price quotations for common shares (which represent prices between broker-dealers and do not include markup, markdown or commission and may not necessarily represent actual transactions) follow:

	2008		**2007**	
Quarter	**High**	**Low**	**High**	**Low**
First	**$ 51.57**	**$ 36.43**	$ 25.92	$ 18.21
Second	**47.96**	**31.02**	28.68	20.41
Third	**39.38**	**29.61**	44.72	29.42
Fourth	**34.85**	**20.46**	57.97	38.15

Dividends

No cash dividends were paid on the Company s Common stock during 2008 and 2007, and the Company has no plan to pay dividends in the foreseeable future. The Company s ability to pay cash dividends is limited by its revolving credit agreement.

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Performance Graph

The following table compares total shareholder returns for the Company over the last five years to the NASDAQ Composite Index and the Company s Peer Group assuming a $100 investment made on December 31, 2003. Each of the three measures of cumulative total return assumes reinvestment of dividends. The stock performance shown on the graph below is not necessarily indicative of future price performance.

The Company s Peer Group is composed of Michael Baker Corp., A.M. Castle & Co., Greenbriar Cos., Inc., Northwest Pipe Co, Texas Industries Inc. and Wabtec Corporation. The Company s peer group was established by selecting similar companies in the rail, construction and steel industries.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among L.B. Foster Company, The NASDAQ Composite Index
And A Peer Group

* $100 invested on 12/31/03 in stock & index-including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Return					
	12/03	**12/04**	**12/05**	**12/06**	**12/07**	**12/08**
L.B. Foster Company	$ 100.00	$ 146.46	$ 228.83	$ 398.62	$ 795.85	$ 481.23
NASDAQ Composite	100.00	110.08	112.88	126.51	138.13	80.47
Peer Group	100.00	158.86	182.36	213.52	235.96	177.01

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2008 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by shareholders	194,700	$ 5.54	471,627
Equity compensation plans not approved by shareholders			
Total	194,700	$ 5.54	471,627

The Company awarded shares of its common stock to its outside directors on a biannual basis from June 2000 through January 2003 under an arrangement not approved by the Company s shareholders. A total of 22,984 shares of common stock were so awarded and this program has been terminated. At the Company s 2003 Annual Shareholders Meeting, a new plan was approved by the Company s shareholders under which outside directors received 2,500 shares of the Company s common stock at each annual shareholder meeting at which such outside director was elected or re-elected, commencing with the Company s 2003 Annual Shareholders Meeting. Through 2005 there were 30,000 shares issued under this plan. This plan was discontinued on May 24, 2006 when the Company s shareholders approved the 2006 Omnibus Incentive Plan. Under the 2006 Omnibus Incentive Plan, non-employee directors automatically are awarded 3,500 shares, or a lesser amount determined by the directors, of the Company s common stock at each annual shareholder meeting at which such non-employee director is elected or re-elected, commencing May 24, 2006. Through December 31, 2008 there were 45,500 fully vested shares issued under the 2006 Omnibus Incentive Plan to non-employee directors. Additionally, pursuant to the 2006 Omnibus Incentive Plan, during 2008 the Company issued to its officers approximately 11,000 fully-vested shares in lieu of a cash payment earned under the Three Year Incentive Plan.

Issuer Purchases of Equity Securities

The Company s and affiliated purchaser s purchases of equity securities for the three month period ended December 31, 2008 were as follows:

	Total Number of Shares	Approximate Dollar Value of Shares

	Total Number of Shares Purchased(1)	Average Price Paid per Share	Purchased as Part of Publicly Announced Plans or Programs	that May Yet Be Purchased Under the Plans or Programs
Nine months ended September 30, 2008	569,909	$ 34.80	569,909	$ 5,169,810
October 1, 2008 October 31, 2008	224,400	22.05	224,400	15,221,790
November 1, 2008 November 30, 2008	71,223	23.92	71,223	13,518,222
December 1, 2008 December 31, 2008				
Total	865,532	$ 30.60	865,532	$ 13,518,222

(1) On May 12, 2008, the Board of Directors authorized the repurchase of up to $25,000,000 of the Company s common shares until June 30, 2010. On October 28, 2008, the Board of Directors authorized the repurchase of up to an additional $15,000,000 of the Company s common shares until December 31, 2010 at which time this authorization will expire.

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ITEM 6. *SELECTED FINANCIAL DATA*

Income Statement Data	2008(1)	2007(2)	2006(3)	2005(4)(5)	2004(4)(6)
	Year Ended December 31, (All amounts are in thousands, except per share data)				
Net sales	**$ 512,592**	$ 508,981	$ 389,788	$ 325,990	$ 271,209
Operating profit	**$ 39,249**	$ 38,980	$ 17,934	$ 8,210	$ 1,780
Income from continuing operations	**$ 27,746**	$ 110,724	$ 10,715	$ 4,848	$ 889
(Loss) income from discontinued operations, net of tax		(31)	2,815	586	591
Net income	**$ 27,746**	$ 110,693	$ 13,530	$ 5,434	$ 1,480
Basic earnings per common share:					
Continuing operations	**$ 2.60**	$ 10.39	$ 1.03	$ 0.48	$ 0.09
Discontinued operations			0.27	0.06	0.06
Basic earnings per common share	**$ 2.60**	$ 10.39	$ 1.30	$ 0.54	$ 0.15
Diluted earnings per common share:					
Continuing operations	**$ 2.57**	$ 10.09	$ 0.99	$ 0.46	$ 0.09
Discontinued operations			0.26	0.06	0.06
Diluted earnings per common share	**$ 2.57**	$ 10.09	$ 1.25	$ 0.52	$ 0.14

(1) 2008 includes pre-tax gains of $2,022,000 associated with the receipt of escrow proceeds related to the prior year sale of the Company s DM&E investment and $1,486,000 from the sale and lease-back of our threaded products facility in Houston, TX.

(2) 2007 includes $8,472,000 in dividend income and a $122,885,000 pre-tax gain due to the announcement and consummation, respectively, of the sale of the Company s investment in the DM&E.

(3) 2006 includes a $3,005,000 gain from the sale of the Company s former Geotechnical Division which was classified as discontinued operations.

(4) 2005 2004 were restated to reflect the classification of the Company s former Geotechnical Division as discontinued operations.

(5) 2005 includes a benefit of $450,000 due to the release of a valuation allowance related to the Company s ability to utilize state net operating losses and other state tax incentives prior to their expiration.

(6)

2004 includes a $493,000 gain from the sale of the Company s former Newport, KY pipe coating machinery and equipment which had been classified as held for resale .

	December 31,				
Balance Sheet Data	**2008**	**2007**	**2006**	**2005**	**2004**
Total assets	**$ 332,120**	$ 330,772	$ 235,833	$ 178,868	$ 134,095
Working capital	**202,264**	200,645	90,844	57,009	46,831
Long-term debt	**21,734**	28,056	54,273	29,276	17,395
Stockholders equity	**217,562**	213,826	98,033	79,989	73,743

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

Executive Level Overview

2008 was a year marked by a significant rapid increase in steel prices for the first seven months of the year followed by a significant and steep decline in steel prices during the last five months of the year. Our results were both favorably and unfavorably impacted by those swings but on the whole, both sales and profits benefitted from this environment in 2008. With a few exceptions at certain divisions, our sales volumes declined compared to 2007, while our average selling prices were much higher. These higher prices were the primary reason for the slight increase in net sales as well as the $12.7 million LIFO charge incurred in 2008.

During 2008, we purchased 865,532 shares of our common stock for approximately $26.5 million pursuant to two separate Board authorizations totaling $40.0 million. We have approximately $13.5 million remaining on the second authorization that expires on December 31, 2010.

From a cash flow perspective, highlights from 2008 are as follows:

- We generated $24.1 million of cash from operating activities
- Proceeds from the sale of capital assets exceeded capital expenditures
- We repurchased $26.5 million of our common stock
- $6.7 million of debt was repaid

While we expect to be challenged in 2009 by reduced sales volumes, reduced production volumes and a recessionary economic environment, we also expect to be profitable and to generate solid positive cash flow.

Finally, in March 2009, we completed an amendment to our Revolving Credit Agreement which will provide us more flexibility in utilizing our cash to repurchase our common stock, acquire capital assets or enter into joint ventures without violating certain covenants.

General

L.B. Foster Company is a leading manufacturer, fabricator and distributor of products and services for the rail, construction, energy and utility markets. The Company is comprised of three business segments: Rail products, Construction products and Tubular products.

The Company makes certain filings with the Securities and Exchange Commission (SEC), including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports, available free of charge through its website, *www.lbfoster.com*, as soon as reasonably practicable after they are filed with the SEC. These filings are also available through the SEC at the SEC s Public Reference Room at 100 F Street N.E. Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at *www.sec.gov*. The Company s press releases are also available on its website.

Rail Products

The Rail products segment is composed of several manufacturing and distribution businesses that provide a variety of products for railroads, transit authorities, industrial companies and mining applications throughout the Americas. Rail products has sales offices throughout the United States and frequently bids on rail projects where it can offer products manufactured by the Company or sourced from numerous suppliers. These products may be provided as a package to rail lines, transit authorities and construction contractors which reduces the customer s procurement efforts and provides value added, just in time delivery.

The Rail products segment designs and manufactures bonded insulated rail joints and a variety of specialty trackwork, cuts and drills rail and manufactures concrete cross ties and turnout ties. The Company has concrete tie manufacturing facilities in Spokane, WA, Grand Island, NE, and Tucson, AZ. The Company also has two facilities that design, test and fabricate rail products in Atlanta, GA and Niles, OH.

The Rail distribution business provides our customers with access to a variety of products including stick rail, continuous welded rail, specialty trackwork, power rail and various rail accessories. This is a highly competitive business that, once specifications are met, depends heavily on pricing. The Company maintains relationships with several rail manufacturers but procures the majority of the rail it distributes from one supplier. Rail accessories are sourced from a wide variety of suppliers.

Construction Products

The Construction products segment is composed of the following business units: piling, fabricated products, and precast concrete buildings.

The piling division, via a sales force deployed throughout the United States, markets and sells piling internationally. This division offers its customers various types and dimensions of structural beam piling, sheet piling, and pipe piling. These piling products are sourced from various suppliers. The Company is the primary distributor of domestic bearing pile and sheet piling for its primary supplier.

The fabricated products unit manufactures a number of fabricated steel and aluminum products primarily for the highway, bridge and transit industries including grid reinforced concrete deck and open steel grid flooring systems, guardrails, and expansion joints and heavy structural steel fabrications.

The precast concrete buildings unit manufactures concrete buildings for national, state and municipal parks. This unit manufactures restrooms, concession stands and other protective storage buildings available in multiple designs, textures and colors. The Company believes it is the leading high-end supplier in terms of volume, product options and capabilities. The buildings are manufactured in Spokane, WA and Hillsboro, TX.

Tubular Products

The Tubular products segment has two discrete business units: coated pipe and threaded products.

The coated pipe unit, located in Birmingham, AL, coats the outer dimension and, to a lesser extent, the inner dimension of pipe primarily for the gas transmission and, to a much lesser extent, oil transmission industries. Coated pipe partners with its primary customer, a pipe manufacturer, to market fusion bonded epoxy coatings, abrasion resistant coatings and internal linings for a wide variety of pipe dimensions for pipeline projects throughout North America.

The threaded products unit, located in Houston, TX, cuts, threads and paints pipe primarily for water well applications for the agriculture industry and municipal water authorities. Threaded products is also in the micro-pile business and threads pipe used in earth and other structural stabilization.

2008 Developments

We entered 2008 anticipating that while the UPRR would continue to purchase concrete ties under our agreement, total 2008 purchases would be reduced as compared to 2007 levels. During 2008 we took certain steps to mitigate this loss of business including reducing the workforce at both facilities, developing a new industrial concrete tie, as well as other efficiency efforts including extending the cure times of our concrete ties. 2008 actual purchases by the UPRR were approximately 30% lower than prior year levels at our Grand Island, NE and Tucson, AZ concrete tie facilities. We anticipate that our 2008 concrete tie sales volumes to the UPRR will continue into 2009 at similar levels.

In December 2007, we entered into a preliminary agreement to sell approximately 63 acres of real estate located in Houston, TX used primarily by our Tubular Products segment with a purchase price of $6.5 million. This transaction closed on March 3, 2008. Pursuant to the agreement, we leased back from the purchaser approximately 20 acres of the real estate for a ten year term at a monthly rental rate of $1,000 per acre with annual 3% increases for our threaded product operations. We recorded a pre-tax gain of approximately $1.5 million upon closing of the sale and recorded a deferred gain of approximately $2.1 million which will be amortized over the life of the lease, 120 months. Currently, we are leasing approximately 25 acres of this real estate.

In March 2008, we recorded a gain of approximately $2.0 million related to the receipt of escrow proceeds from a favorable working capital adjustment pursuant to the sale of our investment in the DM&E railroad. Additionally in March 2008, we negotiated the renewal of the collective bargaining agreement with our Bedford, PA workforce represented by the Shopmen s Local Union Number 527. This agreement, covering approximately 30 employees, expires in March 2011.

In May 2008, the Board of Directors authorized the repurchase of up to $25.0 million of the Company s common shares until June 30, 2010. In October 2008, the Board of Directors authorized the repurchase of up to an additional $15.0 million of the Company s common shares until December 31, 2010 at which time this authorization will expire. Pursuant to these announcements, the Company purchased 865,532 shares for approximately $26.5 million at an average price of $30.60. For additional information regarding the Company s share repurchase program, refer to Part II, Item 5 Issuer Purchases of Equity Securities on page 13.

Critical Accounting Policies and Estimates

The Company s significant accounting policies are described in Note 1 to the consolidated financial statements. 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 the method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company s specific circumstance. Application of these accounting principles requires management to make estimates that affect the reported amount of assets, liabilities, revenues, and expenses, and the related disclosure of contingent assets and liabilities. The following critical accounting policies relate to the Company s more significant judgments and estimates used in the preparation of its consolidated financial statements. There can be no assurance that actual results will not differ from those estimates.

Asset impairment The Company is required to test for asset impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Company applies Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144) in order to determine whether or not an asset is impaired. This statement indicates that if the sum of the future expected cash flows associated with an asset, undiscounted and without interest charges, is less than the carrying value, an asset impairment must be recognized in the financial statements. The amount of the impairment is the difference between the fair value of the asset and the carrying value of the asset. The Company believes that the accounting estimate related to an asset impairment is a critical accounting estimate as it is highly susceptible to change from period to period and because it requires management to make assumptions about the existence of impairment indicators and cash flows over future years. These assumptions impact the amount of an impairment, which would have an impact on the income statement. There have been no asset impairments recorded as of December 31, 2008.

Allowance for Bad Debts The Company s operating segments encounter risks associated with the collection of accounts receivable. As such, the Company records a monthly provision for accounts receivable that are deemed uncollectible. In order to calculate the appropriate monthly provision, the Company reviews its accounts receivable aging and calculates an allowance through application of historic reserve factors to overdue receivables. This calculation is supplemented by specific account reviews performed by the Company s credit department. As necessary, the application of the Company s allowance rates to specific customers is reviewed and adjusted to more accurately reflect the credit risk inherent within that customer relationship. The reserve is reviewed on a monthly basis. An account receivable is written off against the allowance when management determines it is uncollectible.

The Company believes that the accounting estimate related to the allowance for bad debts is a critical accounting estimate because the underlying assumptions used for the allowance can change from period to period and the allowance could potentially cause a material impact to the income statement. Specific customer circumstances and general economic conditions may vary significantly from management s assumptions and may impact expected earnings. At December 31, 2008 and 2007, the Company maintained an allowance for bad debts of $2.6 million and $1.5 million, respectively.

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Product Liability The Company maintains a current liability for the repair or replacement of defective products. For certain manufactured products, an accrual is made on a monthly basis as a percentage of cost of sales. For long-term construction projects, a liability is established when the claim is known and quantifiable. The product liability accrual is periodically adjusted based on the identification or resolution of known individual product liability claims. The Company believes that this is a critical accounting estimate because the underlying assumptions used to calculate the liability can change from period to period. At December 31, 2008 and 2007, the product liability was $1.4 million and $1.9 million, respectively.

Slow-Moving Inventory The Company maintains reserves for slow-moving inventory. These reserves, which are reviewed and adjusted routinely, take into account numerous factors such as quantities-on-hand versus turnover, product knowledge, and physical inventory observations. The Company believes this is a critical accounting estimate because the underlying assumptions used in calculating the reserve can change from period to period and could have a material impact on the income statement. At December 31, 2008 and 2007, the reserve for slow-moving inventory was $4.2 million and $3.8 million, respectively.

Revenue Recognition on Long-Term Contracts Revenues from long-term contracts are recognized using the percentage of completion method based upon the proportion of actual costs incurred to estimated total costs. For certain products, the percentage of completion is based upon the ratio of actual direct labor costs to estimated total direct labor costs.

As certain contracts extend over one or more years, revisions to estimates of costs and profits are reflected in the accounting period in which the facts that require the revisions become known. Historically, the Company s estimates of total costs and costs to complete have reasonably approximated actual costs incurred to complete contracts. At the time a loss on a contract becomes known, the entire amount of the estimated loss is recognized in the financial statements. The Company estimates the extent of progress towards completion, contract revenues and contract costs on its long-term contracts. The Company believes these estimates are critical accounting estimates because they require the use of judgments due to uncertainties inherent in the estimation process. As a result, actual revenues and profits could differ materially from estimates.

Pension Plans The calculation of the Company s net periodic benefit cost (pension expense) and benefit obligation (pension liability) associated with its defined benefit pension plans (pension plans) requires the use of a number of assumptions that the Company deems to be critical accounting estimates . Changes in these assumptions can result in a different pension expense and liability amounts, and future actual experience can differ significantly from the assumptions. The Company believes that the two most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate.

The expected long-term rate of return reflects the average rate of earnings expected on funds invested or to be invested in the pension plans to provide for the benefits included in the pension liability. The Company establishes the expected long-term rate of return at the beginning of each fiscal year based upon information available to the Company at that time, including the plan s investment mix and the forecasted rates of return on these types of securities. Any differences between actual experience and assumed experience are deferred as an unrecognized actuarial gain or loss. The unrecognized actuarial gains or losses are amortized in accordance with SFAS No. 87, Employers Accounting for Pensions (SFAS 87). The expected long-term rate of return determined by the Company for 2008 and 2007 was 7.75%. Pension expense increases as the expected long-term rate of return decreases.

The assumed discount rate reflects the current rate at which the pension benefits could effectively be settled. In estimating that rate, SFAS 87 requires that the Company looks to rates of return on high quality, fixed income investments. The Company s pension liability increases as the discount rate is reduced. Therefore, the decline in the assumed discount rate has the effect of increasing the Company s pension obligation and future pension expense. The assumed discount rate used by the Company was 6.00% and 6.25% for 2008 and 2007, respectively.

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158, Employers Accounting for Defined Benefit Pension Plans and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R), (SFAS 158). SFAS 158 required the Company to recognize the funded status of its defined benefit plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income/(loss), net of tax. The adjustment to accumulated comprehensive income/(loss) at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition assets remaining from the initial adoption of SFAS 87.

Deferred Tax Assets The recognition of deferred tax assets requires management to make judgments regarding the future realization of these assets. As prescribed by SFAS No. 109, Accounting for Income Taxes (SFAS 109), valuation allowances must be provided for those deferred tax assets for which it is more likely than not (a likelihood more than 50%) that some portion or all of the deferred tax assets will not be realized. SFAS 109 requires management to evaluate positive and negative evidence regarding the recoverability of deferred tax assets. Determination of whether the positive evidence outweighs the negative and quantification of the valuation allowance requires management to make estimates and judgments of future financial results. The Company believes that these estimates and judgments are critical accounting estimates .

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). This Interpretation applies to all open tax positions accounted for in accordance with SFAS 109. This Interpretation is intended to result in increased relevance and comparability in financial reporting of income taxes and to provide more information about the uncertainty in income tax assets and liabilities. We adopted this interpretation on January 1, 2007.

See Note 15, Income Taxes . The Company s ability to realize these tax benefits may affect the Company s reported income tax expense and net income.

New Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of SFAS No. 115, (SFAS 159). SFAS 159 permits entities to measure eligible financial assets, financial liabilities and firm commitments at fair value, on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting principles generally accepted in the United States. The fair value measurement election is irrevocable and subsequent changes in fair value must be recorded in earnings. The Company already records derivative contracts at fair value in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133). The adoption of SFAS 159 on January 1, 2008 had no impact on the Company as management did not elect the fair value option for any other financial instruments or certain other assets and liabilities.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, (SFAS 141R) which replaces SFAS No. 141. SFAS 141R retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning after December 15, 2008. The Company will adopt the provisions of this standard beginning January 1, 2009.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157, (FSP FAS 157-2). FSP FAS 157-2 delayed the effective date of SFAS 157 (refer to Note 2) for all non-recurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. The Company will adopt the provisions of this standard beginning January 1, 2009.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133, (SFAS 161). SFAS 161 requires enhanced disclosures about an entity s derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS 133, and (iii) how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows. This standard is effective for fiscal years beginning after December 15, 2008. As SFAS 161 only requires enhanced disclosures, this standard will have no impact on the Company s financial position or results of operations when it is adopted on January 1, 2009.

In October 2008, the FASB issued FSP FAS No. 157-3, Fair Value Measurements, (FSP FAS 157-3). FSP FAS 157-3 clarifies the application of SFAS 157 in an inactive market and provides an example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The adoption of this standard did not have a material impact on the Company s financial position or results of operations.

In December 2008, the FASB issued FSP FAS No. 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets, (FSP FAS 132R-1). FSP FAS 132R-1 requires additional disclosures for employers pension and other postretirement benefit plan assets. As pension and other postretirement benefit plan assets were not included within the scope of SFAS No. 157, FSP FAS 132R-1 requires employers to disclose information about fair value measurements of plan assets similar to the disclosures required under SFAS No. 157, the investment policies and strategies for the major categories of plan assets and significant concentrations of risk within plan assets. FSP FAS 132R-1 is effective for fiscal years beginning after December 15, 2009. As FSP FAS 132R-1 only requires enhanced disclosure requirements, this standard will have no impact on the Company s financial position or results of operations when it is adopted on January 1, 2010.

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Results of Operations   Fourth Quarter

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
	Dollars in thousands	
Net Sales:		
Rail Products	**$ 62,006**	$ 56,802
Construction Products	**73,309**	49,286
Tubular Products	**8,453**	7,927
Total Net Sales	**$ 143,768**	$ 114,015
Gross Profit:		
Rail Products	**$ 8,621**	$ 8,714
Construction Products	**14,112**	9,255
Tubular Products	**2,339**	2,112
LIFO (Expense) Benefit	**(4,883)**	212
Other	**(184)**	(332)
Total Gross Profit	**20,005**	19,961
Expenses:		
Selling and Administrative Expenses	**11,552**	9,322
Interest Expense	**452**	700
Gain on Sale of DM&E Investment		(122,885)
Interest Income	**(657)**	(1,175)
Other Expense (Income)	**94**	(226)
Total Expenses (Income)	**11,441**	(114,264)
Income from Continuing Operations, Before Income Taxes	**8,564**	134,225
Income Tax Expense	**2,907**	47,991
Income From Continuing Operations	**5,657**	86,234
Discontinued Operations:		
Loss From Discontinued Operations		(2)
Income Tax Expense		
Loss From Discontinued Operations		(2)
Net Income	**$ 5,657**	$ 86,232
Gross Profit%:		
Rail Products	**13.9%**	15.3%
Construction Products	**19.3%**	18.8%
Tubular Products	**27.7%**	26.6%
Total Gross Profit%	**13.9%**	17.5%

Fourth Quarter of 2008 vs. Fourth Quarter of 2007

Net income for the fourth quarter of 2008 was $5.7 million ($0.55 per diluted share) on net sales of $143.8 million compared to net income for the prior year period of $86.2 million ($7.79 per diluted share) on net sales of $114.0 million. Net income for the fourth quarter of 2007 includes a pre-tax gain of $122.9 million from the sale of our investment in the DM&E railroad. Excluding this gain, earnings per diluted share were $0.73 during the fourth quarter of 2007.

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Sales increased $29.8 million, or 26.1%, compared to the prior year period. Rail Products sales increased 9.2% to $62.0 million due to rail distribution and improved concrete ties sales at our Spokane, WA facility. Our rail distribution business benefitted from both increases in sales volumes as well as a rising steel price environment. Our Spokane, WA plant added an additional production line during the 2008 fourth quarter to accommodate increased concrete tie sales volumes. Additionally, customer requested delivery delays deferred sales from the 2008 third quarter into the current quarter. These increases were offset by reduced sales throughout the remainder of the segment. Our track panel plant in Pueblo, CO ended its operations at the beginning of 2008 due to the loss of its contract with its main customer. Reductions in the volume of orders associated with our contract with the UPRR for concrete ties had a negative impact at our Grand Island, NE, and Tucson, AZ facilities. Lower volumes of concrete turnout ties at our Spokane, WA facility also negatively impacted sales. Lastly, market conditions at our transit products division negatively impacted sales compared to the prior year period.

Construction Products sales increased 48.7%, or $24.0 million, compared to the fourth quarter of 2007 driven almost exclusively by piling sales. This improvement is attributable to both rising structural steel prices and the expansion in the market presence of engineered solutions for open cells, of which our flat sheet piling is a main component, throughout North America. Our Tubular Products sales increased to $8.5 million, or 6.6%, in comparison to the prior year period. Our coated pipe facility in Birmingham, AL continued to experience solid demand from the energy market it serves. Partially offsetting this increase was our threaded products division experiencing reduced sales orders due to the rising price environment.

Our gross profit margin decreased to 13.9%, a reduction of 3.6 percentage points, compared to the 2007 fourth quarter due, in part, to the negative impact of increased quarterly LIFO charges of approximately $5.1 million. Rail Products profit margin decreased 1.4 percentage points to 13.9% largely due to the impact of significant drops in the price of scrap steel. Additionally, gross profit margins were suppressed from reduced sales volumes in track panels, concrete ties, turnout ties and transit products. Our Grand Island, NE concrete tie facility experienced additional margin compression from increased manufacturing variances. These decreases were partially mitigated by margin improvement at our Tucson, AZ facility and at our ARP division. The reduction of inefficiencies at our Tucson, AZ concrete tie facility related to concrete mix design and operational issues has driven margin improvement. Finally, we achieved margin expansion at our ARP division due to improved billing margins and reduced inventory obsolescence.

Construction Products gross profit margin increased 0.5 percentage points to 19.3% from the prior year period due to improvement in all divisions, primarily piling. This improvement is attributable to our sales of open cell systems as well as the significant price increases in structural steel that occurred throughout 2008. Improved production efficiencies and reduced obsolescence within our concrete buildings division also contributed to the margin improvement. Our Tubular Products gross margins expanded by 110 basis points to 27.7% resulting from increased higher margin micropile sales. Partially offsetting this improvement was our Birmingham, AL facility which suffered margin compression due to escalating material costs.

Selling and administrative expenses increased 23.9% to $11.6 million from the same prior year period due to increased bad debt expense of $1.5 million due principally to one customer as well as increased salaries. Interest expense decreased $0.2 million from the fourth quarter of 2007 due to reduced borrowings and interest rates. We generated $0.5 million less in interest income due to reduced cash invested as well as reduced rates during the current quarter compared to the prior quarter. Income taxes from continuing operations for the fourth quarter of 2008 were recorded at approximately 33.9% compared with the prior year period of 35.8%. The lower rate in the current period quarter was due primarily to an increase in the domestic production activities deduction.

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Annual Results of Operations

	Twelve Months Ended December 31,			Percent of Total Net Revenues Year Ended December 31,			Percent Increase/(Decrease)	
	2008	2007	2006	2008	2007	2006	2008 vs. 2007	2007 vs. 2006
	Dollars in thousands							
Net Sales:								
Rail Products	**$ 234,686**	$ 260,634	$ 189,236	**45.8%**	51.2%	48.5%	**–10.0%**	37.7%
Construction Products	**243,103**	211,867	180,797	**47.4**	41.6	46.4	**14.7**	17.2
Tubular Products	**34,803**	36,480	19,755	**6.8**	7.2	5.1	**–4.6**	84.7
Total Net Sales	**$ 512,592**	$ 508,981	$ 389,788	**100.0%**	100.0%	100.0%	**0.7%**	30.6%

	Twelve Months Ended December 31,			Gross Profit Percentage Year Ended December 31,			Percent Increase/(Decrease)	
	2008	2007	2006	2008	2007	2006	2008 vs. 2007	2007 vs. 2006
	Dollars in thousands							
Gross Profit:								
Rail Products	**$ 35,815**	$ 32,675	$ 20,953	**15.3%**	12.5%	11.1%	**9.6%**	55.9%
Construction Products	**49,369**	36,501	28,925	**20.3**	17.2	16.0	**35.3**	26.2
Tubular Products	**9,158**	10,092	3,920	**26.3**	27.7	19.8	**–9.3**	157.4
LIFO Expense	**(12,710)**	(1,463)	(916)	**–2.5**	–0.3	–0.2	**768.8**	59.7
Other	**(1,414)**	(1,422)	(1,291)	**–0.3**	–0.3	–0.3	**–0.6**	10.1
Total Gross Profit	**$ 80,218**	$ 76,383	$ 51,591	**15.6%**	15.0%	13.2%	**5.0%**	48.1%

	Twelve Months Ended December 31,			Percent of Total Net Revenues Year Ended December 31,			Percent Increase/(Decrease)	
	2008	2007	2006	2008	2007	2006	2008 vs. 2007	2007 vs. 2006
	Dollars in thousands							
Expenses:								
Selling and Administrative Expenses	**$ 40,969**	$ 37,403	$ 33,657	**8.0%**	7.3%	8.6%	**9.5%**	11.1%
Interest Expense	**1,995**	4,031	3,390	**0.4**	0.8	0.9	**–50.5**	18.9
Dividend Income		(9,214)	(990)	**0.0**	–1.8	–0.3	**–100.0**	830.7

Gain on Sale of DM&E Investment	**(2,022)**	(122,885)		**–0.4**	–24.1	**	**	**
Gain on Sale of Houston, TX property	**(1,486)**			**–0.3**	**	**	**	**
Interest Income	**(2,675)**	(1,196)	(4)	**–0.5**	–0.2	0.0	**	**
Other Expense (Income)	**158**	(267)	(251)	**0.0**	–0.1	–0.1	**–159.2**	6.4
Total Expenses (Income)	**36,939**	(92,128)	35,802	**7.2%**	–18.1%	9.2%	**–140.1%**	–357.3%
Income from Continuing Operations, Before Income Taxes	**43,279**	168,511	15,789	**8.4%**	33.1%	4.1%	**–74.3%**	967.3%
Income Tax Expense	**15,533**	57,787	5,074	**3.0**	11.4	1.3	**–73.1**	1038.9
Income From Continuing Operations	**27,746**	110,724	10,715	**5.4**	21.8	2.7	**–74.9**	933.4
Discontinued Operations:								
(Loss) Income From Discontinued Operations		(47)	3,153	**	0.0	0.8	**	–101.5
Income Tax (Benefit) Expense		(16)	338	**	0.0	0.1	**	–104.7
(Loss) Income From Discontinued Operations		(31)	2,815	**	0.0	0.7	**	–101.1
Net Income	**$ 27,746**	$ 110,693	$ 13,530	**5.4%**	21.7%	3.5%	**–74.9%**	718.1%

** Results of calculation are not material for presentation purposes.

The Year 2008 Compared to the Year 2007   Company Analysis

For the year ended December 31, 2008, net income was $2.57 per diluted share which compares to net income per diluted shared of $10.09 for the prior year period. Included in net income for 2008 are pre-tax gains from the receipt of escrow proceeds related to the sale of our investment in the DM&E Railroad ($2.0 million) and the sale-leaseback of our threaded products facility ($1.5 million). Net income for 2007 includes a $122.9 million pre-tax gain and $8.5 million in dividend income related to the sale of the Company s investment in the DM&E. Excluding the aforementioned pre-tax gains and previously unrecorded dividend income, net income was $2.36 per diluted share in 2008 compared to $2.28 per diluted share in 2007, an increase of $0.08, or 3.5%, per diluted share.

Selling and administrative expenses increased due to increases in salaries and a bad debt expense of approximately $1.5 million recorded during the fourth quarter of 2008 related to one customer. Interest expense decreased due to reduced outstanding average borrowings during the current period as well as a reduction in the related interest rates. Due to the sale of our investment in the DM&E railroad during the prior year period, dividend income was eliminated throughout 2008. The proceeds from this sale continued to be held in principally short-term, tax free and taxable money market funds which generated interest income during 2008 compared to only the fourth quarter of 2007. We recognized pre-tax gains from the receipt of DM&E escrow proceeds received during 2008 and from the sale-leaseback of our Houston, TX threaded products facility. The 2008 income tax provision from continuing operations was 35.9% compared to 34.3% in 2007. The lower rate in the prior year resulted from the dividends received deduction related to the dividend income recognized at the announcement of the sale of the DM&E.

We have implemented numerous initiatives focused on curbing the growth in selling and administrative expenses including, but not limited to, wage and hiring freezes, elimination of overtime for administrative and plant personnel, mandatory reductions in travel and entertainment and a reduction of approximately $2.5 million in planned capital expenditures. Taking into account these initiatives, the current economic climate will likely lead to decreased net income and earnings per diluted share during 2009.

The Year 2007 Compared to the Year 2006   Company Analysis

For the year ended December 31, 2007, income from continuing operations was $10.09 per diluted share. Income from continuing operations for the year ended December 31, 2007 included the pre-tax gain of $122.9 million from the sale of our DM&E Railroad investment and $8.5 million of incremental dividend income recognized in the third quarter coincident with the announcement of this sale. Excluding these items, income from continuing operations was approximately $2.28 per diluted share for 2007 compared to $0.99 per diluted share for 2006.

Including the pre-tax gain and dividend income related to the DM&E sale, net income for 2007 was $10.09 per diluted share. Including income from discontinued operations of $0.26 per diluted share, which includes a gain on the sale of the Company s former Geotechnical division of approximately $3.0 million; net income for 2006 was $1.25 per diluted share.

Selling and administrative expenses increased due to increases in employee related costs and benefit expenses including incentive compensation. Interest expense increased due to increased average borrowings during the first half of the year. We were able to reduce outstanding borrowings during the second half of 2007 as a result of generating strong positive cash flows from operations. At the announcement of the sale of the DM&E railroad, we recognized $8.5 million of previously unrecognized dividend income due from the DM&E. This increase was offset by the loss of $0.2 million in dividend income which would have been recognized during the fourth quarter of 2007. We invested the proceeds received from the sale of the DM&E Railroad in a series of short term, tax-free mutual funds resulting in the receipt of $1.1 million of interest income during the fourth quarter. The 2007 income tax provision from continuing operations was 34.3% compared to 32.1% for 2006. The lower rate in the prior year resulted from a release of valuation allowances.

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Results of Operations   Segment Analysis

Rail Products

	Twelve Months Ended December 31,			Increase/(Decrease)		Percent Increase/(Decrease)	
	2008	2007	2006	2008 vs. 2007	2007 vs. 2006	2008 vs. 2007	2007 vs. 2006
	Dollars in thousands						
Net Sales:							
Rail Products	**$ 234,686**	$ 260,634	$ 189,236	**$ (25,948)**	$ 71,398	**–10.0%**	37.7%
Gross Profit:							
Rail Products	**$ 35,815**	$ 32,675	$ 20,953	**$ 3,140**	$ 11,722	**9.6%**	55.9%
Gross Profit Percentage	**15.3%**	12.5%	11.1%	**2.7%**	1.5%	**21.7%**	13.2%

The Year 2008 Compared to the Year 2007

Rail segment sales decreased primarily from the loss of our main track panel customer in the beginning of 2008 which ultimately led to the closure of our track panel plant in Pueblo, CO. Additionally, the reductions in the volume of orders for concrete ties negatively impacted our facilities in Grand Island, NE and Tucson, AZ. Unfavorable market conditions have lowered our transit products sales while reducing our concrete turnout tie sales, produced in Spokane, WA, compared to the prior year period. Partially offsetting these sales losses were stronger sales from our Spokane, WA concrete tie facility where an increase in orders for cross ties led to the addition of a second production line in the fourth quarter of 2008. Finally, increased orders from Class 1 railroads as well as an increase in steel prices benefited our ARP division.

A combination of the positive effects of changes in product mix offset by the negative effects of drastically decreasing scrap steel prices in the second half of 2008 led to an increase in gross profit margins within our rail distribution division. Increased billing margins and reduced obsolescence and plant inefficiencies coupled with volume increases drove the margin expansion within our ARP division. The reduction of inefficiencies our Tucson, AZ concrete tie plant experienced during 2007 due to labor force turnover, concrete mix design and operational issues led to margin improvement. Partially offsetting this growth was the negative impact of sales volume reductions in track panels and concrete turnout ties.

Due to the recessionary economic environment that has negatively impacted freight railroad car loadings and our expectations that Class 1 railroad capital spending will decline by approximately 5%   10%, we anticipate Rail Products Segment sales and gross profit to decline in 2009.

The Year 2007 Compared to the Year 2006

Rail segment sales increased primarily as a result of increased revenues from rail distribution, which were driven mainly by new rail project work. Secondly, we produced and sold more concrete ties during 2007 than in the previous year due principally to production at our Tucson, AZ facility. 2006 represented a start-up year for this facility and it produced and sold only minimal ties late in the fourth quarter. Our Grand Island, NE facility was also able to increase tie production in 2007 due to the installation of a fifth production line at the facility. Thirdly, our transit products division had improved sales from a strong backlog entering 2007. SAFETEA-LU, 2005 legislation that authorized funding for transit products, led to increased transit agency spending. Finally, our ARP division benefited from increased sales at both our Pueblo, CO and Niles, OH facilities.

Increased plant efficiencies at our Spokane, WA facility and a full year of production at our Tucson, AZ tie facility contributed to our Rail Products gross margin expansion.

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Construction Products

	Twelve Months Ended December 31,			Increase/(Decrease)		Percent Increase/(Decrease)	
	2008	2007	2006	2008 vs. 2007	2007 vs. 2006	2008 vs. 2007	2007 vs. 2006
	Dollars in thousands						
Net Sales:							
Construction Products	**$ 243,103**	$ 211,867	$ 180,797	**$ 31,236**	$ 31,070	**14.7%**	17.2%
Gross Profit:							
Construction Products	**$ 49,369**	$ 36,501	$ 28,925	**$ 12,868**	$ 7,576	**35.3%**	26.2%
Gross Profit Percentage	**20.3%**	17.2%	16.0%	**3.1%**	1.2%	**17.9%**	7.7%

The Year 2008 Compared to the Year 2007

All divisions within our Construction Products segment completed 2008 with improved sales over the prior year period led predominately by our piling division. This improvement is attributable to both rising structural steel prices and the successful expansion throughout the North American market of engineered solutions for open cells, of which our flat sheet piling is a main component. These increases more than offset decreases in sales of our H-beam piling, due to reduced supplier production, and in pipe piling. An increase in new orders and the completion of more unit installations during 2008 improved sales in our concrete buildings division. Lastly, an increased sales force in our fabricated products division fueled sales growth during the current period.

The increase in gross profit margin was led by volume related increases within our piling division for open cell systems, reduced less profitable H-beam sales and an overall rising steel price environment during 2008. Construction Products also benefited from improved plant efficiencies within our concrete buildings division.

In addition to the current economic recession, a number of other factors are likely to impact our Construction Products segment sales and gross profit. Negative factors impacting these results include:

- approximately 46 states currently facing, or are projecting to have, budget deficits,
- 2005 federal legislation, SAFETEA-LU, authorizing transportation construction funding expiring in September 2009, and
- the heavy civil and public works construction market that we participate in is currently softening nationwide.

These negative impacts could be positively offset, in part, by the American Recovery and Reinvestment Act stimulus bill signed in 2009.

The Year 2007 Compared to the Year 2006

Construction segment sales increased due primarily to piling and concrete buildings sales. Our H-beam and pipe piling products drove the overall increase in piling sales, benefiting from a combination of both price increases and strong customer demand throughout 2007. These increases were partially offset by a decrease in bridge products revenues. Three large bridge jobs were completed during 2006 which had a positive impact on that period s sales.

Construction products gross margin percentage increased as a result of improved performance across all product lines except concrete buildings. Our Spokane, WA facility experienced high employee turnover leading to an inexperienced workforce that contributed to higher unfavorable plant variances at this facility.

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Tubular Products

	Twelve Months Ended December 31,			Increase/(Decrease)		Percent Increase/(Decrease)	
	2008	2007	2006	2008 vs. 2007	2007 vs. 2006	2008 vs. 2007	2007 vs. 2006
	Dollars in thousands						
Net Sales:							
Tubular Products	**$ 34,803**	$ 36,480	$ 19,755	**($ 1,677)**	$ 16,725	**–4.6%**	84.7%
Gross Profit:							
Tubular Products	**$ 9,158**	$ 10,092	$ 3,920	**($ 934)**	$ 6,172	**–9.3%**	157.4%
Gross Profit Percentage	**26.3%**	27.7%	19.8%	**–1.4%**	7.8%	**–4.9%**	39.4%

The Year 2008 Compared to the Year 2007

Our Birmingham, AL coated pipe facility had reduced sales compared to the record year experienced in 2007. Partially mitigating this decrease were improved sales by our threaded products division in the micropile market and its ability to successfully pass raw material cost increases onto its customers.

The return to more normal volumes at our coated pipe facility resulted in reduced absorption of plant expenses and led to reduced gross profit compared to the prior year period.

While we believe that the underlying fundamentals in the end markets served by our Tubular Products segment will remain strong in 2009, the negative impact caused by the financial crisis will likely lead to negative pressure on our sales and gross profit.

The Year 2007 Compared to the Year 2006

Tubular segment sales increased due to sales volumes in both our coated pipe and threaded products divisions. The coated pipe division s sales increased due to a strong energy market leading to the addition of a second shift during a portion of the second quarter and all of the third quarter of 2007 at our Birmingham, AL facility. Our threaded products division has benefited from its entrance into the micropile market and providing limited service to the oil country tubular goods market, both of which have added volume to our Houston, TX facility.

Tubular products gross margin percentage increased due to improved billing margins within both divisions and improved volume-related efficiencies within our coated pipe division.

Liquidity and Capital Resources

The following table sets forth L.B. Foster s capitalization:

	December 31,	
	2008	2007
	In millions	
Debt:		
Term Loan, due May 2011	**$ 16.0**	$ 19.0
Capital Leases and Interim Lease Financing	**9.0**	12.1
Other (primarily revenue bonds)	**2.5**	3.1
Total Debt	**27.5**	34.2
Equity	**217.6**	213.8
Total Capitalization	**$ 245.1**	$ 248.0

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The Company s need for liquidity relates primarily to seasonal working capital requirements, capital expenditures, common stock repurchases and debt service obligations. We may also use cash to pursue potential strategic acquisitions. The following table summarizes the impact of these items during the past three years:

	December 31,		
	2008	**2007**	**2006**
		In millions	
Liquidity needs:			
Working capital and other assets and liabilities	**$ (6.7)**	$ 2.7	$ (27.7)
Common stock purchases	**(26.5)**		
Capital expenditures	**(4.8)**	(5.3)	(17.0)
Investment purchases	**(1.7)**		
Scheduled repayments of long-term debt	**(3.1)**	(1.0)	
Other long-term debt scheduled (repayments) proceeds	**(3.6)**	(3.1)	8.0
Cash interest paid	**(1.9)**	(4.0)	(3.4)
Net liquidity requirements	**(48.3)**	(10.7)	(40.1)
Liquidity sources:			
Internally generated cash flows before interest paid	**32.7**	(3.3)	16.5
Proceeds from the sale of DM&E investment	**2.0**	148.8	
Proceeds from asset sales	**6.6**		0.1
Credit facility activity		(39.2)	18.3
Long-term borrowings		20.0	
Equity transactions	**1.0**	4.9	3.6
Discontinued operations			6.7
Other		(0.7)	(5.4)
Net liquidity sources	**42.3**	130.5	39.8
Net Change in Cash	**$ (6.0)**	$ 119.8	$ (0.3)

<u>Cash Flow from Operating Activities</u>

During 2008, cash flows from operations provided $24.1 million, an increase of $28.7 million compared to 2007. Net income and adjustments to net income provided $30.8 million for 2008. Offsetting this amount was cash used by certain operating assets and liabilities of $6.7 million. Higher 2008 fourth quarter sales over the prior comparable period increased accounts receivable while the settlement of the 2005-2007 Three Year Incentive Plan decreased accrued payroll and employee benefits. Partially offsetting these changes was an increase in trade accounts payable due to commodity cost increases.

In 2007, we used $4.6 million in cash flow from continuing operations, an improvement of $10.0 million compared to 2006. Cash flow used by continuing operations for 2007 consisted of net income and adjustments to net income using $7.2 million offset somewhat by net changes in operating assets and liabilities providing $2.6 million. Contributing to these changes were a decrease in other noncurrent assets due to the sale of our DM&E investment, a decrease in accounts receivable and an increase in accrued payroll and employee benefits.

During 2006, we used $14.6 million in cash flow from continuing operations. Cash flow used by continuing operations for 2006 consisted of net income and adjustments to net income providing $13.1 million, offset entirely by net changes in certain operating assets and liabilities using $27.7 million. Contributing to these changes were an increase in both accounts receivable and inventory and an increase in accounts payable.

Cash Flow from Investing Activities

Proceeds of $6.6 million and $2.0 million from the aforementioned threaded products facility and DM&E railroad sales, respectively, led to net cash being provided by 2008 continuing investing activities. Partially reducing these proceeds were our uses of cash for the purchase of available-for-sale equity securities of $1.7 million and capital expenditures of $4.8 million. Spending during 2008 was primarily for maintenance capital, productivity improvement and equipment spending at our manufacturing facilities and information technology enhancements. We have projected our capital expenditures for 2009 to be approximately $5.0 million and focused primarily on maintenance.

During 2007, net cash provided by continuing investing activities of $143.5 million included $148.8 million in proceeds received from the sale of our investment in the DM&E railroad. Capital expenditures consisted of the installation of a fifth line at our Grand Island, NE facility, maintenance capital and additional small amounts of other facilities improvement spending.

In 2006, net cash used by continuing investing activities of $16.9 million included spending primarily for ongoing construction of new facilities in Tucson, AZ and Pueblo, CO. Net cash provided by discontinued investing activities in 2006 related to the sale of substantially all the assets of our Geotechnical division.

Cash Flow from Financing Activities

Purchases of our Common stock under applicable share repurchase programs of $26.5 million was the primary use of cash for financing activities in 2008. Additionally, term loan repayments of $3.1 million and repayments of other long-term debt of $3.6 million contributed to net cash used by financing activities.

Net cash used for financing activities was $19.1 million in 2007. This consisted of a net decrease in long-term debt borrowings of $19.2 million from the full repayment of our revolving credit facility offset, in part, by our new term loan.

During 2006, net cash provided by financing activities was $24.5 million. This consisted primarily of an increase in our revolving credit facility and an increase in capital leases associated with the ongoing construction of our new facilities.

Financial Condition

Cash on hand at December 31, 2008 was $115.1 million while total debt was $27.5 million. Additionally, the Company had $86.4 million of unused credit facility availability giving us a significant amount of liquidity to take advantage of opportunities and/or weather a prolonged economic downturn, if necessary.

Included within cash and cash equivalents are principally our investments in tax-free money market funds with municipal bond issuances as the underlying securities all of which maintain AAA credit ratings and remain guaranteed by the United States Treasury. Additionally included therein are our investments in bank certificates of deposit.

We also have a revolving credit agreement which expires in May 2011 and provides for up to $90.0 million in borrowings to support our working capital and other liquidity requirements. Borrowings under this agreement are secured by substantially all the trade receivables and inventory owned by us, and are limited to 85% of eligible receivables and 60% of eligible inventory. Additionally, the revolving credit agreement provided for a $20.0 million term loan that was immediately applied to pay down existing drawings on the revolving credit facility. If average availability should fall below $10.0 million over a 30-day period, the loans become immediately secured by a lien on the Company s equipment that is not encumbered by other liens.

Borrowings under the credit facility bear interest at interest rates based upon either the base rate or LIBOR plus or minus applicable margins. Prior to February 2007, the base rate was equal to the higher of (a) PNC Bank s base commercial lending rate or (b) the Federal Funds Rate plus .50%. The base rate spread ranged from a minus 1.00% to a plus 0.50%, and the LIBOR spread ranged from 1.50% to 2.50%. Effective in February 2007, under the third amendment to the credit facility, for borrowings under the revolving credit facility the base rate spread is fixed at minus 1.00% and the LIBOR spread is fixed at plus 1.25%. The term loan base rate spread is fixed at minus 0.75%

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and the LIBOR spread is fixed at plus 1.50%. Under the credit agreement, we maintain dominion over our cash at all times, as long as excess availability stays over $5.0 million and there is no uncured event of default.

At December 31, 2008, remaining availability for borrowings under this facility was approximately $86.4 million. The outstanding amount of the term loan at December 31, 2008 was approximately $16.0 million of which approximately $13.3 million was classified as noncurrent. Outstanding letters of credit at December 31, 2008 were approximately $3.6 million. The letters of credit have expiration dates ranging from March 2009 to May 2010.

In March 2009, the Company entered into a fifth amendment to the Agreement which became effective as of December 31, 2008 and changed certain financial covenants included in the Agreement by creating an exclusion standard in the agreement. This standard, which is met by the Company when revolving credit facility borrowings do not exceed $20,000,000 and unused borrowing commitment is at least $50,000,000, allows for certain items, as defined in the amendment, to be excluded in determining the minimum level for the fixed charge coverage ratio. Additionally, the amendment permits the Company to adjust its calculation of earnings before interest and taxes, as defined in the agreement, by any charges and credits related to the Company s LIFO method of accounting for inventory.

The fifth amendment also includes a revised minimum net worth covenant and a revised maximum level for consolidated capital expenditures. As of December 31, 2008 the Company was in compliance with all of the Agreement s covenants.

We routinely review our portfolio of businesses and contemplate potential acquisitions and dispositions from time to time. We are currently assessing a number of options for the potential use of the above funds and sources of financing, including, but not limited to, debt reduction, strategic acquisitions, organic reinvestment in the existing business, continued share repurchases and other general corporate purchases.

As far as near-term future business activity levels for 2009 are concerned, we have seen recent evidence of both strength and weakness, with more evidence of weakness. At the present time we are unable to determine the extent or the duration of any additional effects that the current credit and economic crisis will have on our results of operations and financial position.

We do, however, enter this period of uncertainty in an extremely strong financial position. As noted, at the end of 2008, we had approximately $115.1 million in cash and short-term instruments and a $90.0 million revolving credit facility with approximately $86.4 million of availability compared to $27.5 million in long-term obligations. We believe this capacity will afford us the flexibility to take advantage of opportunities that we may confront or weather the current economic downturn, if need be, as future circumstances dictate.

Tabular Disclosure of Contractual Obligations

A summary of the Company s required payments under financial instruments and other commitments are presented in the following table:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
			(In thousands)		
Contractual Cash Obligations					

Long-term borrowings(1)	$ 18,534	$ 3,009	$ 13,480	$	$ 2,045
Interest on long-term borrowings(1)	685	66	573		46
Capital leases(2)	8,977	3,007	4,598	1,372	
Interest on capital leases(2)	1,083	545	483	55	
Operating leases	13,910	2,333	4,110	3,265	4,202
Purchase obligations not reflected in the financial statements	20,142	20,142			
Total contractual cash obligations	$ 63,331	$ 29,102	$ 23,244	$ 4,692	$ 6,293
Other Financial Commitments					
Standby letters of credit	$ 3,557	$ 2,304	$ 1,253	$	$

(1) Borrowings of $16.0 million under the amended credit agreement are payable in installments through 2011, with a balloon payment due in 2011. Interest on these borrowings is LIBOR plus 1.50%, currently 1.98%, and is payable monthly. The $2.0 million Massachusetts Industrial Revenue Bond matures in March 2013. Interest on this bond is payable monthly and was calculated using the interest rate at December 31, 2008 of 2.27%. The Citizens Asset Finance Mortgage of $0.5 million is payable in installments through 2011, with a balloon payment due in 2011. Interest on this mortgage is fixed at 7.01% and is payable monthly. The $0.1 million Pennsylvania Department of Community and Economic Development Machinery and Equipment Loan is payable in installments through 2009. Interest on this loan is fixed at 3.75% and is payable monthly.

(2) Capital lease obligations are payable in installments through 2012 and have interest rates, payable monthly, ranging from 5.58% to 8.55%.

Other long-term liabilities include items such as income taxes which are not contractual obligations by nature. The Company can not estimate the settlement years for these items and has excluded them from the above table.

Management believes its internal and external sources of funds are adequate to meet anticipated needs, including those disclosed above, for the foreseeable future. When considered necessary, management may refinance certain of its sources of external funds, primarily our amended credit agreement.

Off Balance Sheet Arrangements

The Company s off-balance sheet arrangements include the operating leases, purchase obligations and standby letters of credit disclosed in the Liquidity and Capital Resources section in the contractual obligations table. These arrangements provide the Company with increased flexibility relative to the utilization and investment of cash resources.

Dakota, Minnesota & Eastern Railroad

During the fourth quarter of 2007, we sold our investment in the DM&E. When this transaction closed, we reserved approximately $2.1 million of the proceeds which were held in escrow to secure certain of the DM&E s obligations. This amount was fully reserved due to the uncertainty surrounding the amount of any future payout as well as the timing of such payout.

During the first quarter of 2008, upon completion of the buyer s working capital audit, the applicable proceeds were released from escrow pursuant to a favorable working capital adjustment. We recognized a pre-tax gain of approximately $2.0 million related to the receipt of these proceeds.

For more information regarding the sale of our investment in the DM&E, please see our Management s Discussion & Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2007.

Outlook

Our businesses and results of operations have recently been impacted by the downturn in the global economy in late 2008 and we expect this trend to continue into 2009. While our visibility regarding 2009 remains unclear, we believe that the current recession, continued credit concerns and questionable stimulus legislation will present challenges to the many end markets to which we sell. As a result of anticipated reduced demand for certain of our products as well as sharply falling commodity prices over the last several months, we expect to battle margin compression for at least the first half of 2009 and we have implemented certain cost reduction measures in January 2009 in anticipation of these concerns. While we expect to be challenged in 2009 by reduced sales volumes, reduced production volumes and a recessionary economic environment, we also expect to be profitable and to generate solid positive cash flow. We believe that when conditions do improve, and we do not know when that might be, the markets we participate in will be some of the first to benefit from such improvement. As previously mentioned, we also enter this period of uncertainty in extremely strong financial position.

Our CXT Rail and ARP divisions are dependent on the Union Pacific Railroad (UPRR) for a significant portion of their business. Subsequent to the January 2005 execution of a concrete tie supply agreement with UPRR, we installed new tie-manufacturing equipment at our Grand Island, NE facility and commenced production of concrete ties in September 2005. In addition to upgrading the Grand Island facility, we have completed a new concrete railroad tie manufacturing facility in Tucson, AZ.

Our agreement with the UPRR includes their purchasing concrete ties from our Grand Island, NE facility through 2010 and our Tucson, AZ facility through 2012. While the UPRR will continue to purchase concrete ties under this agreement, total concrete ties purchased by the UPRR in 2009 will be reduced by approximately 14% from its 2008 purchase levels. We are currently uncertain when the UPRR purchasing level for concrete ties will improve. We are actively pursuing product sales opportunities to other third parties at both of these locations.

Our ARP facilities in Niles, OH and Pueblo, CO have contracts with Class 1 railroads that are periodically subject to renewal which account for a significant portion of this division s business. If we are unable to successfully renew these contracts, our results of operations and financial position could be negatively impacted.

We have made a strategic decision to limit our use of foreign suppliers for our North American rail distribution business as we believe that the long-term impact of this decision will deliver positive impacts to our results of operations and financial position. Additionally, there have been more significant increases in the prices of these products from our international suppliers. Due to this decision, the short-term impact may reduce the sales recorded by our rail distribution division and negatively impact our results of operations and financial position.

Certain of our businesses rely heavily on spending authorized by the federal highway and transportation funding bill, SAFETEA-LU, enacted in August 2005. This legislation authorized $286 billion for United States transportation improvement spending and will expire in September 2009. Certain of our businesses, especially our fabricated products group, were hampered with low volumes and margins due to the delay in passing the current legislation. We are not sure how the recently passed American Recovery and Reinvestment Act stimulus bill will impact the reauthorization of successor legislation to SAFETEA-LU.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 2008 was approximately $132.6 million. The following table provides the backlog by business segment:

		December 31,	
	2008	**2007**	**2006**
		In thousands	
Backlog:			
Rail Products	**$ 68,438**	$ 61,597	$ 64,113
Construction Products	**57,626**	70,342	66,145
Tubular Products	**6,524**	6,375	11,092
Total Backlog	**$ 132,588**	$ 138,314	$ 141,350

We continue to evaluate the performance of our various operations. A decision to sell, 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.

Forward-Looking Statements

Statements relating to the value of the Company s share of potential future contingent payments related to the DM&E merger with the CP are forward-looking statements and are subject to numerous contingencies and risk factors. The CP has stated that it may take several years for it to determine whether to construct the PRB expansion.

Our businesses could be affected adversely by significant changes in the price of steel, concrete, and other raw materials or the availability of existing and new piling and rail products. Our operating results may also be affected negatively by adverse weather conditions.

A substantial portion of our operations are heavily dependent on governmental funding of infrastructure projects. Many of these projects have Buy America or Buy American provisions. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on our operating results.

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Additionally, government actions concerning Buy America provisions, taxation, tariffs, the environment, or other matters could impact our operating results.

A significant portion of our Construction segment net sales and profits are related to the purchase and resale of piling products. The Company does not believe there will be an effect on our existing business as our relationship with our primary supplier, Gerdau Ameristeel Corporation, remains intact. However, no assurances can be given and if we are unable to continue to distribute any of the products of Gerdau Ameristeel Corporation, our results of operations and liquidity could be adversely affected.

We caution readers that various factors could cause our actual results 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. For a discussion of some of the specific risk factors that may cause such differences see the disclosures under Market Risks and Form 10-K, Part I, Item 1A.

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, labor disputes, the impact of competition, the seasonality of the Company s business, the adequacy of internal and external sources of funds to meet financing needs, the Company s ability to curb its working capital requirements, taxes, inflation and governmental regulations. Sentences containing words such as believes, intends, anticipates, expects, or will generally should be considered forward-looking statements.

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

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

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ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

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.

At contract inception, the Company designates its derivative instruments as hedges. The Company recognizes all derivative instruments on the balance sheet at fair value. Fluctuations in the fair values of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income and reclassified into earnings 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 sale and purchase commitments by entering into foreign currency forward contracts. The Company s risk management objective is to reduce its exposure to the effects of changes in exchange rates on these transactions over the duration of the transactions.

During 2006, the Company entered into commitments to sell Canadian funds based on the anticipated receipt of Canadian funds from the sale of certain rail commencing in the second quarter of 2007 through the third quarter of 2008. All of these contracts have been settled as of December 31, 2008. The fair value of these instruments was a liability of $0.2 million as of December 31, 2007. The liability was recorded in Other Accrued Liabilities. During 2008, two of these Canadian dollar denominated commitments matured for a realized loss of approximately $0.1 million. During 2007, three of these Canadian sell commitments were executed at a loss of $34,000.

In the fourth quarter of 2008, the Company entered into a commitment to buy Euro funds based on the anticipated receipt of Euro funds from the sale of certain rail in the first quarter of 2009. The fair value of this instrument was a liability of $0.1 million and was recorded in Other Accrued Liabilities as of December 31, 2008.

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ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
L. B. Foster Company

We have audited the accompanying consolidated balance sheets of L. B. Foster Company and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders equity and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 15 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of L. B. Foster Company and Subsidiaries internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2009, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP

Pittsburgh, Pennsylvania
March 9, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
L. B. Foster Company

We have audited L.B. Foster Company and Subsidiaries internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). L. B. Foster Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management s Report on Internal Control over Financial Reporting appearing in Item 9A Controls and Procedures. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, L. B. Foster Company and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of L. B. Foster Company and Subsidiaries, as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2008 and our report dated March 9, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP

Pittsburgh, Pennsylvania
March 9, 2009

L. B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

	2008	2007
	In thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 115,074**	$ 121,097
Accounts receivable net	**64,313**	53,610
Inventories net	**102,916**	102,447
Current deferred tax assets	**2,931**	3,615
Other current assets	**1,221**	1,131
Property held for resale		2,497
Total Current Assets	**286,455**	284,397
PROPERTY, PLANT AND EQUIPMENT NET	**39,989**	44,136
OTHER ASSETS:		
Goodwill	**350**	350
Other intangibles net	**37**	50
Investments	**2,856**	
Deferred tax assets	**2,026**	1,411
Other assets	**407**	428
Total Other Assets	**5,676**	2,239
TOTAL ASSETS	**$ 332,120**	$ 330,772

	2008	2007
	In thousands, except share data	
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	**$ 5,777**	$ 6,191
Accounts payable trade	**62,612**	53,689
Accrued payroll and employee benefits	**8,000**	11,490
Current deferred tax liabilities		3,541
Other accrued liabilities	**7,802**	8,841
Total Current Liabilities	**84,191**	83,752

LONG-TERM DEBT, TERM LOAN	**13,333**	16,190
OTHER LONG-TERM DEBT	**8,401**	11,866
DEFERRED TAX LIABILITIES	**2,046**	1,638
OTHER LONG-TERM LIABILITIES	**6,587**	3,500
COMMITMENTS AND CONTINGENT LIABILITIES (Note 19)		
STOCKHOLDERS EQUITY:		
Common stock, issued 10,225,855 shares in 2008 and 10,915,045 shares in 2007	**111**	109
Paid-in capital	**47,585**	45,147
Retained earnings	**197,060**	169,314
Treasury stock at cost, Common stock, 865,532 shares in 2008 and no shares in 2007	**(26,482)**	
Accumulated other comprehensive loss	**(712)**	(744)
Total Stockholders Equity	**217,562**	213,826
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 332,120**	$ 330,772

See Notes to Consolidated Financial Statements.

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L. B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2008

	2008	2007	2006
	In thousands, except per share data		
NET SALES	**$ 512,592**	$ 508,981	$ 389,788
COSTS AND EXPENSES:			
Cost of goods sold	**432,374**	432,598	338,197
Selling and administrative expenses	**40,969**	37,403	33,657
Interest expense net of capitalized interest of $- in 2008, $32 in 2007 and $501 in 2006	**1,995**	4,031	3,390
Dividend income		(9,214)	(990)
Gain on sale of DM&E investment	**(2,022)**	(122,885)	
Gain on sale of Houston, TX property	**(1,486)**		
Interest income	**(2,675)**	(1,196)	(4)
Other expense (income)	**158**	(267)	(251)
	469,313	340,470	373,999
INCOME FROM CONTINUING OPERATIONS, BEFORE INCOME TAXES	**43,279**	168,511	15,789
INCOME TAX EXPENSE	**15,533**	57,787	5,074
INCOME FROM CONTINUING OPERATIONS	**27,746**	110,724	10,715
DISCONTINUED OPERATIONS:			
(LOSS) INCOME FROM DISCONTINUED OPERATIONS, BEFORE INCOME TAXES		(47)	3,153
INCOME TAX (BENEFIT) EXPENSE		(16)	338
(LOSS) INCOME FROM DISCONTINUED OPERATIONS		(31)	2,815
NET INCOME	**$ 27,746**	$ 110,693	$ 13,530
BASIC EARNINGS PER COMMON SHARE:			
FROM CONTINUING OPERATIONS	**$ 2.60**	$ 10.39	$ 1.03
FROM DISCONTINUED OPERATIONS	**0.00**	(0.00)	0.27
BASIC EARNINGS PER COMMON SHARE	**$ 2.60**	$ 10.39	$ 1.30
DILUTED EARNINGS PER COMMON SHARE:			
FROM CONTINUING OPERATIONS	**$ 2.57**	$ 10.09	$ 0.99
FROM DISCONTINUED OPERATIONS	**0.00**	(0.00)	0.26
DILUTED EARNINGS PER COMMON SHARE	**$ 2.57**	$ 10.09	$ 1.25

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE YEARS ENDED DECEMBER 31, 2008

	2008	2007	2006
		In thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	**$ 27,746**	$ 110,724	$ 10,715
Adjustments to reconcile net income to net cash used by operating activities:			
Gain on sale of DM&E investment	**(2,022)**	(122,885)	
Deferred income taxes	**(2,984)**	(1,102)	(2,245)
Excess tax benefit from share-based compensation	**(171)**	(3,145)	(2,088)
Depreciation and amortization	**8,901**	8,622	6,144
(Gain) loss on sale of property, plant and equipment	**(1,473)**	33	(45)
Deferred gain amortization on sale-leaseback	**(179)**		
Stock-based compensation	**948**	554	616
Unrealized loss (gain) on derivative mark-to-market	**76**	(34)	(29)
Change in operating assets and liabilities:			
Accounts receivable	**(10,703)**	7,940	(16,109)
Inventories	**(469)**	(2,644)	(32,759)
Other current assets	**(90)**	(93)	(334)
Prepaid income taxes		3,981	1,834
Other noncurrent assets	**2**	(9,202)	(1,182)
Accounts payable trade	**8,923**	(3,957)	16,359
Accrued payroll and employee benefits	**(4,289)**	4,598	1,017
Other current liabilities	**(1,084)**	3,968	1,055
Other liabilities	**965**	(1,977)	2,429
Net Cash Provided (Used) by Continuing Operations	**24,097**	(4,619)	(14,622)
Net Cash (Used) Provided by Discontinued Operations		(66)	1,381
Net Cash Provided (Used) by Operating Activities	**24,097**	(4,685)	(13,241)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property, plant and equipment	**6,621**	18	133
Proceeds from the sale of DM&E investment	**2,022**	148,775	
Purchase of investments	**(1,734)**		
Capital expenditures on property, plant and equipment	**(4,836)**	(5,263)	(17,010)
Net Cash Provided (Used) by Continuing Investing Activities	**2,073**	143,530	(16,877)
Net Cash Provided by Discontinued Investing Activities			5,330
Net Cash Provided (Used) by Investing Activities	**2,073**	143,530	(11,547)

CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayments) proceeds of revolving credit agreement borrowings		(39,161)	18,313
Proceeds from long-term debt, term loan		20,000	
Repayments of long-term debt, term loan	**(3,095)**	(953)	
Repayments of short-term borrowings		(726)	(5,395)
Proceeds from exercise of stock options and stock awards	**854**	1,756	1,523
Excess tax benefit from share-based compensation	**171**	3,145	2,088
Treasury stock acquisitions	**(26,482)**		
(Repayments) proceeds of other long-term debt	**(3,641)**	(3,118)	7,972
Net Cash (Used) Provided by Financing Activities	**(32,193)**	(19,057)	24,501
Net (Decrease) Increase in Cash and Cash Equivalents	**(6,023)**	119,788	(287)
Cash and Cash Equivalents at Beginning of Year	**121,097**	1,309	1,596
Cash and Cash Equivalents at End of Year	**$ 115,074**	$ 121,097	$ 1,309
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest Paid	**$ 1,887**	$ 3,977	$ 3,429

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