



SOLVING CHALLENGES THAT MATTER

L.B. FOSTER 2015 ANNUAL REPORT

PRODUCT LEADER ■ CUSTOMER FOCUS ■ CONTINUOUS IMPROVEMENT  
RELIABILITY ■ TEAMWORK ■ SAFETY ■ PROBLEM SOLVING ■ VALUE  
INNOVATION ■ DEPENDABILITY ■ INTEGRITY ■ COLLABORATION  
QUALITY ■ PROFESSIONAL SERVICE ■ RESEARCH ■ DEVELOPMENT  
OPPORTUNITY ■ SOLUTION ■ PRODUCT LEADER ■ DEPENDABILITY  
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# SOLVING THE CHALLENGES THAT MATTER MOST TO OUR CUSTOMERS

L.B. Foster is bringing to market products and solutions that meet the challenges that matter most to our customers. Our innovative technology and new product offerings are defining L.B. Foster as the solutions leader in energy and transportation markets. The integration of acquisitions with our core businesses is driving our company's development of advanced products and services.

Energy will continue to fuel our economy and L.B. Foster is positioned to provide many of the pipeline products and services necessary to transport natural gas liquids (NGL), crude oil and refined petroleum products. We anticipate a long-term demand for natural gas as a clean alternative to other fuel sources and our team is participating in this transition by helping to facilitate the efficient transmission of energy products throughout North America. L.B. Foster's energy businesses offer state-of-the-art pipeline corrosion protection, precision flow metering, and non-destructive safety inspection and testing for drilling operations.

As the world's population increases, the use of passenger rail will grow as transit and long distance railways become the efficient and safe choice of travel. These systems require advanced solutions that further automate passenger conveyance and improve safety monitoring of rail infrastructure. The transport of freight by rail continues to be the least expensive way to move commodity products. Our development of innovative products and services that improve safety and efficiency for mainline and regional freight railways places L.B. Foster at the forefront for new and continuing rail opportunities.

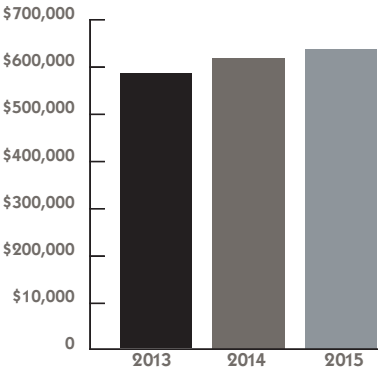
The L.B Foster team is delivering the products and solutions necessary to satisfy our customer's most demanding challenges.



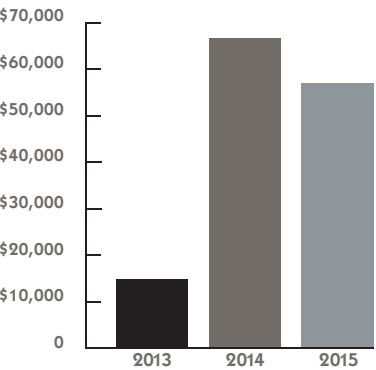
2015 CORPORATE CONSOLIDATED DATA

DOLLARS IN THOUSANDS

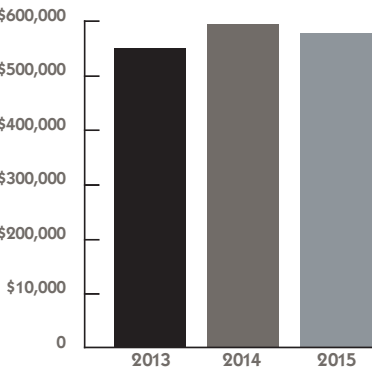
NET SALES



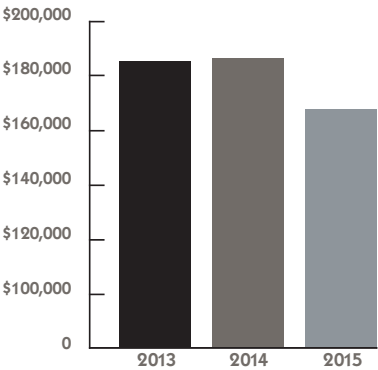
CASH PROVIDED BY Continuing Operating Activities



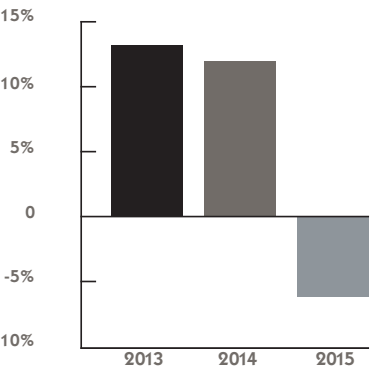
NEW ORDERS



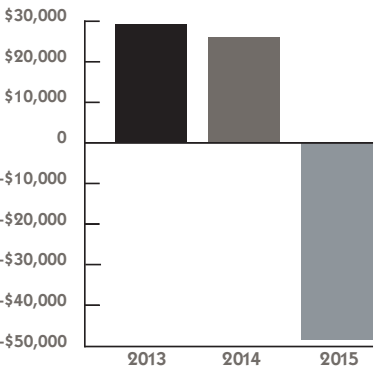
BACKLOG



RETURN ON INVESTED CAPITAL



NET INCOME



TO OUR SHAREHOLDERS

The management team accomplished a lot in 2015 as we faced a challenging year navigating market conditions that were vastly different from those that existed at the beginning of the year. We delivered record sales of \$625 million aided by acquisitions, and generated operating cash flow of \$56 million. However, weakness in several of our markets and rapidly falling commodity prices in oil and steel put pressure on our results. Despite making several adjustments to cope with lost sales and profit pressure, we were unable to overcome the challenges, and total shareholder return and overall profitability for the year fell well below our expectations. As a management team, we have always taken pride in our resilience and ability to overcome difficult markets and circumstances that put pressure on business results. We will continue to place priority on programs intended to reduce cost, drive additional efficiency, and build upon our strong foundation. I remain confident in the long term fundamentals of our business, and our ability to restore growth and profitability aimed at delivering sustainable shareholder value.

Our record sales in 2015 were driven by the contribution of nearly \$100 million from companies acquired in 2014 and 2015, which offset the volume lost due to market weakness and volatile commodity prices. The acquisitions brought new capabilities that are service and solutions oriented in line with our stated acquisition strategy, and increase our exposure to new markets. The acquisition of TEW Engineering, for example, brings capabilities in automation solutions designed to help transit railway customers solve complex problems, reduce cost, and provide better control of operations. We expect to leverage these solutions to penetrate other transportation industry applications, thereby providing us with the opportunity to grow by serving markets we were unable to access in the past.

The acquisitions of Chemtec Energy Services and Inspection Oilfield Services supported our strategy of adding exposure to the energy industry with service and solutions business models. These acquisitions added capabilities in engineered precision measurement systems and non-destructive test and inspection of tubular products which complemented our existing position in tubular products and services. They also increased our presence in the midstream energy services sector, and established a presence in the upstream exploration and production market. We anticipate these acquisitions will position L.B. Foster to take advantage of the secular shift in the United States toward natural gas as a preferred fuel source and the future infrastructure requirements to transport oil and gas from resource rich areas to end users and export facilities across the country.

Our desire to increase our exposure to energy is based on our long-term outlook that recognizes the need for infrastructure to move more preferred hydrocarbon fuel sources from enormous reserves found across North America as energy demand increases. Energy demand has traditionally risen with economic growth and the need for traditional sources of energy is expected to grow along with renewable sources. As we look to capitalize on this long term trend, our strategy will focus on the transport of energy commodities and applications that support energy delivery.

In 2015, the commodity cycle had far reaching impact on industrial markets across many segments of the global economy. In the North American freight rail market, commodity car loads declined year-over-year and crude-by-rail volume and projects slowed substantially throughout the year. Our European transit rail business also experienced significant market weakness as spending was curtailed by operators we serve. On the positive side, the North American transit rail market continued to benefit from investment, and our transit rail division has maintained a healthy backlog. Our view on the global transit rail market remains bullish going forward as many metropolitan areas around the world explore ways to alleviate congestion and search for more efficient ways to move people.

The global oversupply of steel capacity has driven steel prices to very low levels, making it difficult for us to compete in certain segments of the rail, construction and tubular products markets. There are entire market segments where our ability to compete is hampered by the lack of profit in commodity steel products such as pipe piling. Against this backdrop, we chose to remain disciplined with respect to our profit margin goals, which resulted in lower sales. While lower steel prices do provide a benefit to our input costs in some divisions, it is more influential to our selling price and our ability to compete if several suppliers are approved.

Despite difficult market circumstances, we are committed to finding ways to replace the lost sales volume and restore profit margins. Our strategy is driven by capitalizing on the capabilities of our new businesses, expanding our served markets, and continuing to drive solid operational efficiency in our operations. We will raise the priority on programs that support companywide modernization and are intended to cut costs and drive operational efficiency. Among our top priorities will be driving our acquisitions to reach their planned profit margin levels. Additional emphasis will be placed on the test and inspection services business which has the greatest exposure to upstream energy market weakness. This division ended the year with losses despite many actions taken to reduce cost as volume declined throughout the year. Its performance has had an unfavorable impact on the overall company results, and is driving the priority around continued restructuring as we prepare to be the most effective supplier when the market recovers.

Finally, I want to remind our shareholders of the key to our success. As a company that must find markets where we can carve out a competitive position, we depend on the people who work for us around the world to make a difference. It is our people who find ways to solve problems and take on the challenges of today and the opportunities of tomorrow. As part of the L.B. Foster business system, which holds the key processes that drive performance, talent management stands out as a new initiative integrating the key processes that recruit, retain and develop talent throughout the company. It is a category that receives priority for investment and keeps our management focused on employee recognition and development as they generate ideas for driving business performance.

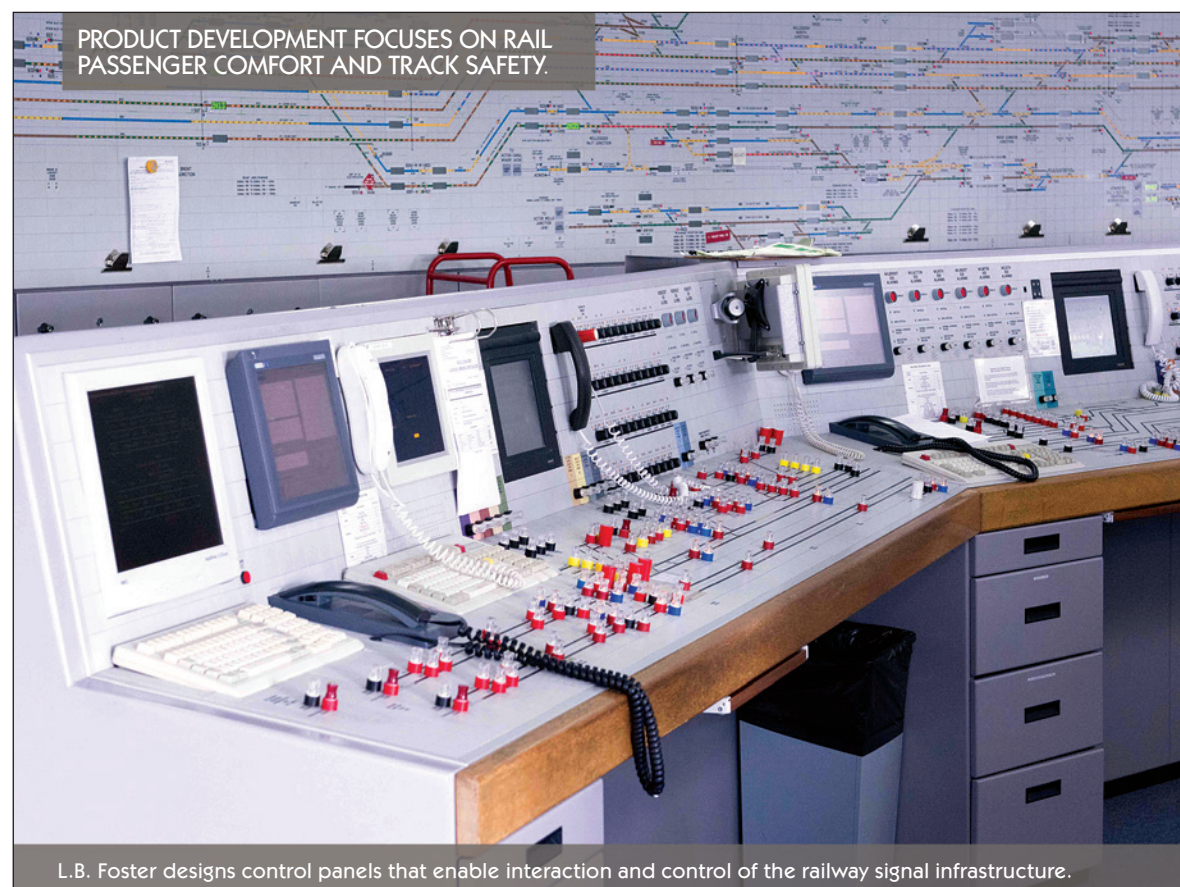
Please be assured that creating shareholder value remains the top priority for the company. We will focus on devoting the necessary resources to improve our competitive position and restore performance in the company's financial results. I would like to thank our shareholders, customers, and employees for their dedication and support in 2015.



ROBERT P. BAUER  
PRESIDENT and CHIEF EXECUTIVE OFFICER







## CAPITALIZING ON INVESTMENT IN TRANSPORTATION AND ENERGY INFRASTRUCTURE

L.B. Foster is developing engineered solutions to meet our transportation and energy customers' new operational challenges. As these two infrastructure markets advance, our company is expanding and adapting to changing customer needs with industry-leading products and services.

International trends suggest continued growth of transit and freight rail in well-established markets such as Europe and North America and new expansion in highly populated areas like China and India. Concerns about traffic congestion, climate, and the cost of energy are expected to keep the international focus on the benefits of rail transportation and drive investment to these markets worldwide.

The transfer of goods and passengers between dense population centers requires new solutions to improve rail automation and infrastructure monitoring. L.B. Foster has focused its product development on controls and displays that enhance passenger convenience and advanced technology products to improve wheel and track safety.

The installation of impaired rail wheel detection and track defect notification equipment is expected to grow globally as railways look to new technologies to improve rail safety. Our Wheel Impact Load Detector (WILD) is the most widely used wheel monitoring system worldwide. Rail breaks and buckles are also a critical concern for rail operators in all markets. L.B. Foster addresses this problem with the RailStress Monitor™, an innovative system that provides rail break alerts and real-time warnings of potential rail buckle conditions.

The growth of intermodal shipping continues to expand as the efficiencies and economies of rail transport outdistance freight transferred by truck. This expansion provides opportunities for L.B. Foster's entire Rail Business unit as rail operators allocate spending for safety improvement, operating efficiency and other cost reductions. These are critical areas in which L.B. Foster maintains a strong presence with new product development and advanced solutions.

Energy markets are adjusting to the abundance of natural gas and the opportunity to efficiently deliver NGL from upstream sources. This growth has produced increased interest in protective pipeline coatings, precision measurement equipment and oilfield services. L.B. Foster is well-positioned for expansion in these critical markets as the demand for well drilling and economical pipeline transportation increases.

In the past decade much of the need for natural gas pipelines was driven by the growth of unconventional natural gas wells, due to the advent of horizontal drilling and hydraulic fracturing techniques, located in regions with limited pipeline infrastructure. In addition, pipeline construction is projected to grow as coal-fired power plants are replaced with natural gas facilities. This growth and the modernization of existing pipelines is anticipated to elevate maintenance and monitoring concerns for these energy transport systems.





## ACQUISITIONS ADD ENGINEERING CAPABILITIES, EXPAND SERVED MARKETS

In 2015, L.B. Foster acquired companies that are today developing products and services that create new opportunities in markets we had never before entered. These acquisitions employ innovative business platforms designed to expand our served markets and grow our customer base with the development of well-engineered technology solutions.

The addition of the TEW group of companies to L.B. Foster's European rail products businesses increased our company's engineering capabilities in passenger rail operations. This new technology group also expanded our potential for growth across multiple markets with the design of guided motion technology systems for automotive and mobility applications.

TEW specializes in rail engineering for control room, passenger information, security and trackside signaling applications. The TEW team has combined with L.B. Foster's core rail businesses to design and manufacture advanced products and systems that bring new solutions for our rail customers growing challenges.

L.B. Foster also acquired Chemtec Energy Services, a major fabricator of metering skids for critical uses in the oil and gas industry. The Chemtec team brings an engineering design component to L.B. Foster's energy products and services group and offers unique opportunities for expansion in the pipeline market.

Chemtec supplies the midstream energy market with custody transfer metering systems that provide precision measurements of crude and refined energy products during transport and storage. The company has specialized flow technology engineering capabilities that are well-recognized in the pipeline market. Chemtec is an industry leader with system-specific experience and pipeline and refining customers across North America.

The 2015 acquisitions included the addition of Inspection Oilfield Services (IOS) to L.B. Foster's energy group. IOS is a leader in non-destructive testing and inspection services for tubular products used in Oil Country Tubular Goods (OCTG) markets. The company provides a broad and diverse range of services to oil and gas operators, drilling contractors, machine shops, pipe manufacturers and distributors.

The company fields skilled technicians in all major energy development locations to determine asset integrity and safety assurance. The IOS national footprint creates expanded market reach for all of L.B. Foster's energy businesses and offers the potential distribution of new products and services to a wider customer platform.

L.B. Foster's 2015 acquisitions can help to satisfy many of our customers' significant challenges with advanced engineered solutions.





## A BUSINESS SYSTEM DESIGNED FOR PERFORMANCE

Our quest for business excellence employs a robust strategy to deliver customer satisfaction and maximize company profits. We have set realistic and achievable goals for our team that are being met with a performance culture. L.B. Foster's people and key processes are fundamental to our success. Having our team and processes align properly and work smoothly drives satisfaction and loyalty to our customer base, and ultimately meets our shareholders' financial expectations.

Our business system begins with people first and an ongoing team building process that leads to customer centricity. The company launched a talent management initiative to ensure we have trained, motivated individuals in the proper positions necessary to realize our strategies. As a team, we are often offered a tough challenge that we answer with an innovative solution. These successes are borne from the positive interactions between L.B. Foster professionals and our customers.

Behind the team is a business system that brings consistency and effectiveness to each customer encounter and quality design to every product developed. Several of our key processes are being enhanced to support strategic drivers of profit improvement and successful execution of strategy. Integrated into our process improvement philosophy are tools such as a new ERP system, performance management, strategy execution, and a continuous sustainable improvement model which serves as a capstone to driving the success of our company's business system.

The efficiency gains we are realizing from our investment in plant improvements, lean initiatives and market-leading technologies are also helping L.B. Foster to build the scale and capability to maximize profits. Our objective is to fully develop a business system from which we can drive efficiency, performance and shareholder value across all our businesses.

We are creating a performance culture that provides a clear path to the creation of customer satisfaction and sustained shareholder value. Our investments in new products, people, and better platforms for growth are driving profitability and cash flow. L.B. Foster is developing more profitable business models and using our unique business process system to drive performance.

# L.B. FOSTER BUSINESS GROUPS

L.B. Foster operates individual business units that specialize in energy, transportation and construction infrastructure products and services. These groups manage worldwide customer support from manufacturing, distribution and sales facilities located in the United States, Canada and the United Kingdom.

## RAIL PRODUCTS and SERVICES

The Rail Business group, which includes Rail Products, Rail Technologies, CXT Concrete Ties, TEW Engineering, FWO, Car Repair Products, and Salient Systems, is a leading, one source supplier and manufacturer of quality railroad products and services for mainline, transit, mining, port and industrial markets worldwide.

Our company provides a wide range of railway products and services including new rail, used rail, insulated rail joints, rail lubrication systems, concrete ties, rail monitoring systems, transit products, trackside signaling equipment, trackwork materials, control room and passenger information systems, and our professional rail project management services.

## CONSTRUCTION PRODUCTS

Piling Products supplies flat, pipe, H beam and Z sheet pile and piling accessories for sale or rent to the construction industry from convenient regional stocking locations. L.B. Foster Fabricated Bridge Products provides steel grid bridge flooring, corrugated bridge forms, bridge drainage systems, bridge railing, custom pedestrian railing and complete bridge solutions.

CXT, Inc., an L.B. Foster subsidiary, is a leading manufacturer of precast concrete products, including restrooms, showers and concession buildings. These durable concrete structures are in use at federal, state, county, city and private recreational sites nationwide. CXT's Carr Concrete division also manufactures precast burial vaults, bridge beams, box culverts and other pre-stressed and precast concrete products.

## TUBULAR PRODUCTS and ENERGY SERVICES

Coated Products operates two pipe coating facilities that apply Fusion Bonded Epoxy corrosion protection, Abrasion Resistant Overcoating and internal linings in advanced technology environments. The plants are located in Birmingham, Alabama and Willis, Texas. The Coated Products group also includes Ball Winch Field Services, an infield pipe coating business.

Threaded Products provides quality threading of water well pipe from a state-of-the-art production facility in Magnolia, Texas. L.B. Foster also maintains a joint venture operation, LB Pipe & Coupling Products, LLC adjacent to our Magnolia threading plant. Inspection Oilfield Services (IOS), a leader in non-destructive tubular products testing and inspection for critical oil and gas applications, provides services from its facility in Houston, Texas and service centers throughout the U.S. Willis, Texas-based Chemtec Energy Services is a market-leading supplier of metering and injection systems skids.

DOLLARS IN THOUSANDS

RAIL		2015	2014	2013
Net Sales	\$	328,982	374,615	363,667
Gross Profit	\$	75,276	77,235	74,986
Segment Profit	\$	27,037	30,093	28,692
Segment Assets	\$	241,222	239,951	252,049
CONSTRUCTION		2015	2014	2013
Net Sales	\$	176,394	178,847	191,751
Gross Profit	\$	34,169	32,391	29,224
Segment Profit	\$	12,958	13,106	10,206
Segment Assets	\$	86,335	102,978	77,900
TUBULAR		2015	2014	2013
Net Sales	\$	119,147	53,730	42,545
Gross Profit	\$	22,481	11,722	12,278
Segment Profit	\$	-81,344	5,350	9,208
Segment Assets	\$	216,715	130,289	51,497



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