NORTHWEST PIPE COMPANY

1999 ANNUAL REPORT

ABOUT THE COMPANY

Northwest Pipe Company manufactures welded steel pipe in two business segments. Its Water Transmission Group is a leading supplier of large diameter, high-pressure steel pipe products that are used primarily for water transmission in the United States and Canada. Its Tubular Products Group manufactures smaller diameter, electric resistance welded steel pipe for a wide range of construction, energy, agricultural, industrial and mechanical applications. The company is headquartered in Portland, Oregon.

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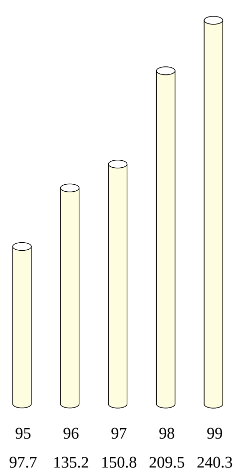
FINANCIAL HIGHLIGHTS

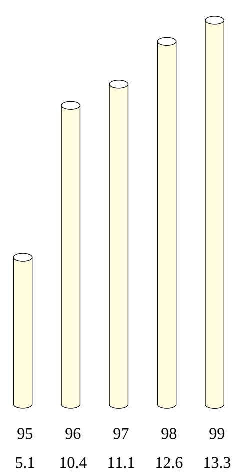
(In thousands, except per share amounts)

Year Ended December 31,	1999	1998	1997	1996	1995
Consolidated Statement of Income Data:					
Net sales	$ 240,307	$ 209,516	$ 150,833	$ 135,182	$ 97,715
Gross profit	48,904	41,664	31,117	30,942	19,576
Net income	13,285	12,581	11,100	10,404	5,107
Basic earnings per share	2.06	1.96	1.73	1.92	6.11
Diluted earnings per share	2.01	1.90	1.68	1.85	1.44
Consolidated balance sheet data:					
Working capital	$ 56,478	$ 54,237	$ 51,051	$ 35,737	$ 22,438
Total assets	248,271	234,151	132,051	101,424	64,454
Long-term debt, less current portion	76,984	76,321	39,944	14,356	12,040
Stockholders' equity	97,169	83,715	70,779	59,694	33,729
Other:					
Gross margin	20.3%	19.9%	20.6%	22.9%	20.0%
Return on sales	5.5%	6.0%	7.4%	7.7%	5.2%

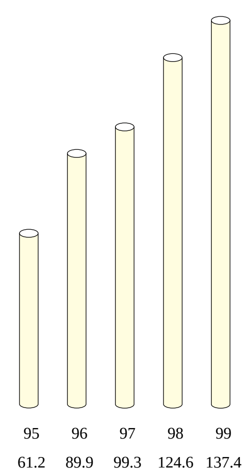
Net Sales
(millions of dollars)



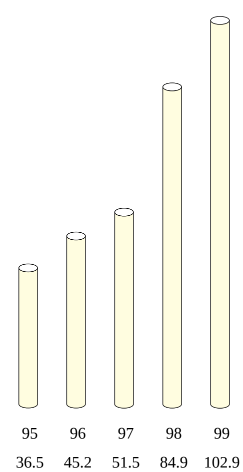
Net Income
(millions of dollars)



Net Sales
Water Transmission
(millions of dollars)



Net Sales
Tubular Products
(millions of dollars)



"In the past three years we have become the only national large diameter steel pressure pipe producer in the United States."

Northwest Pipe Company recorded record sales and earnings in 1999. This was the sixth straight year of record highs in both categories, a performance achieved in spite of difficult conditions in both our Water Transmission and Tubular Products businesses. Sales for 1999 were $240 million compared to $209 million in 1998. Earnings totaled $13.3 million compared to $12.6 million in 1998, and earnings per share increased from $1.90 to $2.01.

While we were able to continue our growth record, the results for 1999 were not up to our expectations. We were impacted in the first half of the year by the flood of foreign imports at very low prices in our Tubular Products Group. In the second half of the year, we saw definite improvement in pricing and demand as the impacts of the Asian financial crisis faded. We expect generally favorable market conditions across our product lines in 2000.

The company experienced major project delays in its Water Transmission Group during the year. While some delays are expected in this construction-related business, we experienced dramatic delays in the fourth quarter that had a severe impact on our results in certain markets. We expect the first part of 2000 to be adversely impacted by the continuing effect of project delays before seeing improvement over the course of the year.

Acquisitions

Acquisitions continue to be a key means to achieve our growth objectives. We acquired North American Pipe, Inc. in June 1999. North American specializes in the manufacture of complex piping assemblies for water treatment plant applications. This is complementary to Northwest Pipe Company's historic focus on major water pipelines. This transaction is a milestone in our strategy of extending our involvement in overall water infrastructure markets. We have been very satisfied with the results of this acquisition. As future acquisition candidates are evaluated, we will continue to be disciplined in our analysis. Any acquisitions we make will be expected to contribute very quickly to our objectives.

Strategy

The results in 1999 have validated our diversification strategy. In the Water Transmission Group we have followed a strategy of *geographic* diversification. In the past three years we have become the only national large diameter steel pressure pipe producer in the United States. We accomplished this by acquiring facilities in California, Colorado, Texas and West Virginia. Looking ahead, we expect to continue this strategy by growing internationally or by adding other water infrastructure products to our capabilities.

"Our commitment is to
continue to pursue our strategy and
to develop our company."

In the Tubular Products Group we have focused on *product* diversification. A few short years ago our main business was providing niche products for agricultural markets. Today, agriculture makes up a very small percentage of our sales. We now produce structural tubing, standard pipe, energy pipe, traffic signpost systems, mechanical tubing, fence frameworks, propane tanks and fire protection sprinkler pipe. In 1999, Tubular Products sales exceeded $100 million for the first time. We see several opportunities to continue to grow and develop this business over the next few years. We are well on the way to creating a diversified Group with leading positions in key markets.

Commitment

We have taken actions over the past few years that have made Northwest Pipe Company successful – even in difficult business conditions. We see many more opportunities for improvement and for growth. Our commitment is to continue to pursue our strategy and to develop our company. We believe Northwest Pipe Company is well positioned to continue to be successful and to build value for its shareholders.

W R Tagmyer

William R. Tagmyer
Chairman of the Board and Chief Executive Officer

Brian W. Dunham
President and Chief Operating Officer

Custom engineered and fabricated fittings are an integral part of every water transmission system.

WATER TRANSMISSION

- Steel water pipe has been in continuous service in the United States for over 100 years
- There are over 500,000 miles of buried water pipelines in the United States today
- Northwest Pipe produced pipe up to 12 feet in diameter in 1999 for use in the U.S., Mexico, Canada, Peru and Indonesia
- Northwest Pipe projects in 1999 can deliver over 7 million acre-feet of water per year – enough for 14 million households

Mortar coated steel pipe can tackle the most demanding handling and installation environments.

Northwest Pipe is the leading supplier of steel, high pressure water transmission pipe in the United States. With the acquisition of two facilities in Saginaw, Texas during 1999, the company added the capability to produce complex piping assemblies for water and waste treatment plants to its historical emphasis on pipelines. Today, the company has seven water transmission facilities and is positioned to effectively deliver water transmission pipe anywhere in the United States and Canada. The company is also actively pursuing the export market, with over $20 million of products installed outside the United States in the past two years.

The Water Transmission Group manufactures pipe from 4.5 inches to 156 inches in diameter. Most products are used to extend or upgrade public water systems. Other products are used for structural or industrial applications. The company offers a wide variety of coatings and linings, as well as fabrication facilities in order to deliver fully engineered pipeline systems.

In the past five years, Water Transmission Group revenues have grown at a compound annual rate of 27%. In 1999, the Group generated $137 million in revenues, another new high. Sales were lower than expected, however, due to project delays during the year. This was especially a factor in the fourth quarter and will continue into the first part of 2000.

After a slow start, market conditions, driven by population growth, urban expansion and pipeline replacement, appear to be favorable. The company expects to see improved markets overall in 2000 and expects to see continued growth in its Water Transmission Group.

108" welded steel pipe with mortar coating was the choice of this pipeline serving the growing Las Vegas, Nevada area.

WATER TRANSMISSION FACILITIES

Steel piles were the choice for this award winning project located along the waterfront in Portland, Oregon.

Raw material selection is one of the key elements for consistent manufacturing processes.

TUBULAR PRODUCTS

- **Northwest Pipe produced more than 100 million feet of pipe and tubing in 1999**
- **Over 250,000 Northwest Pipe sign post systems were put into use during the year**
- **Our tubular products are everywhere – elevator shafts, tennis courts, exercise equipment, furniture, traffic signs, scaffolding and irrigation systems**

Northwest Pipe provides a wide range of products for use in construction, energy, agriculture, manufacturing and general industrial purposes. Today, the company produces this wide array of products from five locations. Both product and geographic diversification serve to reduce the cyclicality of this business. Over the past five years, Tubular Products Group revenues have grown at a compound annual rate of 26%.

In 1999, the Tubular Products Group generated $103 million in revenues, a 21% increase from 1998. Despite import pressure on pricing during the first half of the year, the group generated a 16.1% gross margin.

Pipe for the energy markets requires stringent testing procedures.

Each size and length of tubing is bundled for easy handling prior to shipment.

The company's products are grouped in several major market segments. At this time, market conditions across these segments appear generally positive and improving compared to last year. The company expects to capitalize on these improving conditions and strengthen its position in each of its segments.

The company remains confident in the growth potential of the Tubular Products Group. There is available capacity in most facilities and products are being developed to take advantage of this capacity and identified market opportunities. These initiatives should result in continued growth.

TUBULAR PRODUCTS FACILITIES

Tube manufacturing requires highly trained and skilled technicians to monitor each step in the operation.

FINANCIAL CONTENTS

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Report contain forward-looking statements within the meaning of the Securities Litigation Reform Act of 1995 that are based on current expectations, estimates and projections about the Company's business and management's beliefs and assumptions. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including, but not limited to those discussed in this discussion and analysis of financial condition and results of operations, as well as those discussed elsewhere in this Report and from time to time in the Company's other Securities and Exchange Commission filings and reports. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made and the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Report. If the Company does update or correct one or more forward-looking statements, investors and others should not conclude that the Company will make additional updates or corrections with respect thereto or with respect to other forward-looking statements.

The Company's net sales and net income may fluctuate significantly from quarter to quarter due to the size of certain Water Transmission orders, the schedule for deliveries of those orders, the delays in Water Transmission projects the Company has been awarded or postponements in bidding activity and awarding of new Water Transmission projects and the inventory management policies of certain of the Company's Tubular Products customers. The Company has experienced such fluctuations in the past and may experience such fluctuations in the future. Results of operations in any period should not be considered indicative of the results to be expected for any future period, and fluctuations in operating results may also result in fluctuations in the price of the Company's common stock. The Company's business is subject to cyclical fluctuations based on general economic conditions and the economic conditions of the specific industries served. Future economic downturns could have a material adverse effect on the Company's business, financial condition and results of operations.

Overview

The Company's Water Transmission products are manufactured in its Portland, Oregon; Denver, Colorado; Adelanto and Riverside, California; Parkersburg, West Virginia; and Saginaw, Texas facilities. Tubular Products are manufactured in the Company's Portland, Oregon; Atchison, Kansas; Houston, Texas; Bossier City, Louisiana; and Monterrey, Mexico facilities.

The Company believes that the Tubular Products business, in conjunction with the Water Transmission business, provides a significant degree of market diversification, because the principal factors affecting demand for Water Transmission products are different from those affecting demand for tubular products. Demand for Water Transmission products is generally based on population growth and movement, changing water sources and replacement of aging infrastructure. Demand can vary dramatically within the Company's market area since each population center determines its own waterworks requirements. Demand for tubular products is influenced by construction, the energy market, the agricultural economy and general economic conditions.

The following table sets forth, for the periods indicated, certain financial information regarding costs and expenses expressed as a percentage of total net sales and net sales of the Company's business segments.

Year Ended December 31,	1999	1998	1997
Net sales:			
Water transmission	57.2%	59.5%	65.8%
Tubular products	42.8	40.5	34.2
Total net sales	100.0	100.0	100.0
Cost of sales	79.7	80.1	79.4
Gross profit	20.3	19.9	20.6
Selling, general and administrative expenses	7.8	7.6	7.5
Operating income	12.5	12.3	13.1
Interest expense, net	3.3	2.3	1.2
Income before income taxes	9.2	10.0	11.9
Provision for income taxes	3.7	4.0	4.5
Net income	5.5%	6.0%	7.4%
Gross profit as a percentage of segment net sales:			
Water transmission	23.5%	23.0%	22.9%
Tubular products	16.1	15.3	16.3

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net sales. Net sales increased 14.7% to $240.3 million in 1999 from $209.5 million in 1998. No single customer accounted for 10% or more of total net sales in 1999 or 1998.

Water Transmission sales increased 10.3% to $137.4 million in 1999 from $124.6 million in 1998. The increase was primarily a result of sales attributable to the Parkersburg facility, which was acquired in June 1998 and North American Pipe, Inc. ("North American"), which was acquired in June 1999. Water Transmission sales in the second half of 1999 were negatively impacted by delays in projects the Company had already been awarded, and postponements in bidding activity and awarding of new projects. The Company expects that these delays and postponements will continue to negatively affect Water Transmission sales in the first quarter of 2000.

Tubular Products sales increased 21.2% to $102.9 million in 1999 from $84.9 million in 1998. The increases were primarily the result of increased sales in certain product lines and a lessening in pricing pressures from imported products in the second half of 1999. The Company also raised prices in certain product lines beginning in the fourth quarter of 1999 to offset increases in the price of steel purchased by the Company.

Gross profit. Gross profit increased 17.4% to $48.9 million (20.3% of total net sales) in 1999 from $41.7 million (19.9% of total net sales) in 1998.

Water Transmission gross profit increased 12.6% to $32.3 million (23.5% of segment net sales) in 1999 from $28.7 million (23.0% of segment net sales) in 1998. Water Transmission gross profit increased as a result of improved market conditions and stronger bidding activity in the first half of 1999, and the acquisition of the Parkersburg facility in June 1998 and North American in June 1999. Water Transmission gross profit in the second half of 1999 was negatively impacted by lower production volume, which resulted from delays in projects the Company had already been awarded, and postponements in bidding activity and awarding of new projects. The Company expects that these delays and postponements will continue to negatively affect Water Transmission gross profit in the first quarter of 2000.

Gross profit from Tubular Products increased 27.9% to $16.6 million (16.1% of segment net sales) in 1999 from $12.9 million (15.3% of segment net sales) in 1998. Tubular Products gross profit increased in 1999 as a result of a lessening in pricing pressure from imported products in certain product lines, a favorable product mix and generally improved market conditions in the second half of 1999. The Company also raised prices in certain product lines beginning in the fourth quarter of 1999 to offset increases in the price of steel purchased by the Company. There can be no assurance that the Company will be successful in implementing further price increases on its products to offset additional steel price increases, if any.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 18.5% to $18.8 million (7.8% of total net sales) in 1999 from $15.9 million (7.6% of total net sales) in 1998. The increase was primarily the result of increased operating expenses related to the acquisitions completed in March and June 1998 and June 1999 and the general growth of the Company's business.

Interest expense. Interest expense increased to $8.1 million in 1999 from $4.8 million in 1998. The increase in interest expense resulted from increased borrowings used to finance acquisitions and capital expenditures and to support higher production and sales levels.

Income taxes. The Company's effective tax rate was approximately 39.8% in 1999, compared to approximately 40% in 1998.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net sales. Net sales increased 38.9% to $209.5 million in 1998 from $150.8 million in 1997. No single customer accounted for 10% or more of total net sales in 1998 or 1997.

Water Transmission sales increased 25.5% to $124.6 million in 1998 from $99.3 million in 1997. The increase resulted primarily from higher production brought about by improved market conditions in 1998 and increased sales attributable to the Parkersburg facility, which was acquired in June 1998.

Tubular Products sales increased 64.8% to $84.9 million in 1998 from $51.5 million in 1997. The increase was primarily the result of sales attributable to P&H Tube Corporation ("P&H") and Southwestern Pipe, Inc. ("Southwestern"), which were acquired in March 1998, and increased demand in certain product lines.

Gross profit. Gross profit increased 33.9% to $41.7 million (19.9% of total net sales) in 1998 from $31.1 million (20.6% of total net sales) in 1997.

Water Transmission gross profit increased 26.3% to $28.7 million (23.0% of segment net sales) in 1998 from $22.7 million (22.9% of segment net sales) in 1997. Water Transmission gross profit as a percentage of segment net sales increased slightly in 1998 compared to 1997. In the first six months of 1998, the Company experienced lower bidding activity, unfavorable pricing pressures and shipping delays. In the latter half of 1998, demand and production increased as market conditions and bidding activity improved.

Gross profit from Tubular Products increased 54.4% to $12.9 million (15.3% of segment net sales) in 1998 from $8.4 million (16.3% of segment net sales) in 1997. During 1998, the Company experienced pricing pressures in its Tubular Products markets, which it believes was the result of increased foreign price competition. This increased foreign price competition and to a lesser degree, an unfavorable product mix, partially offset by a decrease in raw material prices in the fourth quarter of 1998, resulted in a decrease in Tubular Products gross profit as a percentage of net sales in 1998.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 39.3% to $15.9 million (7.6% of total net sales) in 1998 from $11.4 million (7.5% of total net sales) in 1997. The increase was primarily the result of additional operating costs related to the acquisitions completed in March and June 1998.

Interest expense. Interest expense increased to $4.8 million in 1998 from $1.8 million in 1997. The increase in interest expense resulted from increased borrowings used to finance the acquisitions made in March and June 1998, and to support higher production and sales levels.

Income taxes. The Company's effective tax rate was approximately 40% in 1998, compared to approximately 38.1% in 1997. The increase in the effective tax rate was due primarily to acquisitions which resulted in non-deductible goodwill.

Liquidity and Capital Resources

The Company finances operations with internally generated funds and available borrowings. At December 31, 1999, the Company had cash and cash equivalents of $969,000.

Net cash provided by operating activities in 1999 was $15.2 million. This was primarily the result of $13.3 million of net income, non-cash adjustments for depreciation and amortization of $5.1 million, decreases in inventories and accounts payable of $6.2, and $6.9 million, respectively; offset by an increase in net trade receivables of $3.8 million. The decrease in accounts payable was primarily attributable to the timing and amount of purchases and utilization of steel. The increase in trade receivables and decrease in inventories primarily resulted from increased product shipments in 1999.

Net cash used in investing activities in 1999 was $17.9 million, which primarily resulted from additions of property and equipment, including a new company-wide enterprise resource planning computer software system and the completion of construction of the Company's LPG tank manufacturing facility in Monterrey, Mexico, and the acquisition of North American. Capital expenditures are expected to approximate $9.0 million in 2000.

Net cash provided by financing activities in 1999 was $3.1 million, which primarily resulted from $3.6 million in net borrowings under the Company's line of credit agreement, offset by payments of long-term debt. Additionally, capital lease obligations of $2.4 million related to the new company-wide enterprise resource planning computer software system were incurred in 1999.

The Company had the following significant components of debt at December 31, 1999: a $55 million credit agreement under which $40.0 million was outstanding; $8.6 million of Series A Senior Notes, without collateral, which bear interest at 6.63%; $30.0 million of Series B Senior Notes, without collateral, which bear interest at 6.91%; $35.0 million of Senior Notes, without collateral, which bear interest at 6.87%; an Industrial Development Bond of $2.8 million with variable interest rate of 4.19%; and a capital lease obligation of $2.4 million which bears interest at 7.9%.

The credit agreement expires on September 30, 2002 and is without collateral. It bears interest at rates related to IBOR or LIBOR plus 0.65% to 2.25% (7.4% at December 31, 1999), or at prime less 0.5% (8.0% at December 31, 1999). At December 31, 1999, the Company had $33.0 million outstanding under the line of credit bearing interest at a weighted average IBOR interest rate of 7.55%, $7.0 million bearing interest at 8.0% and additional borrowing capacity under the line of credit of $15.0 million. The line of credit agreement contains the following covenants: minimum debt service ratio, maximum funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), and minimum tangible net worth. In June 1999, the Company amended its line of credit agreement to include a $10.0 million bridge loan commitment which expired on December 31, 1999. Amounts outstanding under the bridge loan commitment were transferred to the Company's line of credit which was increased to $55.0 million on December 30, 1999. Additionally on December 30, 1999, the maturity date of the agreement was extended to September 30, 2002 and the ratio of maximum funded debt to EBITDA was adjusted to 3.75:1.0 until March 31, 2000, 3.50:1.0 until September 30, 2000 and 3.25:1.0 until December 31, 2000.

At December 31, 1999, the Company was in compliance with all covenants specified in its debt agreements.

The Company's working capital requirements have increased due to an increase in the Company's Water Transmission business, which is characterized by lengthy production periods and extended payment cycles, and an increase in Tubular Products sales. The Company anticipates that its existing cash and cash equivalents, cash flows expected to be generated by operations and amounts available under its line of credit will be adequate to fund its working capital and capital requirements for at least the next twelve months.

To the extent necessary, the Company may also satisfy capital requirements through additional bank borrowings, senior notes and capital leases if such resources are available on satisfactory terms. The Company has from time to time evaluated and continues to evaluate opportunities for acquisitions and expansion. Any such transactions, if consummated, may use a portion of the Company's working capital or necessitate additional bank borrowings.

Acquisitions. On June 18, 1999, the Company acquired all of the outstanding common stock of North American of Saginaw, Texas. North American operates two facilities which produce custom fabricated piping assemblies. The purchase price of $4.5 million has been allocated to the underlying assets and liabilities, including certain debt, of North American.

In June 1998, the Company acquired from L.B. Foster Company the plant, equipment, leasehold and contract rights and miscellaneous assets of its Fosterweld Division manufacturing facility (the "Parkersburg Facility") for $5.3 million, and acquired the Parkersburg Facility's inventory net of assumed accounts payable. The Parkersburg Facility is employed in the manufacture of large diameter, high pressure steel pipe products.

In March 1998, the Company acquired all of the outstanding capital stock of Southwestern Pipe, Inc. ("Southwestern") and P&H Tube Corporation ("P&H") for $40.1 million. The excess of the acquisition cost over the fair value of the net assets acquired of $23.7 million is being amortized over 40 years using the straight-line method. The principal business of both Southwestern and P&H is the manufacture and sale of structural and mechanical tubing products.

Year 2000 Issue. The Company incurred costs of approximately $160,000 related to its Year 2000 assessment, remediation and testing efforts, including, the replacement of approximately $100,000 of certain telephone system components as a result of the Year 2000 issue. The Company did not experience any significant disruption of operations or services as a result of Year 2000 issues.

Recent Accounting Pronouncements. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that changes in the derivative instrument's fair value be recognized currently in results of operations unless specific hedge accounting criteria are met. SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. The Company's management has studied the implications of SFAS 133 and based on the initial evaluation, expects the adoption to have no impact on the Company's financial condition or results of operations.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

Year Ended December 31,	1999	1998	1997
Net sales	$240,307	$209,516	$150,833
Cost of sales	191,403	167,852	119,716
Gross profit	48,904	41,664	31,117
Selling, general and administrative expense	18,790	15,859	11,382
Operating income	30,114	25,805	19,735
Interest expense, net	8,065	4,835	1,616
Interest expense to related parties	–	–	201
Income before income taxes	22,049	20,970	17,918
Provision for income taxes	8,764	8,389	6,818
Net income	$ 13,285	$ 12,581	$ 11,100
Basic earnings per share	$ 2.06	$ 1.96	$ 1.73
Diluted earnings per share	$ 2.01	$ 1.90	$ 1.68
Shares used in per share calculations:			
Basic	6,452	6,435	6,405
Diluted	6,611	6,628	6,622

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands)

December 31,	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 969	$ 524
Trade receivables, less allowance for doubtful accounts of $1,896 and $1,046	47,934	41,719
Costs and estimated earnings in excess of billings on uncompleted contracts	22,389	23,270
Inventories	44,362	49,269
Refundable income taxes	2,244	2,800
Deferred income taxes	1,502	1,794
Prepaid expenses and other	2,222	1,733
Total current assets	121,622	121,109
Property and equipment, net	101,240	87,139
Goodwill, net	22,637	23,223
Restricted assets	2,300	2,300
Other assets	472	380
	$248,271	$234,151
Liabilities and Stockholders' Equity		
Current liabilities:		
Note payable to financial institution	$ 40,000	$ 34,200
Current portion of long-term debt	2,124	1,679
Current portion of capital lease obligations	484	2,000
Accounts payable	17,558	23,524
Accrued liabilities	4,978	5,469
Total current liabilities	65,144	66,872
Long-term debt, less current portion	75,088	76,321
Capital lease obligations, less current portion	1,896	–
Minimum pension liability	–	58
Deferred income taxes	8,974	7,185
Total liabilities	151,102	150,436
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued or outstanding	–	–
Common stock, $.01 par value, 15,000,000 shares authorized, 6,459,930 and 6,447,516 shares issued and outstanding	64	64
Additional paid-in-capital	38,962	38,849
Retained earnings	58,143	44,858
Accumulated other comprehensive loss:		
Minimum pension liability	–	(56)
Total stockholders' equity	97,169	83,715
	$248,271	$234,151

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollar amounts in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balances, December 31, 1996	6,388,986	$ 64	$ 38,546	$ 21,177	$ (93)	$ 59,694
Net income				11,100		11,100
Issuance of common stock under stock option plans	22,416		49			49
Minimum pension liability adjustment					(194)	(194)
Tax benefit of stock options exercised			130			130
Balances, December 31, 1997	6,411,402	64	38,725	32,277	(287)	70,779
Net income				12,581		12,581
Issuance of common stock under stock option plans	36,334		45			45
Repurchase of common stock	(220)		(4)			(4)
Minimum pension liability adjustment					231	231
Tax benefit of stock options exercised			83			83
Balances, December 31, 1998	6,447,516	64	38,849	44,858	(56)	83,715
Net income				13,285		13,285
Issuance of common stock under stock option plans	4,219		14			14
Issuance of common stock under employee stock purchase plan	8,195		94			94
Minimum pension liability adjustment					56	56
Tax benefit of stock options exercised			5			5
Balances, December 31, 1999	6,459,930	$ 64	$ 38,962	$ 58,143	$ –	$ 97,169

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

Year Ended December 31,	1999	1998	1997
Cash Flows From Operating Activities:			
Net income	$ 13,285	$ 12,581	$ 11,100
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,090	3,685	2,242
Deferred income taxes	1,228	2,199	3,010
Gain on sale of property and equipment	(632)	(342)	–
Changes in current assets and liabilities:			
Trade receivables, net	(3,776)	(12,302)	(1,940)
Costs and estimated earnings in excess of billings on uncompleted contracts	882	(3,357)	(9,164)
Inventories	6,192	(18,182)	(46)
Refundable income taxes	849	507	(3,307)
Prepaid expenses and other	(449)	(222)	(113)
Accounts payable	(6,865)	10,978	(1,814)
Accrued and other liabilities	(604)	1,315	(4,301)
Net cash provided by (used in) operating activities	15,200	(3,140)	(4,333)
Cash Flows From Investing Activities:			
Additions to property and equipment	(14,153)	(16,185)	(20,351)
Proceeds from sale of property and equipment	687	1,670	–
Acquisitions, net of cash acquired	(4,413)	(47,856)	–
Other assets	(15)	259	(2,081)
Net cash used in investing activities	(17,894)	(62,112)	(22,432)
Cash Flows From Financing Activities:			
Proceeds from sale of common stock, net	113	41	49
Proceeds from long-term debt	--	40,000	35,000
Payments on long-term debt	(788)	(740)	(8,410)
Net proceeds (payments) under notes payable	3,591	27,200	(302)
Net proceeds (payments) on capital lease obligations	223	(1,629)	(299)
Payments on capital lease obligations to related party	–	–	(2,671)
Net cash provided by financing activities	3,139	64,872	23,367
Net increase (decrease) in cash and cash equivalents	445	(380)	(3,398)
Cash and cash equivalents, beginning of period	524	904	4,302
Cash and cash equivalents, end of period	$ 969	$ 524	$ 904
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the period for interest, net of amounts capitalized	$ 6,968	$ 3,836	$ 1,450
Cash paid during the period for income taxes	7,164	5,836	6,741
Supplemental Disclosure of Noncash Information:			
Tax benefit of nonqualified stock options exercised	$ 5	$ 83	$ 130
Capital lease obligations incurred	–	–	1,869
Acquisitions:			
Cost in excess of fair value of assets acquired	$ –	$ 23,717	$ –
Fair value of assets acquired	8,692	32,941	–
Fair value of liabilities assumed	4,279	8,802	–

The accompanying notes are an integral part of these consolidated financial statements.

(Dollar amounts in thousands, except share and per share amounts)

1. Summary of Significant Accounting Policies:

The consolidated financial statements include the accounts of Northwest Pipe Company and its wholly owned subsidiaries (the "Company"). All significant intercompany balances have been eliminated. The Company manufactures Water Transmission products in its Portland, Oregon; Denver, Colorado; Adelanto and Riverside, California; Parkersburg, West Virginia; and Saginaw, Texas facilities. Tubular Products are manufactured in the Company's Portland, Oregon; Atchison, Kansas; Houston, Texas; Bossier City, Louisiana; and Monterrey, Mexico facilities.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short term highly liquid investments with remaining maturities of three months or less when purchased.

Inventories

Inventories are stated at the lower of cost or market. Finished goods are stated at standard cost which approximates the first-in, first-out method of accounting. Raw material inventories of steel coil are stated at cost on a specific identification basis. Raw material inventories of coating and lining materials, as well as materials and supplies, are stated on an average cost basis.

Property and Equipment

Property and equipment, including land, buildings and equipment under capital leases, are stated at cost. Maintenance and repairs are expensed as incurred and costs of improvements and renewals, including interest, are capitalized. Depreciation and amortization are determined by the straight-line method based on the estimated useful lives of the related assets, except for the depreciation of the Tubular Products mill in Portland, Oregon, which is determined by the units of production method. Upon disposal, costs and related accumulated depreciation of the assets are removed from the accounts and resulting gains or losses are reflected in operations. The Company leases land, buildings and equipment under long-term capital leases, which are being amortized on a straight-line basis over estimated useful lives.

Estimated useful lives by major classes of property and equipment are as follows:

Land and improvements	20 years
Buildings	30 years
Equipment	5 – 18 years

Goodwill

The Company has classified as goodwill the cost in excess of fair value of the net assets of companies acquired in purchase transactions. Net goodwill was $22.6 million and $23.2 million, at December 31, 1999 and 1998, respectively. Goodwill is amortized on the straight-line method over 40 years. Amortization charged to operations was $586 and $494 for 1999 and 1998, respectively. At each balance sheet date, the Company evaluates the realizability of goodwill based on expectations of non-discounted cash flows and operating income for each subsidiary having a material goodwill balance. Based on its most recent analysis, the Company believes that no material impairment of goodwill exists at December 31, 1999.

Revenue Recognition

Revenue from construction contracts in the Company's Water Transmission segment is recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to the estimated total costs of each contract. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation. Selling, general and administrative costs are charged to expense as incurred. Provisions for losses on uncompleted contracts are made in the period such losses are known. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Revenue from the Company's Tubular Products segment is recognized when all four of the following criteria have been satisfied: persuasive evidence of an arrangement exists; delivery has occurred; the price is fixed or determinable; and collectibility is reasonably assured.

Income Taxes

The Company records deferred income tax assets and liabilities based upon the difference between the financial statement and income tax bases of assets and liabilities using enacted income tax rates. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in net deferred income tax assets and liabilities.

Earnings per Share

Basic earnings per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares of common stock and dilutive common equivalent shares outstanding during the period. Incremental shares of 159,288, 192,590 and 216,989 for the years ended December 31, 1999, 1998, 1997, respectively, were used in the calculations of diluted earnings per share. Options to purchase 269,395 shares of common stock at prices of $15.75 to $22.875 per share were outstanding during 1999, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the underlying common stock. The options were outstanding at December 31, 1999.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Trade receivables are with a large number of customers, including municipalities, manufacturers, distributors and contractors, dispersed across a wide geographic base.

Fair Value of Financial Instruments

The fair value of financial instruments are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, trade receivables, other current assets and current liabilities approximate fair value because of the short maturity for these instruments. The fair value approximates the carrying value of the Company's borrowings under its long-term arrangements based upon interest rates available for the same or similar loans.

Impairment of Long-Lived Assets

The Company's long-lived assets are reviewed for impairment when circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the asset, a loss is recognized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Income

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" which establishes requirements for disclosure of comprehensive income. Comprehensive income is the total of net income and all other non-owner changes in equity.

Year Ended December 31,	1999	1998	1997
Net income	$ 13,285	$ 12,581	$ 11,100
Minimum pension liability adjustment	56	231	(194)
Comprehensive income	$ 13,341	$ 12,812	$ 10,906

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that changes in the derivative instrument's fair value be recognized currently in results of operations unless specific hedge accounting criteria are met. SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. The Company's management has studied the implications of SFAS 133 and based on the initial evaluation, expects the adoption to have no impact on the Company's financial condition or results of operations.

2. Acquisitions:

In June 1999, the Company acquired all of the outstanding common stock of North American Pipe, Inc. ("North American") of Saginaw, Texas. North American operates two facilities which produce custom fabricated piping assemblies. The purchase price of $4.5 million has been allocated to the underlying assets and liabilities, including certain debt, of North American.

In June 1998, the Company acquired from L.B. Foster Company the plant, equipment, leasehold and contract rights and miscellaneous assets of its Fosterweld Division manufacturing facility (the "Parkersburg Facility") for $5.3 million, and acquired the Parkersburg Facility's inventory net of assumed accounts payable. The Parkersburg Facility is employed in the manufacture of large diameter, high pressure steel pipe products.

In March 1998, the Company acquired all of the outstanding capital stock of Southwestern Pipe, Inc. ("Southwestern") and P&H Tube Corporation ("P&H") for $40.1 million. The excess of the acquisition cost over the fair value of the net assets acquired of $23.7 million is being amortized over 40 years using the straight-line method. The principal business of both Southwestern and P&H is the manufacture and sale of structural and mechanical tubing products.

All of the above acquisitions were accounted for using the purchase method of accounting, which requires that the purchase price be allocated to the net assets acquired based upon the relative fair value of assets acquired. The accompanying consolidated financial statements include the results of operations from the dates of acquisition.

3. Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts:

December 31,	1999	1998
Costs incurred on uncompleted contracts	$ 79,361	$ 69,214
Estimated earnings	30,561	22,264
	109,922	91,478
Less billings to date	(87,533)	(68,208)
	$ 22,389	$ 23,270

Costs and estimated earnings in excess of billings on uncompleted contracts represents revenue earned under the percentage of completion method but not billable based on the terms of the contracts. These amounts are billed based on the terms of the contracts which include achievement of milestones, partial shipments or completion of the contracts.

4. Inventories:

December 31,	1999	1998
Finished goods	$ 18,107	$ 12,404
Raw materials	24,156	34,769
Materials and supplies	2,099	2,096
	$ 44,362	$ 49,269

5. Property and Equipment:

December 31,	1999	1998
Land and improvements	$ 13,550	$ 10,387
Buildings	23,912	19,655
Equipment	86,964	71,893
Property and equipment under capital leases	2,413	2,733
Construction in progress	4,790	7,964
	131,629	112,632
Less accumulated depreciation and amortization	(30,389)	(25,493)
	$ 101,240	$ 87,139

Accumulated amortization associated with property and equipment under capital leases was $129 at December 31, 1999 and 1998.

6. Note Payable to Financial Institution:

At December 31, 1999, the Company had a $55.0 million credit agreement, under which $40.0 million was outstanding, with $33.0 million bearing interest at a weighted average IBOR interest rate of 7.55%, $7.0 million bearing interest at 8.0% and additional borrowing capacity under the line of credit of $15.0 million. The credit agreement expires on September 30, 2002 and is without collateral. It bears interest at rates related to IBOR or LIBOR plus 0.65% to 2.25% (7.4% at December 31, 1999), or at prime less 0.5% (8.0% at December 31, 1999). The line of credit agreement contains the following covenants; minimum debt service ratio, maximum funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), and minimum tangible net worth. In June 1999, the Company amended its line of credit agreement to include a $10.0 million bridge loan commitment, which expired on December 31, 1999. Amounts outstanding under the bridge loan commitment were transferred to the Company's line of credit, which was increased to $55.0 million on December 30, 1999. Additionally on December 30, 1999, the maturity date of the agreement was extended to September 30, 2002 and the ratio of maximum funded debt to EBITDA was adjusted to 3.75:1.0 until March 31, 2000, 3.50:1.0 until September 30, 2000 and 3.25:1.0 until December 31, 2000. At December 31, 1999, the Company was in compliance with all covenants specified in the line of credit agreement, as amended.

7. Long-Term Debt:

December 31,	1999	1998
Industrial Development Bond, issued in accordance with Internal Revenue Code Section 144(a), variable interest (4.19% at December 31, 1999 and 3.27% at December 31, 1998) payable monthly; annual principal payments of $250, collateralized by property and equipment and guaranteed by an irrevocable letter of credit from a bank	$ 2,750	$ 3,000
Senior Notes, due in annual payments of $5.0 million beginning November 15, 2001, plus interest at 6.87% paid semi-annually, on May 15 and November 15, without collateral	35,000	35,000
Series A Senior Notes, due in annual payments of $1.4 million beginning April 1, 1999, plus interest at 6.63% paid semi-annually, on April 1 and October 1, without collateral	8,571	10,000
Series B Senior Notes, due in annual payments of $4.3 million beginning April 1, 2002, plus intere st at 6.91% paid semi-annually, on April 1 and October 1, without collateral	30,000	30,000
Other	891	–
Total long-term debt	$ 77,212	$ 78,000
Amounts are displayed on the consolidated balance sheet as follows:		
Current portion of long-term debt	$ 2,124	$ 1,679
Long-term debt, less current portion	75,088	76,321
	$ 77,212	$ 78,000

The Company is required to maintain certain financial ratios under its long-term debt agreements. As of December 31, 1999, the most restrictive of these was a requirement to maintain consolidated indebtedness at or below 58% of consolidated total capitalization. At December 31, 1999, the Company was in compliance with all financial ratios specified in its long-term debt agreements.

Future principal payments are as follows:

2000	$ 2,124
2001	7,124
2002	10,964
2003	10,964
2004	10,964
Thereafter	35,072
	$ 77,212

Interest expense was $8,065, net of amounts capitalized of $163 in 1999. Interest expense was $4,835, net of amounts capitalized of $1,554, in 1998. Interest expense was $1,817, net of amounts capitalized of $707, in 1997.

8. Leases:

Capital Leases

The Company leases certain hardware and software related to a new company-wide enterprise resource planning system and other equipment. The future minimum lease payments under these capital leases and the present value of the minimum lease payments as of December 31, 1999 are as follows:

2000	$ 648
2001	605
2002	583
2003	583
2004	437
Total minimum lease payments	2,856
Less – Amount representing interest	476
Present value of minimum lease payments with interest rates of 7.9% – 10.75%	$ 2,380

Operating Leases

The Company has entered into land, building and equipment leases with terms of eight years or less. Total rental expense for 1999, 1998, and 1997 was $868, $967, and $1,323, respectively. Future minimum payments for operating leases with initial or remaining terms in excess of one year are:

2000	$ 441
2001	400
2002	318
2003	198
2004	182
Thereafter	618
	$ 2,157

9. Retirement Plans:

The Company has a defined contribution retirement plan that covers substantially all of its employees and provides for Company matches of up to 50% of employee contributions to the plan, subject to certain limitations. The Company also has two noncontributory defined benefit plans, which cover substantially all employees at its Denver, Colorado facility. Benefits under the union pension plan are based upon a flat benefit formula, while benefits under the salaried benefit plan are based upon a final pay formula. The funding policy for each noncontributory defined benefit plan is based on current plan costs plus amortization of the unfunded plan liability. Total expense for all retirement plans was in 1999, 1998, and 1997 was $513, $533, and $412, respectively.

10. Stock-Based Compensation Plans:

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan (the “ESPP”), which allows employees of the Company to purchase shares of the Company’s common stock through accumulated payroll deductions. Participating employees may elect to contribute up to 10% of their eligible compensation, subject to certain limitations, during each pay period to the ESPP. The ESPP provides for two semi-annual offering periods beginning May 1 and November 1 of each year. Participant funds are accumulated during the offering period and used to automatically purchase shares of the Company’s common stock at 85% of the lower of the fair market value of such stock at the beginning of the offering period or the fair market value at the purchase date. The Company has made 300,000 shares of common stock available for sale under the ESPP and had issued 8,195 shares as of December 31, 1999.

Stock Option Plans

The Company has two stock option plans for employees and directors. The Amended 1995 Stock Incentive Plan provides for the grant of incentive options at an exercise price which is 100 percent of the fair value of the Company’s stock on the date of grant. The 1995 Stock Option Plan for Nonemployee Directors provides for the grant of nonqualified options at an exercise price which is not less than 100 percent of the fair value on the grant date. The plans provide that options become exercisable according to vesting schedules which range from immediate for nonemployee directors to ratably over a 60 month period for all other options. Options terminate 10 years from the date of grant. There were 780,375, 784,594, and 820,928 shares of common stock reserved for issuance under the Company's stock compensation plans at December 31, 1999, 1998 and 1997, respectively.

A summary of status of the Company's stock options as of December 31, 1999, 1998 and 1997 and changes during the year ended on those dates is presented below:

		Exercise Price
	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 1996	280,810	$ 3.85
Options granted	155,500	18.60
Options exercised	(22,416)	2.20
Options canceled	–	–
Balance, December 31, 1997	413,894	9.48
Options granted	109,613	21.15
Options exercised	(36,334)	1.25
Options canceled	(3,039)	20.00
Balance, December 31, 1998	484,134	12.67
Options granted	176,573	14.74
Options exercised	(4,219)	3.24
Options canceled	(5,697)	16.02
Balance, December 31, 1999	650,791	$ 13.27

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices Per Share	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price Per Share	Number of Options	Weighted Average Exercise Price Per Share
$0.87 – $1.00	67,219	2.75	$0.96	67,219	$0.96
$4.78	130,622	5.47	4.78	118,524	4.78
$11.50 – $14.75	183,951	8.97	14.58	44,465	14.21
$15.75 – $18.75	158,000	7.10	18.52	96,463	18.37
$18.88 – $22.88	110,999	8.11	21.06	46,588	21.21
	650,791			373,259	

The following are the options exercisable at the corresponding weighted average exercise price at December 31, 1999, 1998 and 1997, respectively: 373,259 at $10.78, 266,206 at $9.05, and 221,899 at $5.55.

SFAS 123, "Accounting for Stock-Based Compensation" was issued by the FASB in 1995 and, if fully adopted, changes the methods for the recognition of cost related to stock compensation plans. Adoption of the accounting requirements of SFAS 123 is optional. As a result, the Company continues to apply Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock compensation plans. However, in accordance with SFAS 123, pro forma disclosures as if the Company adopted the cost recognition requirements under SFAS 123 are presented below. The fair value of options granted in 1999, 1998 and 1997 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Year Ended December 31,	1999	1998	1997
Risk-free interest rate	4.91% – 5.44%	5.55% – 5.64%	6.12% – 6.61%
Expected dividend yield	0%	0%	0%
Expected volatility	30.73%	29.31%	24.70%
Expected lives	five years	five years	five years

The weighted average grant date fair value of options granted during 1999, 1998 and 1997 was $5.67, $7.69, and $6.17, respectively. The weighted average purchase price and weighted average fair value of shares issued under the ESPP in 1999 was $11.48 and $13.00 respectively.

Had the Company used the fair value methodology for determining compensation expense, the Company's net income and earnings per share would approximate the pro forma amounts below (in thousands except per share data):

Year Ended December 31,	1999	1998	1997
Net income - as reported	$ 13,285	$ 12,581	$ 11,100
Net income - pro forma	12,887	12,244	10,507
Diluted earnings per share - as reported	2.01	1.90	1.68
Diluted earnings per share - pro forma	1.95	1.85	1.59

11. Shareholder Rights Plan:

In June 1999, the Board of Directors adopted a Shareholder Rights Plan (the "Plan") designed to ensure fair and equal treatment for all shareholders in the event of a proposed acquisition of the Company by enhancing the ability of the Board of Directors to negotiate more effectively with a prospective acquiror, and reserved 150,000 shares of Series A Junior Participating Preferred Stock ("Preferred Stock") for purposes of the Plan. In connection with the adoption of the Plan, the Board of Directors declared a dividend distribution of one preferred stock purchase right (a "Right") per share of common stock, payable to shareholders of record on July 9, 1999. Each right represents the right to purchase one one-hundredth of a share of Preferred Stock at a price of $83.00, subject to adjustment. The Rights will be exercisable only if a person or group acquires, or commences a tender offer to acquire, 15% or more of the Company's outstanding shares of common stock. Subject to the terms of the Plan and upon the occurrence of certain events, each Right would entitle the holder to purchase common stock of the Company, or of an acquiring company in certain circumstances, having a market value equal to two times the exercise price of the Right. The Company may redeem the Rights at a price of $0.01 per Right under certain circumstances.

12. Commitments and Contingencies:

Litigation

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. The Company maintains insurance coverage against potential claims in amounts which it believes to be adequate. Management believes that it is not presently a party to any litigation, the outcome of which would have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Commitments

As of December 31, 1999, the Company had outstanding raw material purchase commitments of approximately $10.8 million.

13. Income Taxes:

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

Year Ended December 31,	1999	1998	1997
Current:			
Federal	$ 6,845	$ 5,076	$ 3,189
State	1,092	1,114	619
Deferred:			
Federal	742	1,972	2,624
State	85	227	386
	$ 8,764	$ 8,389	$ 6,818

The difference between the effective income tax rate and the statutory U.S. Federal income tax rate is explained as follows:

Year Ended December 31,	1999	1998	1997
Provision at statutory rate	$ 7,717	$ 7,340	$ 6,092
State provision, net of federal benefit	766	951	896
Other	281	98	(170)
	$ 8,764	$ 8,389	$ 6,818

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities are presented below:

December 31,	1999	1998
Deferred tax assets:		
Trade receivables, net	$ 29	$ –
Property and equipment	–	69
Accrued employee benefits	611	632
Inventories	460	378
Net operating loss carryforwards	1,493	1,980
Other	–	65
Total deferred tax assets	$ 2,593	$ 3,124
Deferred tax liabilities:		
Trade receivables, net	$ –	$ (895)
Property and equipment	(10,065)	(7,620)
Total deferred tax liabilities	(10,065)	(8,515)
Net deferred tax liabilities	$ (7,472)	$ (5,391)
Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:		
Deferred tax assets - current	$ 1,502	$ 1,794
Deferred tax liabilities - noncurrent	(8,974)	(7,185)
Net deferred tax liabilities	$ (7,472)	$ (5,391)

As of December 31, 1999, the Company had approximately $3.8 million of net operating loss carryforwards as a result of the acquisition of Thompson Pipe and Steel which are limited in their use to approximately $348 per year during the 15 year carryforward period which expires in 2011.

14. Segment Information:

The Company has adopted SFAS No. 131, “Disclosures about Segments of and Enterprise and Related Information” which requires disclosure of financial and descriptive information about the Company’s reportable operating segments. The operating segments reported below are based on the nature of the products sold by the Company and are the segments of the Company for which separate financial information is available and for which operating results are regularly evaluated by executive management to make decisions about resources to be allocated to the segment and assess its performance. Management evaluates segment performance based on segment gross profit. There were no material transfers between segments in the periods presented.

The Company’s Water Transmission segment manufactures and markets large diameter, high pressure steel pipe used primarily for water transmission. Water Transmission products are custom manufactured in accordance with project specifications and are used primarily for high pressure water transmission pipelines in the United States and Canada. Water Transmission products are manufactured in Portland, Oregon; Denver, Colorado; Adelanto and Riverside, California; Parkersburg, West Virginia and Saginaw, Texas facilities and are sold primarily to public water agencies either directly or through an installation contractor.

The Company’s Tubular Products segment manufactures and markets smaller diameter, electric resistance welded steel pipe for use in a wide range of construction, agricultural, energy and industrial applications. Tubular Products are manufactured in the Company’s Portland, Oregon; Atchison, Kansas; Houston, Texas; Bossier City, Louisiana; and Monterrey, Mexico facilities. Tubular Products are marketed through a network of direct sales force personnel and independent distributors throughout the United States and Canada.

Based on the location of the customer, the Company sold products only in the United States and Canada. As of December 31, 1999, all material long-lived assets are located in the United States.

Year Ended December 31,	1999	1998	1997
Net sales:			
Water transmission	$ 137,418	$ 124,612	$ 99,317
Tubular products	102,889	84,904	51,516
Total	$ 240,307	$ 209,516	$ 150,833
Gross profit:			
Water transmission	$ 32,348	$ 28,718	$ 22,733
Tubular products	16,556	12,946	8,384
Total	$ 48,904	$ 41,664	$ 31,117
Interest expense, net:			
Water transmission	$ 3,056	$ 2,220	$ 1,681
Tubular products	5,009	2,615	136
Total	$ 8,065	$ 4,835	$ 1,817
Depreciation and amortization of property and equipment:			
Water transmission	$ 2,587	$ 1,916	$ 1,781
Tubular products	1,750	1,150	387
Total	4,337	3,066	2,168
Corporate	167	125	74
Total	$ 4,504	$ 3,191	$ 2,242
Amortization of intangible assets:			
Water transmission	$ –	$ –	$ –
Tubular products	586	494	–
Total	$ 586	$ 494	$ –
Capital expenditures:			
Water transmission	$ 5,673	$ 7,302	$ 8,235
Tubular products	2,948	8,656	12,898
Total	8,621	15,958	21,133
Corporate	5,532	227	1,087
Total	$ 14,153	$ 16,185	$ 22,220
Net sales by geographic area:			
United States	$ 232,663	$ 204,904	$ 144,399
Canada	7,644	4,612	6,434
Total	$ 240,307	$ 209,516	$ 150,833
Total assets:			
Water transmission	$ 116,022	$ 117,128	
Tubular products	119,529	108,853	
Total	235,551	225,981	
Corporate	12,720	8,170	
Total	$ 248,271	$ 234,151	

No one customer represented more than 10% of total sales in 1999, 1998 or 1997.

15. Quarterly Data (Unaudited):

Summarized quarterly financial data for 1999 and 1998 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999				
Net sales:				
Water transmission	$ 35,706	$ 33,014	$ 36,086	$ 32,612
Tubular products	21,825	27,997	27,236	25,831
Total net sales	$ 57,531	$ 61,011	$ 63,322	$ 58,443
Gross profit:				
Water transmission	$ 8,149	$ 7,384	$ 7,980	$ 8,835
Tubular products	2,865	4,414	5,294	3,983
Total gross profit	$ 11,014	$ 11,798	$ 13,274	$ 12,818
Net income	$ 2,643	$ 3,095	$ 3,864	$ 3,683
Earnings per share:				
Basic	$ 0.41	$ 0.48	$ 0.60	$ 0.57
Diluted	$ 0.40	$ 0.47	$ 0.58	$ 0.56
1998				
Net sales:				
Water transmission	$ 21,904	$ 27,866	$ 36,214	$ 38,628
Tubular products	16,336	26,144	23,054	19,370
Total net sales	$ 38,240	$ 54,010	$ 59,268	$ 57,998
Gross profit:				
Water transmission	$ 3,997	$ 6,151	$ 9,383	$ 9,187
Tubular products	2,504	4,850	2,814	2,778
Total gross profit	$ 6,501	$ 11,001	$ 12,197	$ 11,965
Net income	$ 1,723	$ 3,241	$ 4,226	$ 3,391
Earnings per share:				
Basic	$ 0.27	$ 0.50	$ 0.66	$ 0.53
Diluted	$ 0.26	$ 0.49	$ 0.64	$ 0.51

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of Northwest Pipe Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Northwest Pipe Company and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Portland, Oregon
February 21, 2000

OFFICERS

William R. Tagmyer, 62
Chairman of the Board and
Chief Executive Officer
1986*

Brian W. Dunham, 42
President and
Chief Operating Officer
1990*

Charles L. Koenig, 57
Vice President
Water Transmission
1992*

Robert L. Mahoney, 38
Vice President
Corporate Development
1992*

Terrence R. Mitchell, 44
Vice President
Tubular Products
1985*

John D. Murakami, 46
Vice President
Chief Financial Officer
1995*

Vicky L. Snyder, 52
Secretary
Director of Investor Relations
1991*

Gary A. Stokes, 48
Vice President
Sales and Marketing
1987*

*Year joined company.

BOARD OF DIRECTORS

William R. Tagmyer, 62
Chairman of the Board and
Chief Executive Officer
Northwest Pipe Company
Portland, Oregon
1986*

Brian W. Dunham, 42
President and
Chief Operating Officer
Northwest Pipe Company
Portland, Oregon
1995*

Warren K. Kearns, 70
Principal
Warren Kearns Associates
Streetsboro, Ohio
1986*

Wayne B. Kingsley, 57
Chairman of the Board
American Waterways, Inc.
Portland, Oregon
1987*

Vern B. Ryles, 62
President and
Chief Executive Officer
Poppers Supply
Portland, Oregon
1986*

Neil R. Thornton, 69
Former President and
Chief Executive Officer
American Steel, L.L.C.
Portland, Oregon
1995*

*Year joined board.

INVESTOR INFORMATION

Corporate Headquarters
Northwest Pipe Company
12005 N. Burgard
Portland, Oregon 97203

Stock Listing
Northwest Pipe Company's common stock is traded on the Nasdaq National Market System under the symbol NWPX.

Common Stock Prices and Dividends

Quarter	Low	High
1999		
First	$ 12¾	$ 17½
Second	13½	18⅜
Third	15⅛	18½
Fourth	11⅛	15¼
1998		
First	$ 17¾	$ 24½
Second	20⅜	24⅛
Third	16	23¾
Fourth	14⅞	18½

There were 79 shareholders of record and approximately 2,300 beneficial shareholders at March 6, 2000. There were no cash dividends declared or paid in fiscal years 1998 or 1999. The company does not anticipate paying cash dividends in the foreseeable future.

Transfer Agent & Registrar
The transfer agent and registrar for Northwest Pipe stock is:
ChaseMellon Shareholder Services
P.O. Box 3315
South Hackensack, New Jersey 07606
800.522.6645

Public/Shareholder Information
Financial analysts, stockbrokers, interested investors and others can obtain a copy of the company's 1999 10-K filed with the Securities and Exchange Commission by contacting:

Vicky Snyder
Director of Investor Relations
Northwest Pipe Company
12005 N. Burgard
Portland, Oregon 97203
503.382.2346
vsnyder@nwpipe.com

Additional information about the company can be obtained by calling the company's investor relations department or by accessing the web site.

Web Site Address
www.nwpipe.com

Annual Meeting
The annual meeting of Northwest Pipe shareholders will be:

Tuesday, May 2, 2000
9:00 a.m.
Heathman Hotel
1001 S. W. Broadway
Portland, Oregon 97205
503.241.4100

Proxy material will be mailed to shareholders of record prior to the meeting.

Independent Public Accountants
PricewaterhouseCoopers LLP
Portland, Oregon

Legal Counsel
Ater Wynne LLP
Portland, Oregon

Northwest Pipe Company

12005 N. Burgard

Portland, Oregon 97203